

January 11, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

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

Issue

Regent Policy R590, *Issuance of Bonds for Colleges and Universities*, requires the Office of the Commissioner to report the results of the final bond pricing to the Board in the next scheduled meeting after the closing. The University of Utah closed on Series 2016B General Revenue and Refunding bonds on November 29, 2016 with a true interest cost of 2.8 percent.

Background

In the January 2016 meeting the Board authorized the University of Utah (UU) to proceed with the sale of revenue bonds authorized by the 2010 Legislature to finance an Ambulatory Care Complex. The Board authorized the University, in the May 2016 meeting, to proceed with the sale of revenue bonds authorized by the 2016 Legislature for the David Eccles School of Business Executive Education Building. The Board also authorized the UU to refund portions of existing debt where financially justified. After a competitive bond sale on October 18, 2016 the 2016B General Revenue and Refunding bonds closed on November 29, 2016.

The bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

2016B Sources	Business School Exec. Education Bldg	Ambulatory Care Complex	Commercial Paper Paydown	Refunding 2008A Research	Total
Par Value	\$20,965,000.00	\$102,150,000.00	\$5,435,000.00	\$3,170,000.00	\$131,720,000.00
Premium	4,141,212.50	22,548,410.70	1,293,638.70	281,463.75	28,264,725.65
University Cash	0	0	10,305,000.00	0	10,305,000.00
	\$25,106,212.50	\$124,698,410.70	\$17,033,638.70	\$3,451,463.75	\$170,289,725.65

2016B Uses

Construction Account	\$25,000,000.00	\$113,161,268.00	\$0	\$0	\$138,161,268.00
Capitalized Interest	0	11,020,443.61	0	0	11,020,443.61
Commercial Paper Paydown	0	0	17,000,000.00	0	17,000,000.00
Escrow Account	0	0	0	3,422,843.12	3,422,843.12
Underwriter's Discount	47,992.38	237,858.08	12,655.49	7,381.40	305,887.35
Cost of Issuance	58,220.12	278,841.01	20,983.21	21,239.23	379,283.57
	\$25,106,212.50	\$124,698,410.70	\$17,033,638.70	\$3,451,463.75	\$170,289,725.65

- True Interest Cost (All-in TIC) 2.80%
- Maximum Coupon Rate 5%
- Maturity Date 20 years
- NPV Refunding Savings \$177,050 (5.46%)
- Additional details about the bond issue may be found in the attached Financing Summary prepared by the financial advisor 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®

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FINANCING SUMMARY

For

**State Board of Regents of the State of Utah
UNIVERSITY OF UTAH**

\$128,550,000

**General Revenue and Refunding Bonds
Series 2016B-1**

and

\$3,170,000

**General Revenue Refunding Bonds
Series 2016B-2**

(Final Pricing Information)

Purpose:

The purpose for the issuance of the Series 2016B-1 Bonds was three-fold: 1) To finance a portion of the cost of constructing an Ambulatory Care Complex (the “ACC Project”), 2) To finance a portion of the cost of constructing a School of Business Executive Education Building (the “Executive Education Project”), and 3) Refund certain outstanding obligations of the University. A portion of the bond proceeds will also pay costs of issuance associated with the Series 2016B-1 Bonds, including capitalized interest.

The purpose for the issuance of the Series 2016B-2 Bonds was to advance-refund, for savings purposes, \$3,245,000 of its Series 2008A Research Facilities Revenue Refunding Bonds and to pay costs of issuance associated with this series of Bonds.

Not-to-Exceed Par Amount: **ACC Project: Not-to-Exceed \$125 million** (The actual par amount was **\$102,150,000** million which, with premium, generated **\$113,161,268** to the Project Account and **\$11,020,443.61**, representing capitalized interest through 2/1/19).
Executive Education Building: Not-to-Exceed \$55 million (The actual par amount was **\$20,965,000** which, with premium, generated **\$25 million** to the Project Account, with no capitalized interest).

Not-to-Exceed Maturity: ACC and Executive Education Projects: **35-years**
(Final maturity for both projects was 20-years)

Security: The Series 2016B-1 and 2016B-2 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. (Note: The Series 2016B-2 Bonds do not have the moral obligation pledge of the Utah State Legislature).

Ratings: **'Aa1'** and **'AA+'** ratings were reaffirmed by Moody's Investors Service and Standard and Poor's Corporation, respectively.

Method of Sale: Negotiated public offering using the following underwriters:
Morgan Stanley & Co: 65% Senior Manager
Wells Fargo Securities: 35% Co-Manager

Bonds to be Refunded: **\$3,245,000** of remaining callable Series 2008A Research Facilities Revenue Refunding Bonds.
\$6,695,000 of Series 2013B Taxable Commercial Paper (refunded with Series 2016B-1 bond proceeds on a fixed-rate basis reflecting Series 2012A ACFS Bonds of the same par amount which were originally refunded as part of the Series 2013B Commercial Paper transaction).
\$10,305,000 of Series 2013B Taxable Commercial Paper (defeased with available University monies—totaling \$17 million of CP scheduled to be paid down on December 1, 2016)

NPV Refunding Savings: **\$234,953 of gross savings** for the Series 2016B-2 Bonds; **\$177,050 on a net-present-value** basis (or **5.46%** of refunded principal).

All-in True Interest Cost: All-in True Interest Costs achieved, per project, are as follows:

Ambulatory Care Complex Project: 2.827%

Executive Education Building Project: 2.944%

Series 2013B CP Refunding: 1.756%

Overall All-in TIC for Series 2016B-1/B-2 Bonds: 2.804%

Sale Date: October 18, 2016

Closing Date: November 29, 2016

Participating Regent: Chair Dan Campbell

Principal Payment Dates: August 1

Interest Payment Dates: August 1 and February 1, commencing August 1, 2017

Interest Basis: 30/360

Optional Redemption: **Optional redemption date: August 1, 2026 @100**

Other Not-to-Exceed Parameters:

Coupon: 6.00% (5.00% was highest coupon)

Discount from Par: 2.00% (No discount bonds were issued. 0.232% (\$2.32/\$1,000) was actual discount for underwriters)

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