

March 23, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Series 2016A General Revenue and Refunding Bond

Issue

In the January 22, 2016 meeting the Board authorized the University of Utah (UU) to proceed with the sale of revenue bonds authorized by the 2012 Legislature to finance an addition to the Orthopaedic Center. The Board authorized the UU, in the July 30, 2015 meeting, to proceed with the sale of revenue bonds authorized by the 2015 Legislature for the replacement of Orson Spencer Hall. The Board also authorized the UU to refund portions of existing revenue bond debt where financially justified. After a competitive bond sale on February 2, 2016 the 2016A General Revenue and Refunding bonds closed on March 8, 2016. The bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

2016A Sources	Orson S. Hall	Orthopaedics	Refunding (2012A)	Total
Par Value	\$40,520,000.00	\$8,395,000.00	\$19,295,000.00	\$68,210,000.00
Premium	8,377,510.80	1,595,926.85	4,678,953.05	14,652,390.70
	\$48,897,510.80	\$9,990,926.85	\$23,973,953.05	\$82,862,390.70
2016A Uses	Orson S. Hall	Orthopaedics	Refunding (2012A)	Total
Construction Account	\$45,000,000.00	\$9,580,000.00	\$-	\$54,580,000.00
Capitalized Interest	3,630,714.17	352,877.50	-	3,983,591.67
Escrow Account	-	-	23,836,066.92	23,836,066.92
Underwriter's Discount	102,931.54	21,195.53	49,014.40	173,141.47
Cost of Issuance	163,865.09	36,853.82	88,871.73	289,590.64
	\$48,897,510.80	\$9,990,926.85	\$23,973,953.05	\$82,862,390.70

True Interest Cost (TIC) 2.16%

Maximum Coupon Rate 5%

Maturity Date 19.4 years

NPV Refunding Savings \$1,297,838 (6.117%)

Additional details about the bond issue may be found in the attached Financing Summary with final pricing results in red type face.

Commissioner's Recommendation

This is an information item; no action is required.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachment



RBC Capital Markets®

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

FINANCING SUMMARY

For

\$68,210,000

State Board of Regents of the State of Utah

UNIVERSITY OF UTAH

General Revenue and Refunding Bonds

Series 2016A

(FINAL PRICING RESULTS)

Purpose:

The purpose for the issuance of the Series 2016A Bonds is currently two-fold: 1) To finance a portion of the cost of reconstructing Orson Spencer Hall (the “OSH Project”), and 2) To finance a portion of the cost of expanding the Orthopaedic Center (the “Orthopaedic Project”). A portion of the bond proceeds will also pay costs of issuance associated with the Series 2016A Bonds including capitalized interest. As part of its ongoing surveillance program, the University is evaluating the refunding of certain ‘Prior Lien Bonds’ for savings purposes. Should sufficient net-present-value savings appear achievable, the University may include such refunding candidates as part of the Series 2016A issue. During the months of December 2015 and January 2016, tax-exempt interest rates dropped to a point where \$21.215 of outstanding, callable Series 2012A Auxiliary and Campus Facilities System Bonds (“Prior Lien Bonds” or “ACFS Bonds”) showed strong net-present-value savings potential and were ultimately included in the Series 2016A transaction.

Not-to-Exceed Par Amount: \$57 million (netting \$45 million) for the OSH Project (The actual par amount was \$40.520 million)
\$12 million (netting \$9.58 million) for the Orthopaedic Project (The actual par amount was \$8.395 million)

Not-to-Exceed Maturity:	OSH Project: 25-years (Current planning anticipates no longer than a 12-year final maturity, including capitalized interest period) (Final maturity is 11.4 years) Orthopaedics Project: 35-years (Current planning anticipates 20-years after capitalized interest period) (Final maturity is 19.4 years)
Security:	The Series 2016A Bonds are 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 are expected to be reaffirmed by Moody's Investors Service and Standard and Poor's Corporation, respectively. (Moody's reaffirmed the 'Aa1' rating on the Bonds. Standard and Poor's UPGRADED the Bonds' rating to 'AA+' from 'AA')
Method of Sale:	Negotiated public offering using the following underwriters: Morgan Stanley & Co: 70% Senior Manager George K. Baum & Co: 30% Co-Manager
Bonds to be Refunded:	TBD (\$21.215 million of Series 2012A ACFS Bonds were refunded as part of the Series 2016A transaction)
NPV Refunding Savings:	TBD (\$3,515,317 of gross savings were achieved. Applying certain remaining funds, net-present-value savings achieved were \$1,297,837.82, or 6.117% of refunded principal).
All-in True Interest Cost:	TBD All-in True Interest Costs achieved are as follows: Overall: 2.16% Orson Spencer Hall Project: 1.82% Orthopaedics Center Expansion Project: 2.91% Series 2012A ACFS Refunding: 2.28%
Sale Date:	February 2, 2016* (This was the actual sale date)
Closing Date:	March 8, 2016* (This will be the actual closing date)
Principal Payment Dates:	August 1
Interest Payment Dates:	August 1 and February 1, commencing August 1, 2016
Interest Basis:	30/360

Optional Redemption: May be non-callable or subject to redemption as determined at the time of sale. (Optional redemption date: August 1, 2025 @100)

Other Not-to-Exceed Parameters:

Coupon: 6.00% (5.00% was highest coupon)
Discount from Par: 2.00% (0.254% was actual discount for underwriters)

University Contacts: Mr. Arnold Combe, Vice President for Administrative Services (801-581-6404)

Mr. Robert Muir, Director of Treasury Services (801-585-5598)

Mr. John Nixon, Sr. Chief Administrative Officer/CFO (801-585-0806)

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

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

*Preliminary, subject to change (actual amounts in RED)