

March 18, 2015

MEMORANDUM

TO: State Board of Regents  
FROM: David L. Buhler  
SUBJECT: University of Utah – Series 2015B General Revenue and Refunding Bond

Issue

The University of Utah wishes to inform the Board about an upcoming Revenue Bond Issue for which prior Regent approval has already been secured.

Background

The total issue is expected to be up to \$92 million if interest rates remain at current levels and will include the following components:

- Health Sciences Parking Project - \$19.98 million
- Infrastructure Project - \$14 million
- Pay down of Series 2013B Taxable Commercial Paper - \$8.26 million
- Refunding of "Prior Lien Bonds" where savings opportunities may exist - up to \$50 million

All components of the issue were approved by the Board's 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). The bond issue is expected to be priced in mid to late April and closed sometime in May.

Additional details about each of the components are provided in the attached letter from the University. In addition to University officials, Kelly Murdock, Financial Advisor with RBC Capital, and Blake Wade, Bond Counsel with Ballard Spahr will be present at the meeting to provide additional information and respond to questions from the Board as needed.

Commissioner's Recommendation

This is an information item; no action is needed.

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David L. Buhler  
Commissioner of Higher Education

DLB/GLS/WRH  
Attachment

March 6, 2015

Mr. David Buhler  
Associate Commissioner, Utah System of Higher Education  
Board of Regents Building  
The Gateway  
60 South 400 West  
Salt Lake City, UT 84101-1284

Dear Commissioner Buhler:

The purpose of this letter is to serve as a no-action information item relating to an upcoming bond transaction of the University of Utah where prior Regent approval for several transactions has already been secured.

The University currently has two new money projects and potentially several refunding opportunities—all previously approved by the Board of Regents—which are proposed to be included in an upcoming “Series 2015B General Revenue and Refunding Bond” transaction. The two new money projects are:

- Health Sciences Parking Project: \$19.98 million (20-year amortization). This project was approved by the Regents at their May 16, 2014 meeting.
- Infrastructure Project (final financing piece): \$14 million (10-year amortization). This project was also approved by the Regents at their May 16, 2014 meeting.

The refunding components of the bond issue may include:

- Pay down of approximately \$8.26 million of Series 2013B Taxable Commercial Paper from proceeds of a current refunding of callable Series 2005A Hospital Revenue Refunding Bonds (the “Series 2005A Bonds”);
- Refunding of additional “Prior Lien Bonds” of the University where savings opportunities may exist. The exact par amount of this refunding component is currently unknown; however, it could reach \$50 million if interest rates remain at current levels. For each of these Prior Lien Refundings, the University is operating under a comprehensive refunding approval the Regents initially provided in March of 2013, which was extended again in May of 2014 and is set to expire in July of 2015, unless further extended.

The University expects to price the Series 2015B Bonds in mid to late April and close the transaction sometime in May.

Details of these issues are as follows:

**Health Sciences Parking Project** - The University received bonding authorization of \$19.98 million for this project during the 2012 Legislative Session. This parking facility is planned to be built in the south Health Sciences campus and is planned for 800-1,000 stalls. Repayment of debt service on the bonds will be internally covered from net parking revenues generated from this and other University parking facilities.

**Infrastructure Project** - This \$99 million legislatively approved project is currently underway. It includes the replacement and upgrade of the distribution systems for campus electricity (including substations) and high temperature water (distribution of heat from a central plant).

A total of \$35 million of state funding was provided for the project in FY2013 with another \$7.5 million of capital improvement funds authorized in FY2014. During the 2014 legislative session, an agreement was also reached between the Legislature and the University regarding the balance of funding needed to complete the project. House Bill 9 authorized the issuance of bonds by the Utah Board of Regents, on behalf of the University, in the amount of \$32 million, and in a separate authorization the Legislature authorized the use of capital improvement funds over multiple years to fund the balance of the project's cost. Based on this agreement, the State Building Board has allocated \$13.5 million of capital improvement funds for FY2015 with the intent of allocating the remaining balance of \$11 million in FY2016.

Of the \$32 million that was authorized for bonding by House Bill 9, \$18 million was issued by the University as part of its Series 2014B General Revenue Bond issue with the remaining \$14 million contemplated as part of the proposed 2015 B Bonds' issuance.

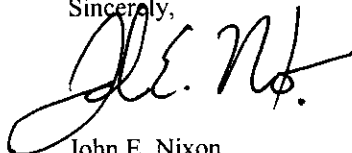
**Pay down of Series 2013B Taxable Commercial Paper and Current Refunding of Series 2005A Hospital Revenue Refunding Bonds** - In July of 2013, the Regents issued, on behalf of the University, \$100 million of Taxable Commercial Paper ("CP"). A portion of the proceeds of that issue refunded \$16,945,000 of principal then outstanding on the University's Series 2005A Hospital Bonds, \$8.26 million of which is now eligible for a current refunding on a tax-exempt basis. The call date for the Series 2005A Hospital Bonds is August 1, 2015. The University has decided to pursue a tax-exempt, fixed-rate refunding of the Series 2005A Bonds and use the proceeds to pay down a like portion of its outstanding Taxable CP.

The University conducted a similar refunding for certain of its Series 2005A Auxiliary and Campus Facilities ("ACFS") Refunding Revenue Bonds as part of its recent Series 2015A General Revenue and Refunding Bond issue.

**Refunding of Additional Outstanding 'Prior Lien' Revenue Bonds** - The University is continually looking for market opportunities to refund—primarily for savings purposes—all or portions of its outstanding 'Prior Lien Bonds' which are defined as bonds currently outstanding in the following three systems: 1) Auxiliary and Campus Facilities; 2) Hospital Revenue Bond; and 3) Research Facilities Revenue Bond. Following an updated general plan of finance, which was articulated in 2013, as Prior Lien Bonds become refunding candidates, the University will refund them into its new General Revenue Bond ("GRB") system having closed the lien on each of the Prior Lien Bond indentures.

Given interest rates in today's municipal market, the University has updated its review of refunding candidates that may exist among these outstanding Prior Lien Bonds and which the University should strongly consider as part of its proposed Series 2015B General Revenue and Refunding Bond issue.

Sincerely,

A handwritten signature in black ink, appearing to read "J.E. Nixon". The signature is fluid and cursive, with a large initial "J" and "E" and a distinct "N" and "X".

John E. Nixon

Sr. Chief Administrative Officer & CFO

cc: David W. Pershing, President  
Dr. Gregory Stauffer  
Arnold B. Combe  
Ralph Hardy  
Kelly Murdock  
Blake Wade  
Robert Muir