October 12, 2017

Jerry Benson
President and CEO
Utah Transit Authority
669 West 200 South
Salt Lake City, Utah 84101

Jerry,

The purpose of this letter is to summarize recent rating changes related to UTA's outstanding debt, and also to provide feedback on how the Authority has managed its debt in recent years.

In June, 2006, Standard & Poor's upgraded the Authority's senior bond rating from "AA" to "AAA," the highest possible rating. It is important to point out that this happened *before* the significant borrowings that would occur over the next several years to construct the Frontlines 2015 projects (almost $1.6 billion between 2006 and 2010). It is also important to point out that UTA maintained this "AAA" rating from S&P all through the depths of the Great Recession in 2008 and 2009, which caused a significant drop in sales tax revenues, and resultant budgetary pressure and strain. You still hold that "AAA" rating today. The Authority's senior bond ratings from Moody's and Fitch are "Aa" and "AA."

As part of the large capital program which accompanied the Frontlines 2015 projects, UTA also issued subordinate debt, with slightly more lenient covenants, and commensurately lower ratings. Over the last five years, both S&P and Fitch have upgraded these subordinate bonds, such that, in Fitch's case, both the senior and subordinate bonds share the same "AA" ratings. S&P and Moody's rate UTA's subordinate bonds "A+" and "A1."

Over the last five years, UTA has taken a variety of steps to prudently manage its debt and to be in a better position financially. For instance, most of the bonds associated with the Frontlines projects were to be paid back over 30 years, which is very common for transit agencies. But since 2012, UTA has not added any new debt of that term. As a result, UTA's bonded indebtedness ends in 2042. You have essentially created five years of capacity that has not been (and isn't anticipated to be) used. In addition, UTA has eliminated interest rate exposure, by locking in fixed rate on the small portion of its debt that had been at a variable rate. Furthermore, UTA has completed a couple of debt refinancings that have smoothed out future debt service increases, and generated significant savings. At the same time, UTA established a "Debt Service Reserve and Rate Stabilization Fund" that will collect these savings, and is dedicated towards creating flexibility in the debt portfolio as opportunities arise to repay bonds early or smooth out debt service. All of these actions are seen and acknowledged by the rating agencies as positives for UTA's credit.

The approach UTA has used towards debt since the completion of the 2015 projects has been conservative and prudent. As the economy in the Authority's service area continues to grow, and sales tax receipts increase with this growth, we would expect that continued prudent use of and management of debt will lead to enhanced coverage ratios, and possible rating upgrades.

As always, it is a pleasure to work with the Authority and its excellent finance team. If you have any questions, please feel free to call me at (801) 844-7381.

Sincerely,

Brian Baker
Vice President
Zions Public Finance, INC.