

September 9, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Report on Savings Accrued from Consolidation into the General Revenue Bond System

Issue

During a revenue bond discussion in the Finance and Facilities Committee at the July 30, 2015 Board of Regents meeting, a question was asked about the total amount of savings that had been achieved since the University of Utah's initial authorization to refinance bonds into a General Revenue Bond (GRB) System. This item is presented to respond to that query.

Background

On March 29, 2013 the Board of Regents authorized the University of Utah to establish a GRB System for future revenue bonding activity and to look for market opportunities to refund - with GRB system revenue bonds - all or portions of the then currently outstanding bonds in the Auxiliary and Campus Facilities, Hospital, and Research Facilities revenue bond systems.

This proposed change in structure was designed to increase the strength and credit quality of the University's debt offerings (lowering its borrowing costs by at least 10 to as much as 60 basis points), gain financing parity for all future University-related bond issues, expand its bonding capability, and broaden the scope of projects that could qualify for debt financing in the future. Since that proposal's approval, the University's Moodys credit rating has improved from Aa2 to Aa1a. In addition, the consolidated credit approach has generally resulted in more investors coming into the market with corresponding decreases in basis points due to increased competition.

Since the 2013 action, all or part of 10 revenue bonds have been refunded with a combined gross refunding savings in excess of \$25.2 million. The following summary has been prepared to show the specific refunding transactions that were executed with the corresponding savings achieved:

GRB Series	Bonds Refunded	Par Refunded	Date	Gross Savings Refunded	Present Value Savings	% of Par Refunded
2014A-1	Series 2006A Hospital	\$ 29,035,000	4/1/2014	\$ 7,157,292	\$ 3,243,168	11.17%
2014A-2	Series 2004A & Series 2005A Research	7,425,000	4/1/2014	837,822	772,994.0	10.41%
2014B	Series 2006A Hospital	23,825,000	7/15/2014	8,193,619	3,211,974.0	13.48%
2015A-1	Series 2005A Aux. Camp. Facil. Syst. *	19,920,000	12/3/2014	1,944,085	1,918,000.0	9.63%
2015A-2	Series 2005B Research	6,145,000	12/3/2014	745,283	695,013.0	11.31%
2015B	Series 2005A Hospital *	8,260,000	4/21/2015	817,728	806,718.0	9.77%
2015B	Series 2010A ACFS	19,150,000	4/21/2015	1,221,888	912,379.0	4.76%
2015B	Series 2010 Hospital	11,810,000	4/21/2015	1,275,225	429,123.0	3.63%
2015B	Series 2011B Hospital	25,695,000	4/21/2015	3,057,383	1,113,779.0	4.33%
<b>TOTALS</b>		<b>\$ 151,265,000</b>		<b>\$ 25,250,325</b>	<b>\$ 13,103,148</b>	
* Reflects issuance of tax-exempt bonds to paydown Commercial Paper for bonds previously refunded						
<i>Prepared by RBC Capital Markets, August 24, 2015</i>						
<i>For Discussion Purposes Only</i>						

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