Presentation on Refunding of Variable Rate Bonds

May 11, 2023

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Summary

Interest rate and market conditions still favor the full refinancing of the bonds.

Authority staff and PFM Financial Advisors distributed an RFP and received 10 responses.

- All proposals confirmed the viability of our proposed plan.

5 of the firms were interviewed.

3 of the firms were selected for the potential transaction.

Underwriter Selection

Bank of America: senior manager

Wells Fargo: co-manager

Siebert Williams Shank: co-manager

Next Steps

Board for approval of the transaction during the June 16th Meeting.

Our projected closing date for the transaction will be early July, if market conditions remain stable.

If market conditions change, there is potential for a revised transaction or the delaying the transaction until the right market conditions arrive.

Sacramento Transportation Authority

Market Update and Refunding Analysis

Presented by PFM Financial Advisors LLC

May 11, 2023

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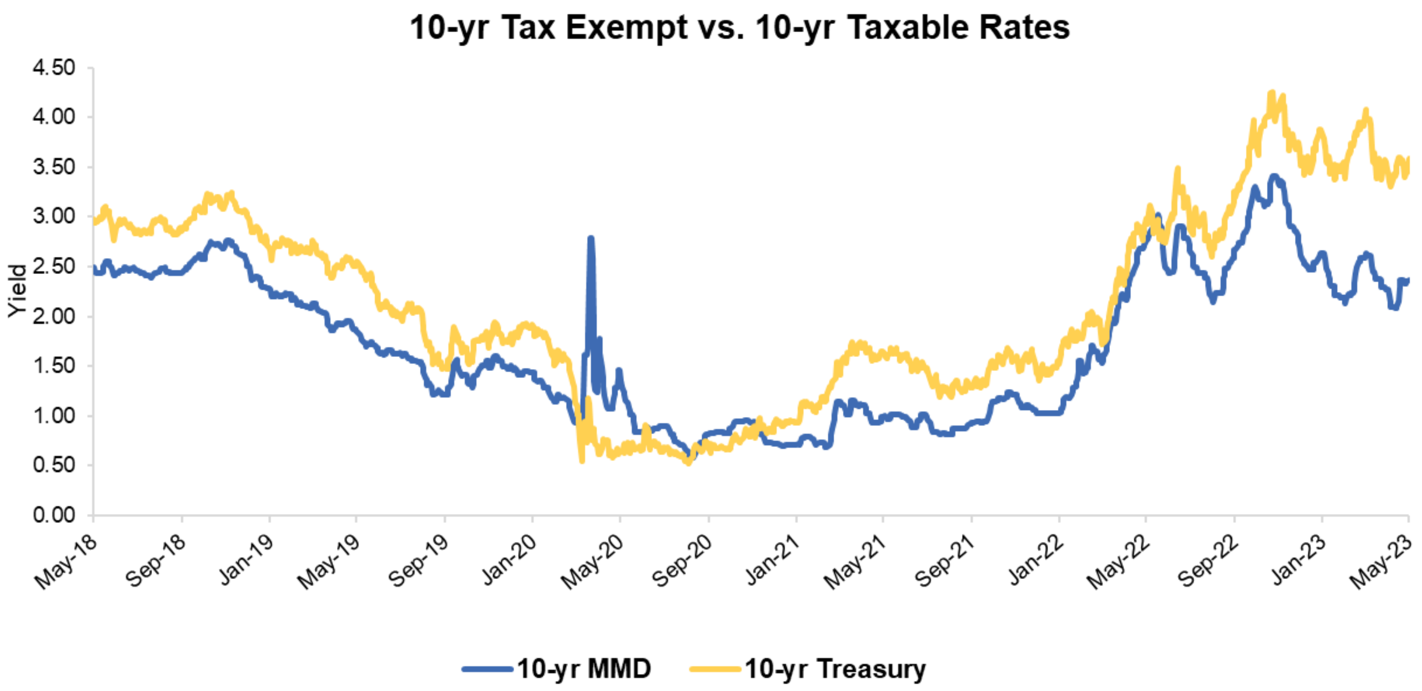
Recent Interest Rate Changes

Taxable rates have increased = lowering STA's swap terminationcost

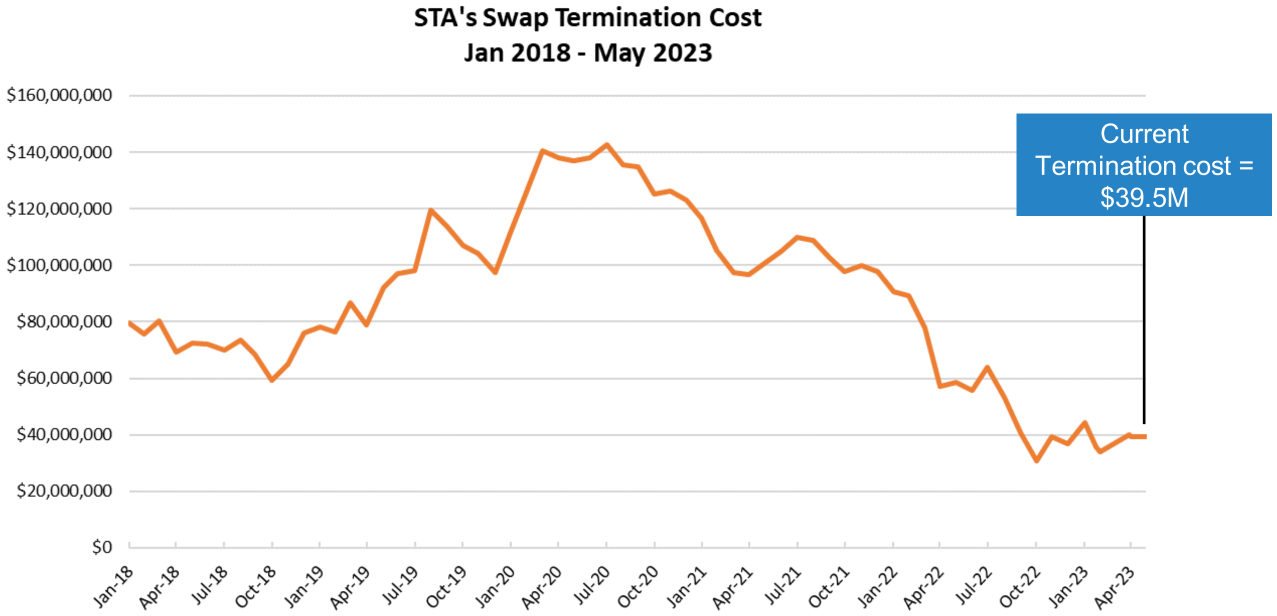
Tax exempt rates have remained relatively low = STA's borrowing costs are attractive



Swap Termination Costs Have Decreased in Recent Months

The cost to terminate STA's interest rate swaps is currently near the low-point compared to the last five years

- Termination costs reached $140 million during the low-rate period of the pandemic and are now approximately $39 million



Potential Refunding of Interest Rate Swaps and Variable Rate Bonds

STA Sacramento Transportation Authority

- Issue fixed rate bonds to:
  - Refund $318.3 million of variable rate bonds
  - Pay for $39 million termination cost of eliminating the interest rate swaps
  - Secure call option on the new bonds to refinance in 2033 for potential debt service savings

- Pros
  - Eliminates all variable rate bonds and interest rate swaps
  - Simplifies portfolio and reduces risk
  - Provides flexibility to refund fixed rate bonds in 2033 for potential future savings
  - Eliminates any uncertainty with upcoming (June 2023) LIBOR index transition

- Cons
  - Current rates increase total debt service costs by $9.32 million (NPV) through 2039: 2% increase
  - Would reduce funding available for the Five-Year Capital Improvement Program

Swap Termination & Refunding Results

Refunding all of the variable rate bonds and terminating the interest rate swaps by issuing new fixed rate bonds would increase debt service by $9.3 million (Net Present Value) through 2039: a 2% increase in debt service through 2039

The new bonds could be refunded in 2033 with the potential for savings at that time

Date	Prior Debt Sevice	Refunding Debt Service	Gross Savings	NPV Savings
6/30/2024	11,745,771.26	10,890,050.69	855,720.57	871,742.93
6/30/2025	12,713,901.29	15,136,750.00	(2,422,848.71)	(2,317,471.82)
6/30/2026	12,737,325.37	15,136,750.00	(2,399,424.63)	(2,233,669.82)
6/30/2027	12,772,318.04	15,136,750.00	(2,364,431.96)	(2,142,698.56)
6/30/2028	12,795,742.04	15,136,750.00	(2,341,007.96)	(2,065,652.35)
6/30/2029	34,456,408.07	34,636,750.00	(180,341.93)	(132,834.82)
6/30/2030	35,685,281.47	35,874,375.00	(189,093.53)	(138,022.84)
6/30/2031	35,587,140.28	35,773,625.00	(186,484.72)	(133,734.07)
6/30/2032	35,660,324.08	35,845,125.00	(184,800.92)	(130,202.74)
6/30/2033	35,663,234.68	35,848,250.00	(185,015.32)	(128,573.25)
6/30/2034	35,745,161.68	35,929,500.00	(184,338.32)	(129,954.50)
6/30/2035	35,754,422.11	35,940,250.00	(185,827.89)	(128,220.18)
6/30/2036	35,831,368.70	36,017,000.00	(185,631.30)	(125,527.25)
6/30/2037	35,804,438.68	35,991,875.00	(187,436.32)	(125,636.12)
6/30/2038	35,876,456.48	36,066,000.00	(189,543.52)	(126,145.54)
6/30/2039	35,874,791.94	36,064,625.00	(189,833.06)	(125,542.48)
Total	**$454,704,086.17**	**$465,424,425.69**	**($10,720,339.52)**	**($9,312,143.40)**

*Rates as of 5/1/2023

Future Bonds Refunding

If STA refunds the callable bonds in 2033, the debt service savings is $15.3 million (net present value)

- Future rate assumption: The 20-year average of tax-exempt rates

Net overall savings of $5.9 million from the 2023 potential issuance

Date	Prior Debt Sevice	Refunding Debt Service	Gross Savings	NPV Savings
6/20/2034	3,983,750.00		3,983,750.00	3,952,037.12
6/20/2035	35,940,250.00	33,559,875.00	2,380,375.00	2,340,938.33
6/20/2036	36,017,000.00	33,640,625.00	2,376,375.00	2,300,326.71
6/20/2037	35,991,875.00	33,612,875.00	2,379,000.00	2,266,749.15
6/20/2038	36,066,000.00	33,684,750.00	2,381,250.00	2,233,326.82
6/20/2039	36,064,625.00	33,686,625.00	2,378,000.00	2,195,337.17
Total	**$184,063,500.00**	**$168,184,750.00**	**$15,878,750.00**	**$15,288,715.30**

Future Bonds Refunding – Breakeven Even Analysis

Rates would need be +120bps (1.20%) above their 20-year average in order to stay above ($9.3) million in debt service savings and breakeven compared to today's increase in debt service costs

2033 rates equivalent to the 20-year average + 1.20% = $9.3 million in debt service savings through 2039

Date	Prior Debt Sevice	Refunding Debt Service	Gross Savings	NPV Savings
6/20/2034	3,983,750.00		3,983,750.00	3,928,800.63
6/20/2035	35,940,250.00	34,765,125.00	1,175,125.00	1,141,506.97
6/20/2036	36,017,000.00	34,844,375.00	1,172,625.00	1,108,190.09
6/20/2037	35,991,875.00	34,819,750.00	1,172,125.00	1,077,697.91
6/20/2038	36,066,000.00	34,896,875.00	1,169,125.00	1,045,823.06
6/20/2039	36,064,625.00	34,896,125.00	1,168,500.00	1,016,969.35
Total	**$184,063,500.00**	**$174,222,250.00**	**$9,841,250.00**	**$9,318,988.02**

Appendix

Current Debt Portfolio

STA Sacramento Transportation Authority

STA has outstanding debt in the par amount of $342.5 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	11/20/2027	US Bank
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
2022	$24,245,000	10/1/2027	Fixed Rate	N/A	N/A	N/A
TOTAL	**$342,545,000**					

The Authority's three swaps have a market valuation of ($39.46 million)

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

Sacramento Transportation Authority Swaps Summary

ASSOCIATED SERIES	AUTHORITY PAYS	AUTHORITY RECIEVES	EFFECTIVE DATE	TERMINATION DATE	NOTIONAL AMOUNT	COLLATERAL THRESHOLD AMOUNTS Aa3/AA+	COUNTERPARTY	CURRENT MARKET VALUATION
2009C	3.74%	67% of 1-month LIBOR	10/1/2009	10/1/2038	106,100,000	Not Applicable	Bank of America N.A.	($13,668,994)
2014A	3.74%	67% of 1-month LIBOR	10/1/2009	10/1/2038	106,100,000	Not Applicable	Goldman Sachs Capital Markets	($12,125,253)
2015A	3.67%	67% of 3-month LIBOR	10/1/2009	10/1/2038	106,100,000	Not Applicable	JP Morgan Chase Bank N. A	($13,666,532)
TOTAL					**$318,300,000**			**($39,460,779)**

Market Valuations are dated 5/01/2023 from PFM Swap Advisors

Total Cost on Interest Rate Swap and Bonds

- STA's all-in cost of capital on the interest rate swaps is 4.01%, including all ancillary fees

Total Cost of Interest Rate Swap	
STA Pays	
Swap Fixed Rate	3.71%
Fees to Remarketing Agents	0.06%
Fees to Liquidity Providers	0.37%
Positive STA Bond/Swap Differential	(0.12%)
All in Cost:	**4.01%**

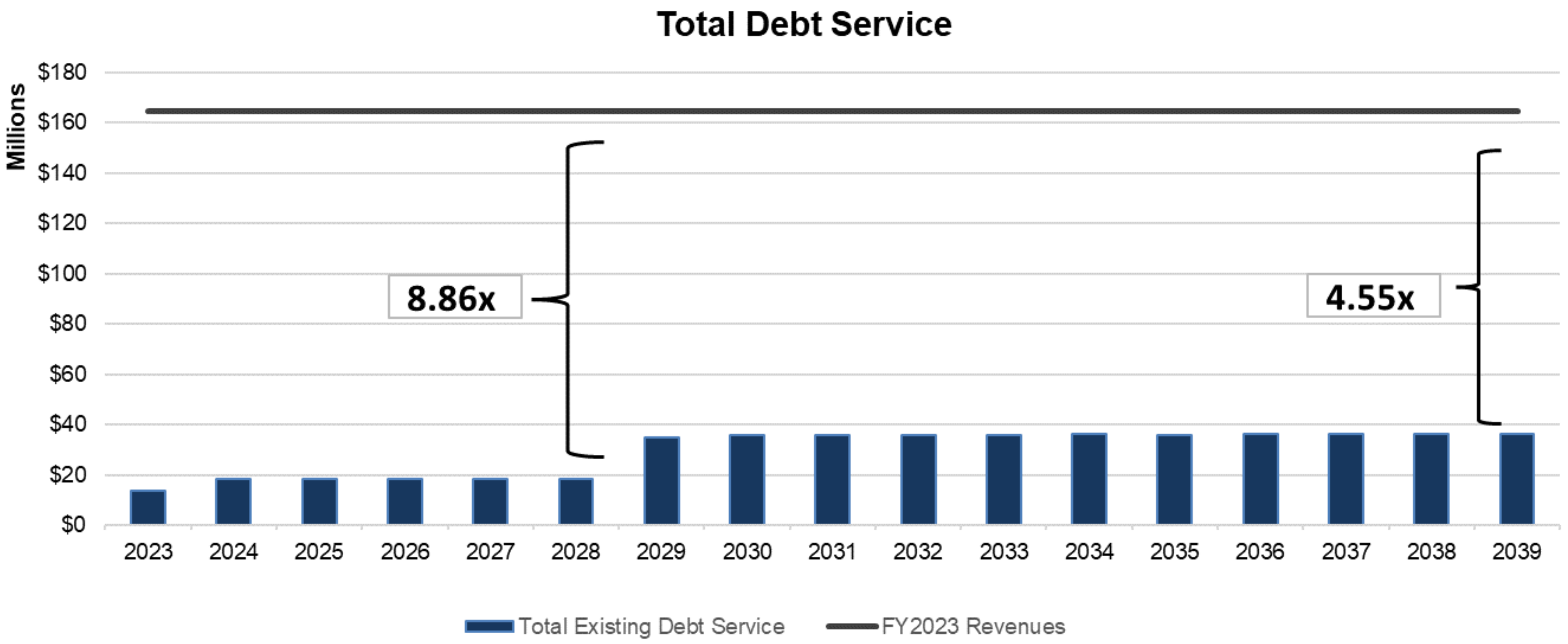
Debt Service Coverage Ratio

STA Sacramento Transportation Authority

Annual Debt Service ranges from $13.7 million in FY2023-28 to $36.1 million in FY2029-39

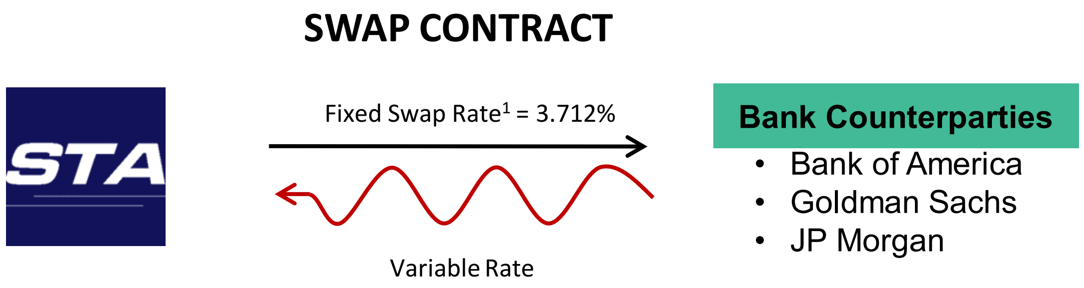
Annual Debt Service (DS) Coverage (with FY2022 budgeted revenues = $164.4 million)

- Annual DS coverage through 2028: 8.86x
- Maximum Annual DS coverage: 4.55x



Interest Rate Swap Overview

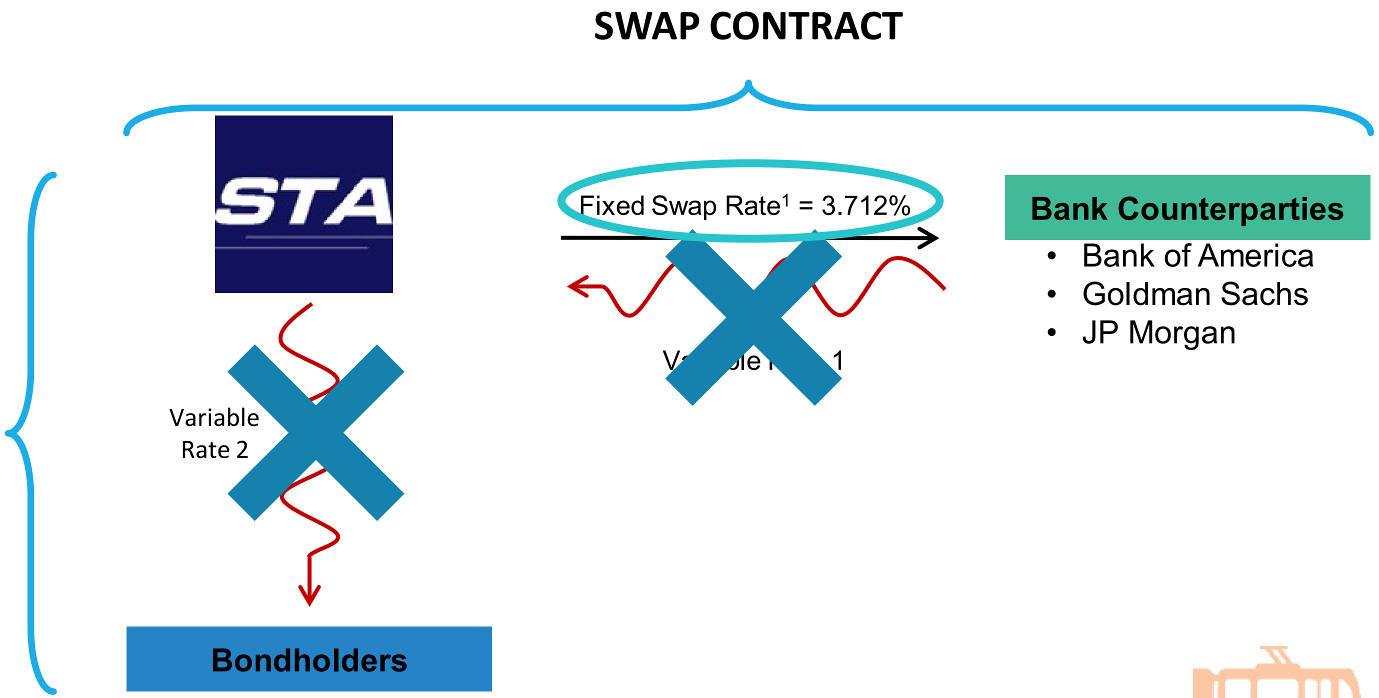
- An interest rate swap is *a contract* between two counterparties to exchange interest rate payments over time.
- Purpose: the swap contract locks in the fixed rate.



Interest Rate Swap Overview

Sacramento Transportation Authority

- The swap locks in the rate – the variable rate bonds raise funds for projects
- To the extent that *variable-rate-1* = *variable-rate-2* (i.e., inflows equal outflows) STA's net payment is the fixed swap rate



Thank You

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