March 19, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Series 2014A General Revenue Refunding Bonds

Issue

On March 11, 2014 the University of Utah (UU) sold revenue bonds with a par amount of $32,785,000 to refinance the following revenue bonds:

- Hospital Revenue Bonds, Series 2006A - $29,035,000
- Research Facilities Bonds, Series 2004A - $3,860,000
- Research Facilities Bonds, Series 2005A - $3,565,000

Background

On March 29, 2013 the Board authorized the University of Utah to restructure its debt portfolio from three separate bond systems into one consolidated “General Revenue Bond” structure. The Approving Resolution further authorized the UU to issue debt not to exceed $550,000,000 for the purpose of financing new projects approved by the State Legislature and to refund a portion of the University’s existing bonded debt.

Since that approval the University has sold two issues as follows:

- Revenue Bonds for New Projects $127,925,000
- Commercial Paper to Refund Existing Debt 100,000,000

The $32,785,000 par amount of the March 11, 2014 Series 2014A bond sale brings the total amount issued to date under the March 29, 2013 Approving Resolution to $260,710,000. The issue was within the approved parameters and has a true-interest-cost of 2.59%. Additional information about this issue is found on the attached Financing Summary.

Representatives from the UU and its financing team will be in attendance at the Regents’ meeting to summarize this successful bond sale and respond to questions.
Commissioner's Recommendation

This is an information item; no action is required.

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David L. Buhler
Commissioner of Higher Education

DLB/GLS/WRH
Attachment
FINANCING SUMMARY
For

State Board of Regents of the State of Utah
UNIVERSITY OF UTAH
General Revenue Refunding Bonds
("Series 2014A Bonds")

Purpose: To take advantage of low current interest rate environment to refund, on a tax-exempt basis, $36,460,000* of currently outstanding bonds of the University of Utah, for savings purposes.

Par Amount: $32,785,000 (final amount)

Security: The Series 2014A Bonds will be payable from and secured by a General Revenue pledge which consists of substantially all of the income and revenues of the University authorized to be pledged, with the exception of (i) legislative appropriations, (ii) tuition and certain fees, and (iii) certain other revenues and income.

Ratings: 'Aa1' and 'AA' ratings were reaffirmed by Moody's Investors Service and Standard and Poor's Corporation, respectively.

Method of Sale: Negotiated public offering

Refunding Savings: $6,644,000 of aggregate savings over the life of the refunded bonds or $4,016,162 on a net-present-value basis. These net-present-value savings translate into 11.02% of refunded bond principal (3.00% NPV savings or better is municipal bond industry standard)

All-in True Interest Cost: 2.59% (2.62% was targeted rate at time of pricing call)

Underwriters: The University selected Barclays Capital Inc. and George K. Baum & Company to serve as underwriters on the transaction.
Financing Summary
University of Utah Series 2014A Bonds
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Sale Date: Tuesday, March 11, 2014
Closing Date: Tuesday, April 1, 2014
Principal Payment Dates: August 1, 2015 through August 1, 2027
Interest Payment Dates: August 1 and February 1, beginning August 1, 2014
Interest Basis: 30/360
Optional Redemption: August 1, 2024 at 100%

Not-to-Exceed Parameters:
- Coupon: 6.00% (Actual coupons were from 4.00% to 5.00% with one at 6.00%)
- U/W Discount: $5.00/$1000 (Actual was $3.60)
- Final Maturity: 40-years (Actual was 13.33 years)

University Contacts:
- Mr. Gordon Crabtree, Chief Financial Officer
  University of Utah Hospitals and Clinics (801-581-7164)
- Mr. Arnold Combe, Vice President for Administrative Services (801-581-6404)

Bond Counsel: Mr. Blake Wade, Ballard Spahr LLP (801-531-3000)

Financial Advisor: Mr. Kelly Murdock, RBC Capital Markets (801-656-2928)

*Refunded Bonds:
- Hospital Revenue Bonds, Series 2006A:
  $29,035,000 (8/1/17, 22-26, and 2027 sinking fund payment)
- Research Facilities Bonds, Series 2004A:
  $3,860,000 (4/1/15 – 4/1/19)
- Research Facilities Bonds, Series 2005A:
  $3,565,000 (4/1/15 – 4/1/25)

Total: $36,460,000