



# Sacramento Transportation Authority

## Presentation to Board of Directors

**Presented by PFM Financial Advisors LLC**  
**Peter Shellenberger, Managing Director**

August 11, 2022

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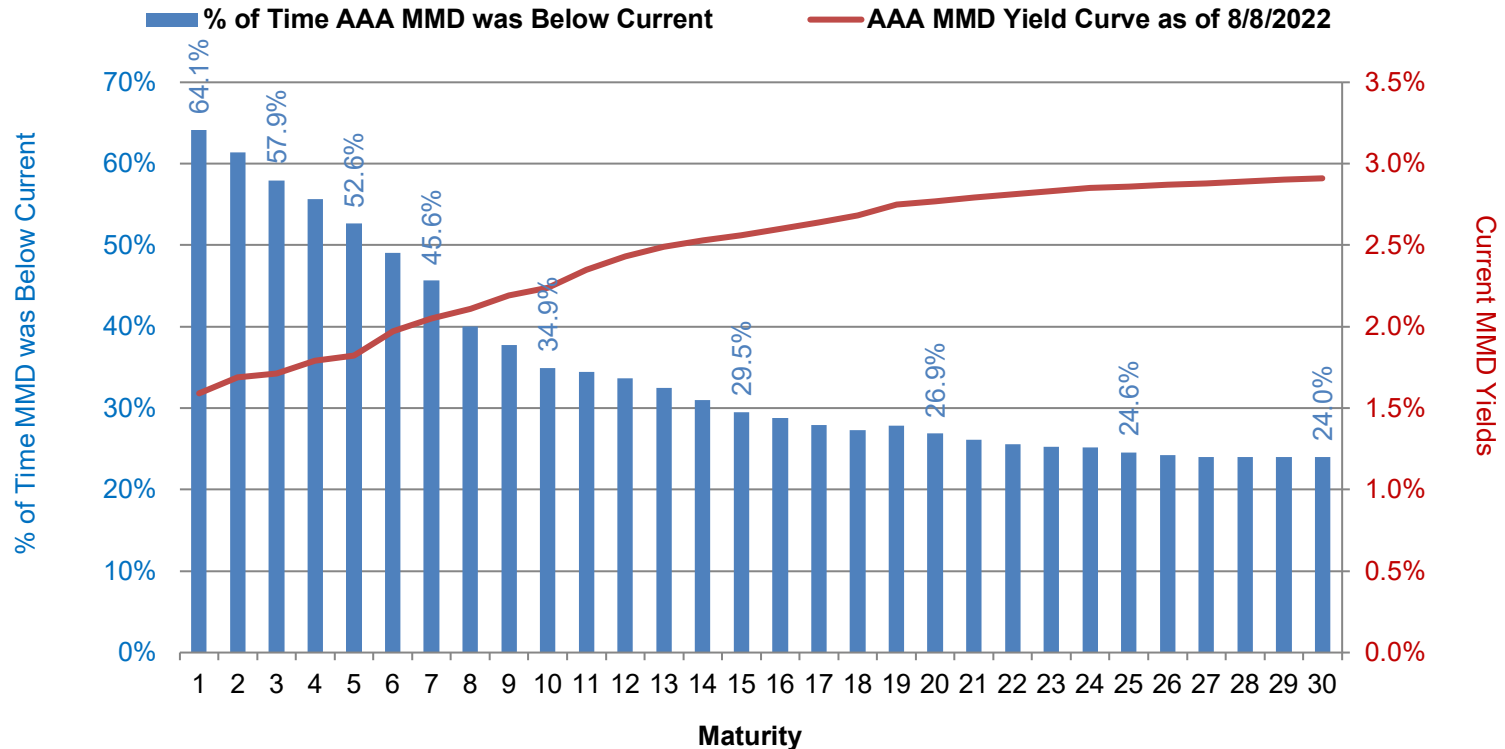
## I) Market Update



# AAA Municipal Rates

- ◆ Even though rates have increased through 2022, they remain attractive from a historical perspective, particularly on the long end of the yield curve

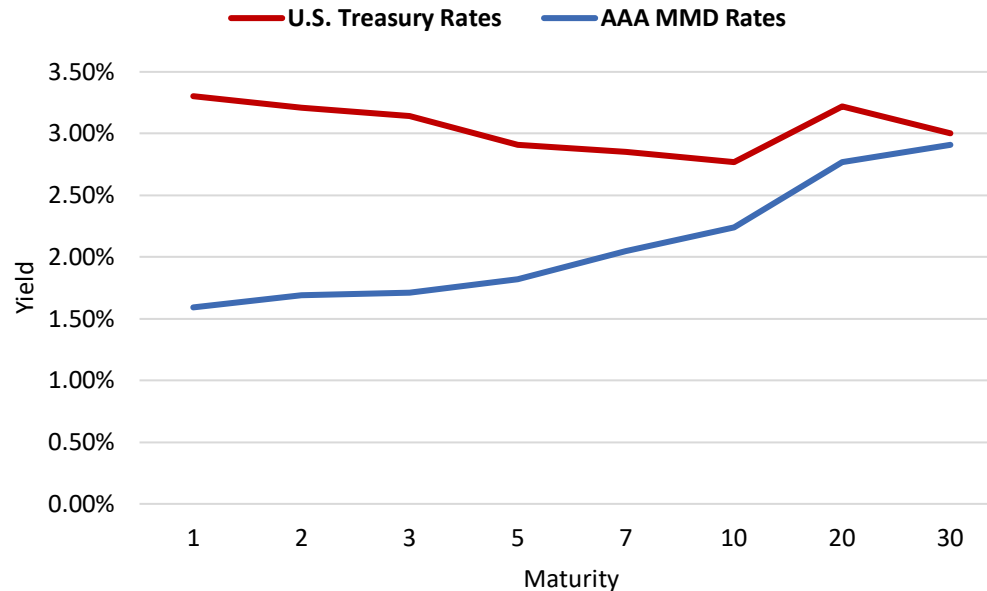
## AAA MMD Yield Curve





## Treasury Rates vs. Municipal Market Rates

- ◆ The Taxable US Treasury curve is currently very flat, with some slight inversion (i.e., short-term rates higher than long-term rates), sometimes an indicator of a potential recession
- ◆ Short-term, tax-exempt rates are significantly lower than US Treasury bonds in current market



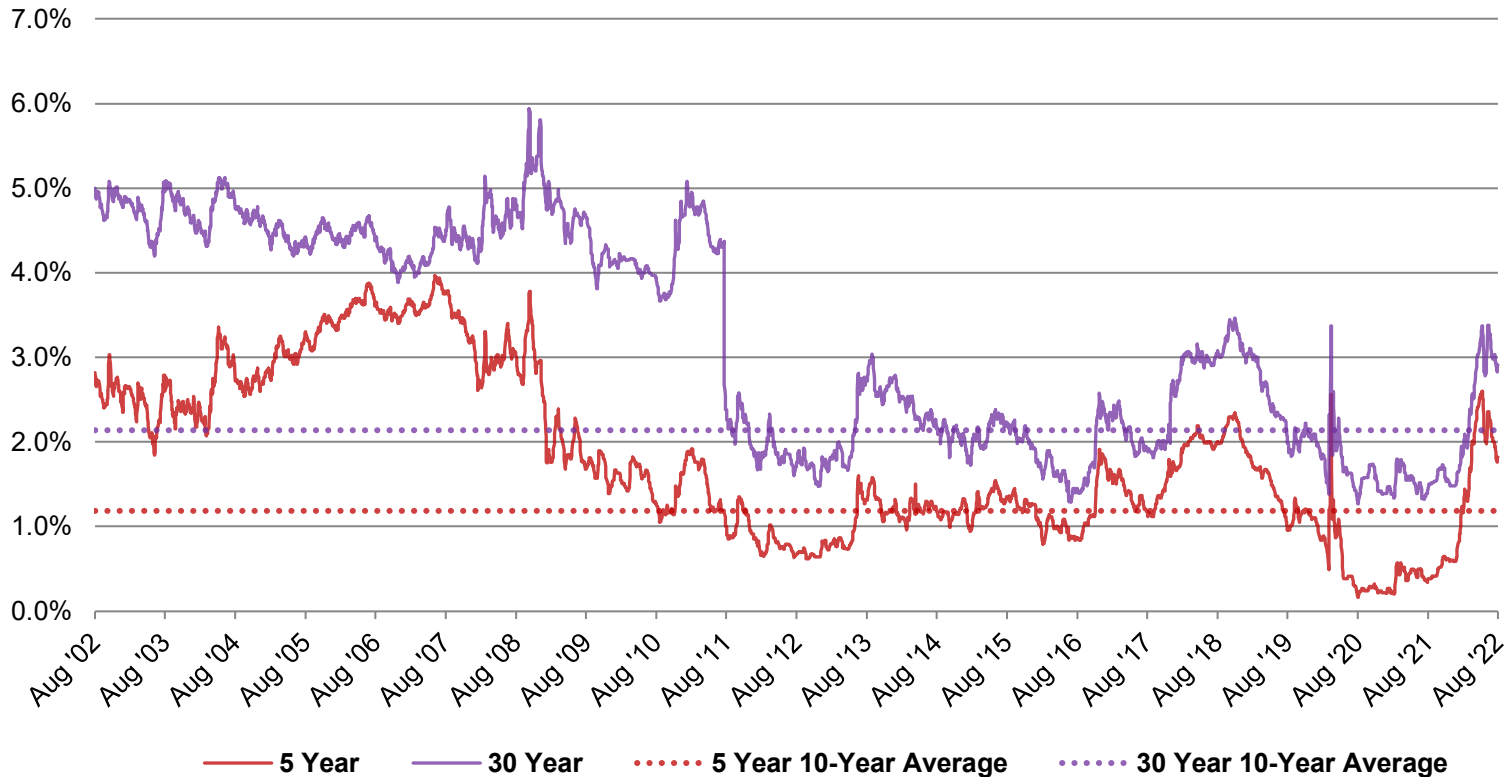
	1	2	3	5	7	10	20	30
U.S. Treasury Rates	3.30%	3.21%	3.14%	2.91%	2.85%	2.77%	3.22%	3.00%
AAA MMD Rates	1.59%	1.69%	1.71%	1.82%	2.05%	2.24%	2.77%	2.91%



## Historic Benchmark Rates (Tax-exempt)

- The 30-Year AAA MMD is 2.91%, 77 basis points (bps) above its 10-year average (2.14%)
- The 5-Year AAA MMD is 1.82%, 64 basis points (bps) above its 10-year average (1.18%)

### Historical MMD Rates





# Municipal Market Supply

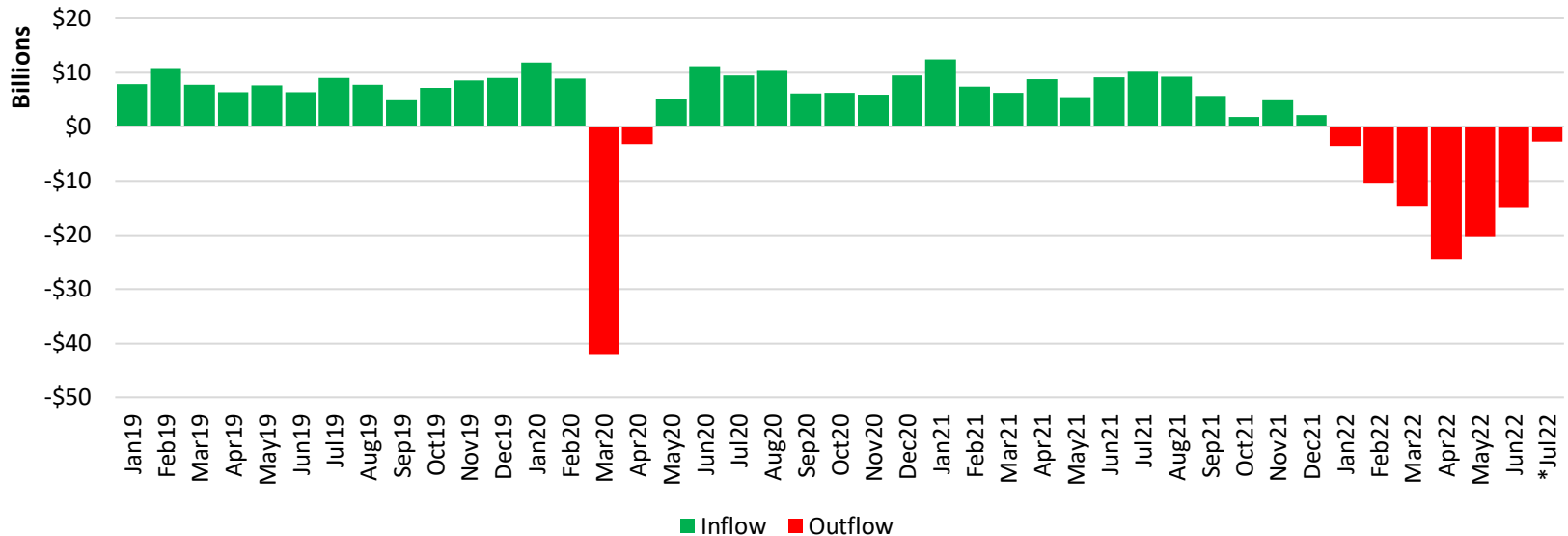
- ◆ Total issuance volume through July 2022 is 13.5% lower than 2021 issuance through July, largely due to higher interest rates

Monthly Municipal Market Supply over Past Six Years (in Billions)							
Month	2017	2018	2019	2020	2021	2022	% Change
January	\$36.0	\$21.5	\$25.1	\$32.8	\$28.2	\$26.2	-6.9%
February	23.4	17.9	26.5	42.2	37.1	30.9	-16.6%
March	32.9	26.1	27.9	20.3	47.8	44.9	-5.9%
April	30.7	31.5	28.2	31.6	37.1	38.9	4.7%
May	38.7	35.1	29.2	31.0	35.4	35.4	0.0%
June	39.3	33.4	36.7	52.4	50.4	34.6	-31.4%
July	25.0	27.7	30.2	47.8	37.5	25.6	-31.7%
August	37.5	34.0	39.5	43.4	43.7	-	-
September	29.7	25.2	37.4	53.5	44.7	-	-
October	40.1	36.6	55.8	73.4	40.3	-	-
November	45.4	27.8	47.3	21.4	35.9	-	-
December	69.8	22.0	42.5	34.8	38.2	-	-
<b>Total</b>	<b>\$448.6</b>	<b>\$338.9</b>	<b>\$426.3</b>	<b>\$484.6</b>	<b>\$476.1</b>	<b>-</b>	<b>-</b>
<b>% Change</b>		<b>-24.4%</b>	<b>25.8%</b>	<b>13.7%</b>	<b>-1.7%</b>		
<b>YTD Total (July)</b>	<b>\$226.0</b>	<b>\$193.3</b>	<b>\$203.8</b>	<b>\$258.1</b>	<b>\$273.3</b>	<b>\$236.4</b>	<b>-13.5%</b>



# Municipal Market Demand

- Mutual funds are one of the largest investors in municipal bonds and the net inflow or net outflow from mutual funds is indicative of demand for municipal bonds
- Mutual funds have experienced significant outflows in 2022 as investors pulled money out of bond funds to shore up liquidity for an uncertain year
- Despite these supply-demand dynamics there is still demand for municipal bonds and municipal transactions continue to get accomplished at fairly attractive rates



\*Estimated Net Cash Flow



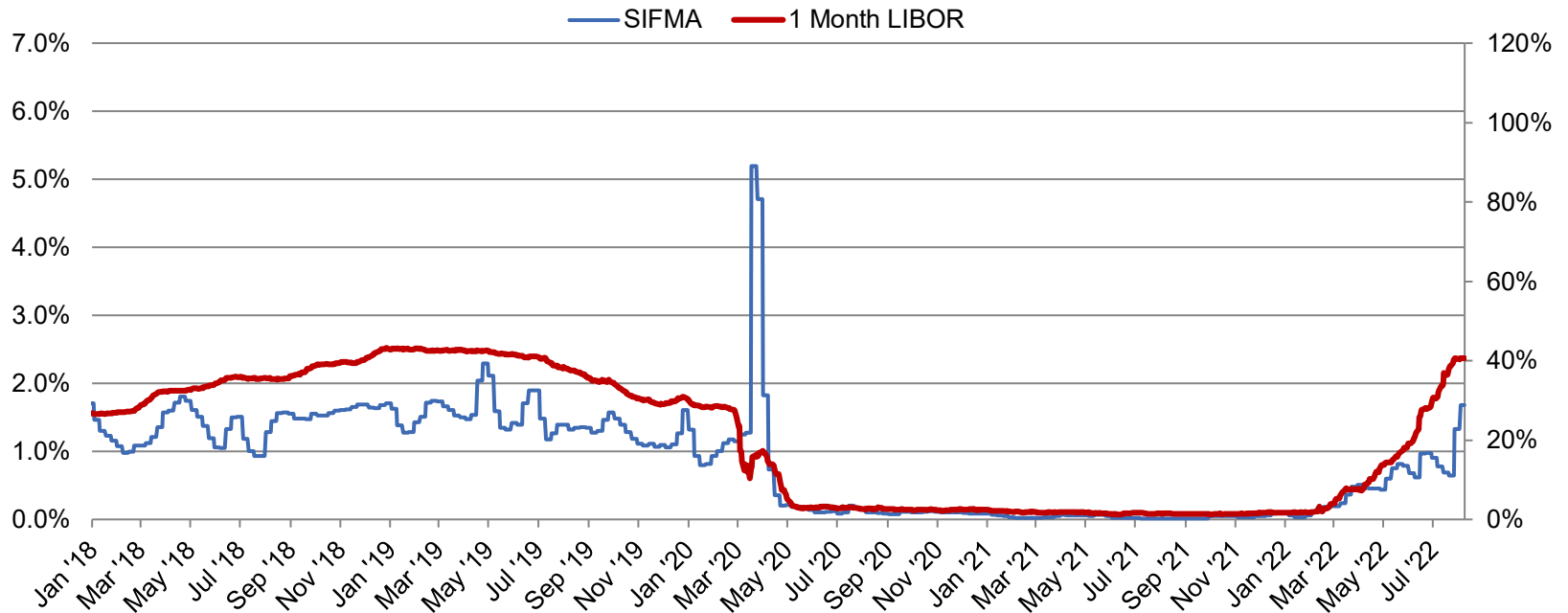


## SIFMA and 1-Month LIBOR

- Short-term rates were near-zero during the pandemic. The FOMC has increased the Fed-Funds rate to control inflation, leading to increased tax-exempt (SIFMA) and taxable (LIBOR) short-term rates as well

Average Rates		
Period	SIFMA	1M LIBOR
Pre-COVID	1.44%	2.12%
Current	1.68%	2.37%

**SIFMA vs. 1-Month LIBOR** (January 2018 to August 2022)





## FOMC Meeting and Interest Rate Forecast

- The Federal Reserve forecasts additional 2 to 3 rate hikes by the end of 2022
- A recent Bloomberg survey of economists indicates an expectation that rates will rise roughly 105 bps by Q4 of 2022

The Street's Interest Rate Forecast											
Forecast	Aug-2022	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
<b>Federal Funds Rate (Upper Bound)</b>	2.50 %	3.05 %	3.55 %	3.65 %	3.60 %	3.40 %	3.30 %	3.10 %	3.00 %	2.90 %	2.80 %
<b>Federal Funds Rate (Lower Bound)</b>	2.25 %	2.79 %	3.30 %	3.40 %	3.35 %	3.15 %	3.04 %	2.82 %	2.73 %	2.62 %	2.55 %
<b>3-Month SOFR</b>	2.69 %	2.84 %	3.30 %	3.45 %	3.45 %	3.21 %	2.97 %	2.72 %	2.67 %	2.54 %	2.51 %
<b>2-Yr UST</b>	3.20 %	3.31 %	3.41 %	3.40 %	3.27 %	3.10 %	3.01 %	3.15 %	3.06 %	3.09 %	3.11 %
<b>10-Yr UST</b>	2.77 %	3.30 %	3.30 %	3.29 %	3.23 %	3.15 %	3.09 %	3.26 %	3.23 %	3.29 %	3.31 %
<b>30-Yr UST</b>	3.00 %	3.37 %	3.42 %	3.40 %	3.37 %	3.30 %	3.25 %	3.41 %	3.40 %	3.48 %	3.52 %



## **II. Debt Portfolio and Refunding Transaction**



## Summary of Outstanding Debt

- STA has modest debt outstanding in the par amount of \$348.7 million

**Sacramento Transportation Authority Debt Summary**

SERIES	OUTSTANDING PAR	FINAL MATURITY	MODE	SBPA/DIRECT PURCHASE	EXPIRATION/TENDER DATE	REMARKETING AGENT
2009C	\$106,100,000	10/1/2038	Weekly VRDB	US Bank N.A. SBPA	11/20/2022	US Bank
2012	\$30,400,000	10/1/2027	Fixed Rate	N/A	N/A	N/A
2014A	\$106,100,000	10/1/2038	Weekly VRDB	Sumitomo Mitsui Banking Corp.	10/30/2024	Wells Fargo
2015A	\$106,100,000	10/1/2038	Weekly VRDB	Sumitomo Mitsui Banking Corp.	5/12/2023	JP Morgan
<b>TOTAL</b>	<b>\$348,700,000</b>					

- The Authority's three swaps have a market valuation of (\$55.7 million)

- None of the swaps have a collateral posting requirement and all of the swaps have performed as anticipated

**Sacramento Transportation Authority Swaps Summary**

ASSOCIATED SERIES	AUTHORITY PAYS	AUTHORITY RECEIVES	EFFECTIVE DATE	TERMINATION DATE	NOTIONAL AMOUNT	COLLATERAL THRESHOLD AMOUNTS Aa3/AA+	COUNTERPARTY	CURRENT MARKET VALUATION
2009C	3.736%	67% of 1-month LIBOR	10/1/2009	10/1/2038	106,100,000	Not Applicable	Bank of America N.A.	(\$19,198,625)
2014A	3.736%	67% of 1-month LIBOR	10/1/2009	10/1/2038	106,100,000	Not Applicable	Goldman Sachs Capital Markets	(\$19,201,492)
2015A	3.666%	67% of 3-month LIBOR	10/1/2009	10/1/2038	106,100,000	Not Applicable	JP Morgan Chase Bank N. A	(\$17,330,935)
<b>TOTAL</b>					<b>\$318,300,000</b>			<b>(\$55,731,052)</b>

Market Valuations are dated 6/30/2022 from PFM Swap Advisors



# Sales Tax Refunding Bonds, Series 2022A

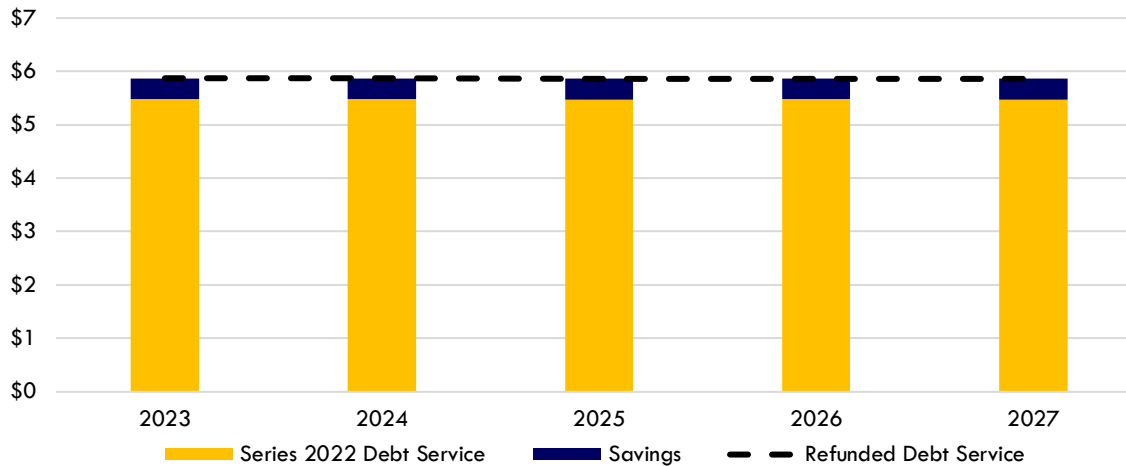
## Debt Service Savings\*

Date	8/8/2022	6/24/2022	5/9/2022
Par Amount	\$24,225,000	\$24,405,000	\$24,575,000
TIC	2.193%	2.436%	2.600%
Gross Savings	\$2,621,917	\$1,778,750	\$1,598,864
Net Present Value Savings	\$2,504,619	\$1,665,850	\$1,491,308
NPV Savings %	9.654%	6.421%	5.758%

## Structure Overview\*

- **Par Amount:** \$24.2 million
- **Tax-Status:** Tax-exempt
- **Coupon:** Fixed rate bonds
- **Reserve Fund:** None
- **Call Feature:** Non-callable
- **Final Maturity:** 10/1/2027
- **Debt Service:** Level

## Series 2022A Debt Service and Refunding Savings (\$MM)



## Preliminary Sources and Uses\*

### Sources

Principal Amount	\$24,225,000.00
Original Issue Premium	2,114,934.30
DSRF Release	5,660,000.00
Debt Service Fund	5,326,375.00

**Total Sources \$37,326,309.30**

### Uses

Escrow Fund	\$31,271,375.00
Capital Project of the Authority	5,660,000.00
Cost of Issuance	394,934.30

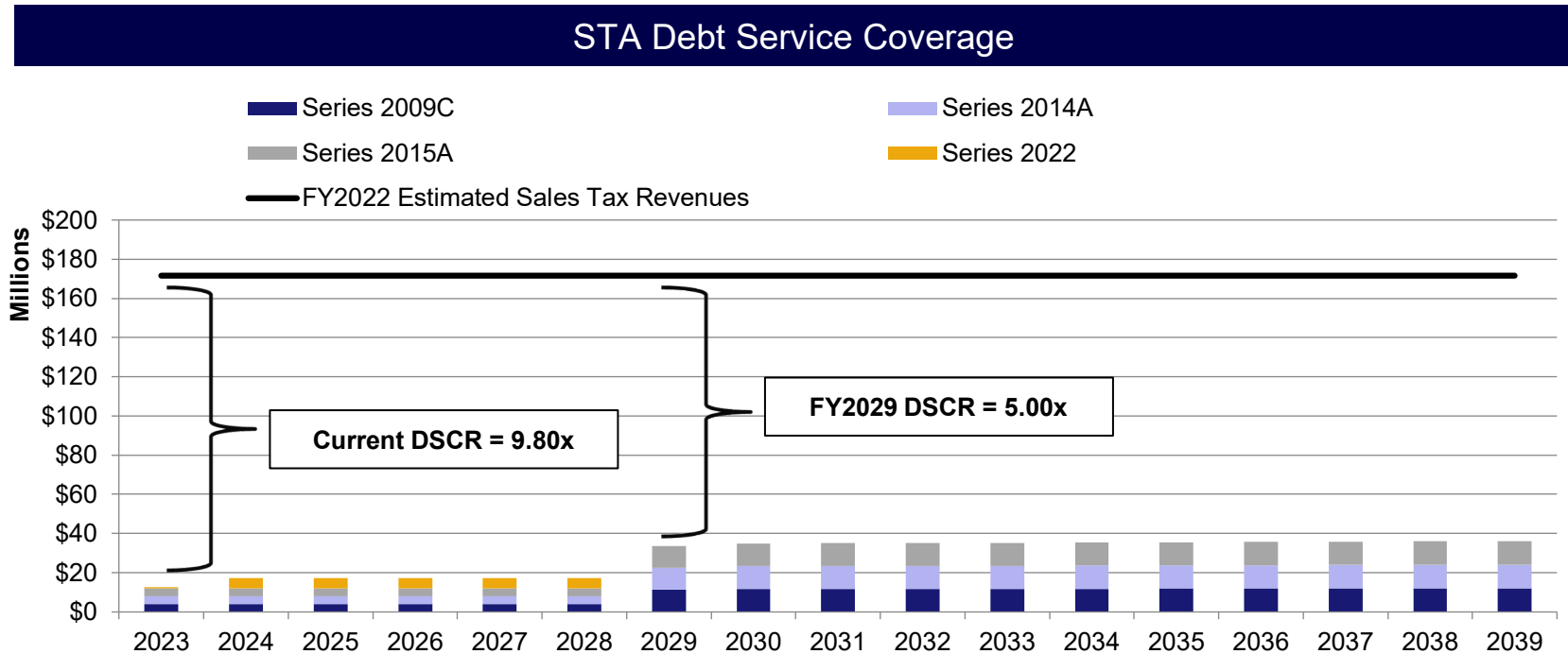
**Total Uses \$37,326,309.30**

\*Preliminary, subject to change; \*\* For current market update only



## STA Debt Service Coverage

- The Authority's "AAA" ratings are supported by very high debt service coverage levels
- The FY2022 estimated sales tax revenues of \$171.5 million provides a debt service coverage ratio of 9.80x for the current fiscal year and 5.00x for FY2029





## Next Steps



## Next Steps

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- ◆ Post the Preliminary Official Statement (POS): August 15<sup>th</sup>
- ◆ Investor Outreach: August 16<sup>th</sup> – 23<sup>rd</sup>
- ◆ Bond Pricing: August 24<sup>th</sup>
- ◆ Bond Closing: September 27<sup>th</sup>
- ◆ Call Date of 2012 Bonds: October 1<sup>st</sup>





## Disclosures

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