

July 9, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

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

Issue

On May 16, 2014 the Board authorized the University of Utah to issue up to \$200 million of revenue bonds to provide funding for approved new projects and refund some of its existing long-term debt. The following information summarizes the results of the negotiated sale of bonds that was completed on June 12, 2014:

- \$39.350 million of new project funding was provided for the Lassonde Living Learning Center.
- \$18 million of funding was provided for replacement of Auxiliary Utilities Infrastructure. \$14 million of the amount authorized was deferred for issue in 2015.
- The \$19.8 million authorized for a Health Sciences Parking Structure was deferred for issue in 2015.
- \$23.825 million of Series 2006A Hospital Revenue Bonds were advance-refunded with a total savings of nearly \$8.2 million (net-present-value savings of slightly more than \$3.2 million, nearly 13.5% of refunded bonds). Because the new “General Revenue Bond” structure of the University doesn’t require a debt service reserve fund, \$1,191,250 of freed up debt service reserve monies became available for transfer to the refunding escrow as a cash contribution, thereby reducing the par value of this component of the issue.
- None of the commercial paper refinance authorized was included in this bond issue.

The attached Financing Summary provides the Board with the additional details of the bond sale that will be closed on July 15, 2014. The issue had an aggregate True-Interest-Cost of 3.47% and was well within the parameters approved by the Board.

A “Sources and Uses of Funds” summary is also attached that provides additional detail. It is noteworthy that these bonds were sold at a premium with investors paying a total of \$11,699,015 into this bond transaction.

Commissioner's Recommendation

This is an information item. No action is required.

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 and Refunding Bonds Series 2014B ("Series 2014B Bonds")

FINAL PRICING RESULTS

Purpose:	To finance all or a portion of three projects on the campus of the University of Utah (the "University"), as noted below. The University is also seeking approval from the Regents to (i) refund all or a portion of its Series 2013B Taxable Commercial Paper Refunding Notes, currently outstanding in the amount of \$100 million and (ii) extend for approximately one year the period for the University to refund any of its currently outstanding prior lien revenue bonds for savings purposes, both designed to take advantage of the low current interest rate environment.
Not-to-Exceed Par Amount (New Money Projects):	<ol style="list-style-type: none">1. Infrastructure Project: Not-to-exceed \$32 million (\$18 million was financed in Series 2014B Bond issue with remaining \$14 million to come 2Q'2015)2. Lassonde Project: Not-to-exceed \$45.238 million (\$39.350 million was actual amount deposited to construction fund)3. Parking Project: Not-to-exceed \$19.98 million (Deferred to 2Q'2015)
Not-to-Exceed Par Amount (Refunding of Commercial Paper Notes):	Not-to-exceed \$105 million (No Commercial Paper Notes were refunded in the Series 2014B Bond issue.)
Not-to-Exceed Maturity:	<ol style="list-style-type: none">1. Infrastructure Project: Not-to-exceed 10-years (8/1/23 final maturity—slightly over 9-years)

2. Lassonde Project: Not-to-exceed 25-years (8/1/38 final maturity—slightly over 24-years)
3. Parking Project: Not-to-exceed 25-years (not financed)

Security:	The Series 2014B 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.
Ratings:	'Aa1' and 'AA' ratings, recently reaffirmed by Moody's Investors Service and Standard and Poor's Corporation, respectively, are expected. (These ratings were confirmed)
Method of Sale:	Negotiated public offering
Refunding Savings:	The inclusion of prior lien refunding revenue bonds in the proposed transaction will depend upon market rates at the time the bonds are issued and the net-present-value savings projected to be achieved. (A remaining callable portion of the University's Series 2006A Hospital Revenue Bonds -- \$23.825 million -- were advance-refunded in the Series 2014B transaction. Total savings achieved totaled nearly \$8.2 million which, on a net-present-value basis were slightly more than \$3.2 million, or nearly 13.5% of refunded bonds)
All-in True Interest Cost:	TBD (3.47%--down from 3.48% at time of pricing call)
Underwriters:	To be selected from University's pool of underwriters (The University selected JP Morgan, Wells Fargo Securities and Zions Bank as underwriters for the transaction)
Sale Date:	TBD (The bonds were sold on Thursday, June 12, 2014)
Closing Date:	TBD (Tuesday, July 15, 2014)
Principal Payment Dates:	August 1
Interest Payment Dates:	August 1 and February 1
Interest Basis:	30/360
Optional Redemption:	May be non-callable or subject to redemption as determined at the time of sale. (The University negotiated a 9-year par call on the Series 2014B Bond issue at no pricing premium. A 10-year par call is standard).



RBC Capital Markets®

RBC Capital Markets, LLC
Municipal Finance
299 South Main Street, Suite 2000
Salt Lake City, Utah 84111

Other Not-to-Exceed Parameters:

Coupon: 6.00% (5.00%)
U/W Discount: 0.5% of the par amount (\$5.00/\$1000)
(\$2.75/\$1000 was the final negotiated amount)
Final Maturity: 25-years (Slightly more than 24-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)

Mr. John Nixon, Chief Business Officer (801-585-0806)

Bond Counsel:

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

Financial Advisor:

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

SOURCES AND USES OF FUNDS

State Board of Regents of the State of Utah
 University of Utah
 General Revenue and Refunding Bonds, Series 2014B
 Aa1/AA | Escrow = SLGS | Optional Call Date 08/01/2023 @ 100
 06/12/2014 Final Numbers

Sources:	Infrastructure Project	Lassonde Project	Refunding of Series 2006A HRBs	Total
Bond Proceeds:				
Par Amount	15,685,000.00	38,800,000.00	21,715,000.00	76,200,000.00
Premium	<u>2,405,316.25</u>	<u>5,491,561.90</u>	<u>3,802,136.70</u>	<u>11,699,014.85</u>
	18,090,316.25	44,291,561.90	25,517,136.70	87,899,014.85
Other Sources of Funds:				
DSRF Contribution			1,191,250.00	1,191,250.00
	<u>18,090,316.25</u>	<u>44,291,561.90</u>	<u>26,708,386.70</u>	<u>89,090,264.85</u>

Uses:	Infrastructure Project	Lassonde Project	Refunding of Series 2006A HRBs	Total
Project Fund Deposits:				
Infrastructure Project	18,000,000.00			18,000,000.00
Lassonde Project		<u>39,350,000.00</u>		<u>39,350,000.00</u>
	18,000,000.00	39,350,000.00		57,350,000.00
Refunding Escrow Deposits:				
Cash Deposit			5.81	5.81
SLGS Purchases			<u>26,580,906.00</u>	<u>26,580,906.00</u>
			26,580,911.81	26,580,911.81
Other Fund Deposits:				
Capitalized Interest Fund		4,709,120.35		4,709,120.35
Delivery Date Expenses:				
Cost of Issuance	49,478.76	122,395.67	68,500.57	240,375.00
Underwriter's Discount	<u>40,637.95</u>	<u>108,110.49</u>	<u>60,505.64</u>	<u>209,254.08</u>
	90,116.71	230,506.16	129,006.21	449,629.08
Other Uses of Funds:				
Rounding Amount	199.54	1,935.39	-1,531.32	603.61
	<u>18,090,316.25</u>	<u>44,291,561.90</u>	<u>26,708,386.70</u>	<u>89,090,264.85</u>