

September 6, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Series 2017A General Revenue and Refunding Bond Results

Issue

The University of Utah will close on Series 2017A General Revenue and Refunding bonds on September 13, 2017 with an all-in true interest cost of 2.75 percent and a net-present value savings of \$34,299,779 (32.4 percent of the refunded principal).

Background

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 at the next scheduled meeting after the bond closing. In the May 2017 meeting the Board authorized the University of Utah to proceed with the sale of revenue bonds, authorized by the 2017 Legislature, to finance an expansion of the University Guest House and the Rehabilitation Hospital portion of the Health Science Transformation project. The Board also authorized the University to refund portions of existing debt where financially justified. The University determined it financially advantageous to refund its Series 2013A General Revenue bonds.

The University realized debt service savings of over \$81.9 million in aggregate and \$34.3 million of net-present-value refunding savings. After a negotiated public offering on August 15, 2017, the 2017A General Revenue and Refunding bonds will close on September 13, 2017.

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

<u>2017A Sources</u>	<u>Guest House Expansion</u>	<u>Rehabilitation Hospital</u>	<u>Refunding 2013A General Rev.</u>	<u>Total</u>
Par Value	\$7,325,000	\$43,835,000	\$104,770,000	\$155,930,000
Premium	1,457,453	8,868,100	20,263,389	30,588,942
	<b>\$8,782,453</b>	<b>\$52,703,100</b>	<b>\$125,033,389</b>	<b>\$186,518,942</b>
<u>2017A Uses</u>				
Construction Account	\$8,250,000	\$52,500,000	\$0	\$60,750,000
Capitalized Interest	494,265	0	0	494,265
Escrow Account	0	0	124,552,635	124,552,635
Underwriter's Discount	16,731	100,123	230,549	347,403
Cost of Issuance/Rounding	21,457	102,977	250,205	374,639
	<b>\$8,782,453</b>	<b>\$52,703,100</b>	<b>\$125,033,389</b>	<b>\$186,518,942</b>

- True Interest Cost (All-in TIC) 2.75%
- Maximum Coupon Rate 5%
- Maturity Date 21 years
- NPV Refunding Savings \$34,299,177 (32.4% of refunded principal)
- Aggregate Refunding Savings \$81,933,051

Additional details about the bond issue may be found in the attached Financing Summary prepared by the financial advisor.

Commissioner's Recommendation

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

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David L. Buhler  
Commissioner of Higher Education

DLB/KLH/RPA  
Attachment



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## FINANCING SUMMARY

For

State Board of Regents of the State of Utah  
UNIVERSITY OF UTAH  
General Revenue and Refunding Bonds  
Series 2017A

### *Final Pricing Results*

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Purpose:	To refund and restructure certain outstanding obligations of the Board, issued on behalf of the University of Utah, to generate net-present-value savings; to finance a portion of the costs of the construction of a rehabilitation hospital; and to finance the costs of an expansion to the University's Guest House.
Par Amount	<b>\$155,930,000</b>
Security:	The Series 2017A 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, with the exception of (i) legislative appropriations, (ii) tuition and certain fees, and (iii) certain other revenues and income.
Ratings:	'Aa1' and 'AA+' ratings were reaffirmed by Moody's Investors Service and S&P Global Ratings, respectively.
Method of Sale:	Negotiated public offering
Refunding Savings:	<b>\$81,933,051</b> of aggregate savings over the life of the refunded bonds or <b>\$34,299,779</b> on a net-present-value basis. These net-present-value savings translate into 32.4% of refunded principal.
True Interest Cost:	2.72% (2.73% was targeted at time of pricing call). All-in TIC: 2.75%
Underwriters:	The University selected Goldman Sachs as book-running co-senior manager, Wells Fargo Securities as co-senior manager, and JP Morgan as co-manager for the transaction.

**Financing Summary**  
**University of Utah Series 2017A Bonds**  
**Page 2 of 2**

Sale Date: Tuesday, August 15, 2017

Closing Date: Wednesday, September 13, 2017

Principal Payment Dates: August 1, 2018 through August 1, 2039

Interest Payment Dates: August 1 and February 1, beginning February 1, 2018

Interest Basis: 30/360

Optional Redemption: August 1, 2017 @ 100%

Results of Sale: Total Orders: \$546,050,000 (3.5x oversubscribed)  
Allocated Orders: \$148,310,000  
Bonds taken into inventory by Underwriters: \$6,975,000

Parameters Recap: Refunding: Not-to-exceed \$220 million (\$104.770 million actual)  
Rehab Hospital: Not-to-exceed \$85 million (\$43.835 million actual)  
Guest House: Not-to-exceed \$9.5 million (\$7.325 million actual)  
Maximum Term: 30-years (21-years actual)  
Maximum Coupon: 6.00% (5.00% actual)  
Maximum Underwriter's Discount: \$6.00/\$1000 (\$2.23/\$1000)  
Maximum Overall Discount from par: 2.00% (actual pricing generated an overall original issue premium)

University Contacts: Mr. John Nixon, Vice President for Administrative Services (801-585-0806)  
Mr. Robert Muir, Director of Treasury Services (801-585-5598)

Bond Counsel: Mr. Blake Wade, Gilmore & Bell (801-258-2725)

Municipal Advisor: Mr. Kelly Murdock, George K. Baum & Company (801-538-0351)