

January 14, 2015

MEMORANDUM

TO: State Board of Regents
FROM: David L. Buhler
SUBJECT: University of Utah - Series 2015A General Revenue and Refunding Bonds

Issue

On December 3, 2014 the University of Utah sold revenue bonds which generated proceeds of about \$50,548,000 used to finance the following:

- | | |
|---|--------------|
| • UUHC Mid-valley Health Center Project Funding | \$24,000,000 |
| • Pay down of Commercial Paper issued to refund Auxiliary & Campus Facilities (ACF) Bonds | 19,920,000 |
| • Refund of Series 2005B Research Bonds | 6,145,000 |

Background

These bonds were issued under the March 29, 2013 approving resolution that initiated the General Revenue Bond System (GRB) intended to ultimately replace the University's tripartite systems (Auxiliary & Campus Facilities, Research Facilities, and Hospital Facilities). Since that time, approximately \$289.7 million – including the current issue - of the authorized \$550 million limit established has been issued. This leaves an unused balance of approximately \$260 million. A copy of a memo from Mr. Kelly Murdock of RBC Capital Markets, the University of Utah Financial Advisor, provides additional detail and a running total of the bonds and commercial paper issued under this authorization which is scheduled to expire on July 19, 2015.

Summary of the Current Bond Sale

The bond sale that took place on December 3, 2014 and closed on January 7, 2015 was a negotiated-public-offering transaction. It was a successful issue, representing the lowest cost of borrowing on a fixed interest basis in many years and reflects both the continuing low rates of interest in the capital markets and also the quality of the University's General Revenue Bond System that was authorized by the Regents in March of 2013. The following is a brief summary of the results:

- | | |
|---|---------------------------------------|
| • All-in True Interest Cost (TIC) | 2.70% |
| • NPV Savings on ACF Bonds refunded | \$1.9 million (9.63% of par refunded) |
| • NPV Savings on Revenue Bonds refunded | \$695,013 (11.31% of par refunded) |

Additional details about the bond issue are provided on the attached Financing Summary, with the "Final Pricing Results" highlighted with red type face.

Commissioner's Recommendation

This is an information item only; no action is required.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/WRH
Attachment



MEMORANDUM

TO: Ralph Hardy

FROM: Kelly Murdock, Municipal Advisor to
The University of Utah

DATE: November 24, 2014

RE: Regent Authorizations and University Bond Issuances since the Inception of
the General Revenue Bond System (“GRB”)

On March 29, 2013, the State Board of Regents of the State of Utah (the “Regents”) approved the issuance of up to \$550 million of General Revenue and Refunding Bonds, with up to \$100 million of such bonds permitted to be issued as commercial paper. The issuance of GRB’s marked a significant shift by the University of Utah in the pledge of revenues that would be given as security for the investors of its future bond issues. It consolidated three financing systems into one, not only streamlining the bonding process but strengthening it at the same time.

The results have been favorable as the University’s bond ratings have improved. Moody’s now rates the GRB’s as ‘Aa1’, up from ‘Aa2’. While Standard and Poor’s Corporation’s rating of the GRB’s didn’t change from its previous rating (the rating remained at ‘AA’), their ‘outlook’ on this bonding system did change from ‘stable’ to ‘positive’ signaling the chance of a future rating upgrade should the University’s rating parameters and metrics remain strong and improving.

For purposes of keeping the Regents up to date on the University’s GRB bond issues (new money and refunding) since the adoption of the March 2013 Resolution, the following timeline and running total of bonds issued under this authorization are noted below:

	<u>Par Amount</u>	<u>Balance</u>
March 2013 GRB Authorization:		\$550,000,000
Series 2013A (Closed 7/2/13):	\$127,925,000	\$422,075,000
Series 2013B Commercial Paper (Closed 7/29/13):	\$100,000,000	\$322,075,000
Series 2014A-1 (Closed 3/11/14):	\$ 26,045,000	\$296,030,000
Series 2014A-2 (Closed 3/11/14):	\$ 6,740,000	\$289,290,000
Series 2014B—refunding attributable to		
March 2013 Resolution (Closed 7/5/14):	\$ 23,825,000	\$265,465,000
Series 2015A-1—Mid-Valley (Closing 1/7/15):	\$ 24,000,000	\$241,465,000
Series 2015A-1—ACFS refund. (Closing 1/7/15):	\$ 19,920,000*	\$261,385,000*
Series 2015A-1—University cash contribution:	\$ 5,080,000*	\$266,465,000*
Series 2015A-2—Ref. of '05B Research Bonds (Closing 1/7/15):	\$ 6,145,000	\$260,320,000

*Represents pay down of CP, thus increasing the balance

The financing of the Mid-Valley Health Center as part of the Series 2015A Bonds represents the final new money piece authorized under the March 29, 2013 Resolution. From the balance noted above, the University still remains well within the amount initially authorized under the Resolution for the refunding and converting of outstanding University Prior Lien Bonds to General Revenue Bonds. At its July 2014 meeting in Cedar City, the Regents granted a one-year extension of this refunding authorization to give the University necessary flexibility to act expeditiously on refunding opportunities as favorable market conditions present themselves. This extension expires, unless further extended, on July 19, 2015.



FINANCING SUMMARY

For

\$45,330,000

**State Board of Regents of the State of Utah
UNIVERSITY OF UTAH
General Revenue and Refunding Bonds
Series 2015A-1 and A-2 Bonds
("Series 2015A Bonds")**

FINAL PRICING RESULTS

Purpose:	The purpose of the Series 2015A Bonds is three-fold: 1) To finance a portion of the construction cost of University of Utah Health Care's 'Mid-Valley Health Center' (\$24 million), 2) To refund, for savings purposes, a previously issued University Research Facility bond (\$6.145 million), and 3) To refund on a tax-exempt, fixed-rate, basis a portion of a bond previously refunded through the University's Taxable Commercial Paper Program (\$19.92 million). A portion of the bond proceeds will also pay costs of issuance associated with the Series 2015A Bonds.
Not-to-Exceed Par Amount:	\$25.857 million for Mid-Valley Health Center Project (Regent authorization given March 29, 2013) \$24 million was issued
Not-to-Exceed Maturity:	40-years (Mid-Valley Health Center Project) 20-years was final maturity for this component
Security:	The Series 2015A 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 were recently reaffirmed by Moody's Investors Service and Standard and Poor's Corporation, respectively.
Method of Sale:	Negotiated public offering

NPV Refunding Savings: Series 2005B Research Bonds: Approximately \$683,000 or 11.1% of refunded bonds (11/24/14 estimate) (Pricing update: NPV savings achieved were \$695,013 or 11.31% of par refunded)
Series 2005A ACFS Bonds: Approximately \$1,750,000 or 8.78% of callable bonds (11/24/14 estimate) (Pricing update: NPV savings achieved were in excess of \$1.9 million or 9.63% of par refunded)

All-in True Interest Cost: 2.75%* (3.10%* Mid-Valley Health Center only) Pricing update: 2.70% was achieved for overall transaction; 3.14% for Mid-Valley Health Center only)

Underwriters: Citigroup Global Markets and Morgan Stanley

Sale Date: December 3, 2014

Closing Date: January 7, 2015

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. 10-year par call was secured

Other Not-to-Exceed Parameters:

Coupon:	6.00% (5.00% was highest coupon)
U/W Discount:	0.5% of the par amount (\$5.00/\$1000) (\$2.49/\$1,000 or 0.249% was secured)
Final Maturity:	40-years (20-years was final maturity)

University Contacts: 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)

*Preliminary, subject to change. Final amounts noted in RED