January 10, 2018

MEMORANDUM

TO:   State Board of Regents
FROM:   David L. Buhler
SUBJECT:  USHE – 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 and Utah State University recently advance refunded existing bonds for debt service savings before federal legislation eliminated the opportunity. The University of Utah closed on $96,550,000 of General Revenue and Refunding bonds on December 21, 2017 with an all-inclusive true interest cost of 2.78 percent and a net-present value savings of $3,813,912. Utah State University closed on $38,825,000 of Student Building Fee Revenue Refunding bonds on December 28, 2017 with an all-inclusive true interest cost of 3.25 percent and a net-present value savings of $2,807,511.

Background

In the May 2017 meeting the Board authorized the University of Utah to refund portions of existing debt where financially justified, which the University determined to be portions of the following bonds and notes:
• 2011A Hospital Revenue
• 2014B General Revenue
• 2015A-1 General Revenue
• 2009B Taxable Research Facilities Revenue
• Series 2013B Commercial Paper

The University realized debt service savings of over $4.68 million in aggregate and $3.81 million of net-present-value refunding savings. After a negotiated public offering on December 12, 2017 the 2017A General Revenue and Refunding bonds closed on December 21, 2017. The University of Utah bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Value</td>
<td>Deposit to Escrow Fund</td>
</tr>
<tr>
<td>Reoffering Premium</td>
<td>Underwriter's Discount</td>
</tr>
<tr>
<td>Issuer Equity Contribution</td>
<td>Cost of Issuance/Rounding</td>
</tr>
<tr>
<td></td>
<td>$118,190,307</td>
</tr>
</tbody>
</table>

- True Interest Cost (All-in TIC) 2.78%
- Maximum Coupon Rate 5%
- Maturity Date 21 years
- NPV Refunding Savings $3,813,912 (5.76% of refunded principal)
- Aggregate Refunding Savings $4,683,702
In the November 2017 meeting the Board authorized Utah State University to refund portions of the 2013B Student Building Fee Revenue bonds. The University realized debt service savings of over $8.17 million in aggregate (including savings from a reserve fund) and $2.81 million of net-present-value refunding savings. After a competitive sale on December 14, 2017 the 2017A General Revenue and Refunding bonds closed on December 28, 2017. The Utah State University bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
<th>Par Value</th>
<th>Deposit to Escrow Fund</th>
<th>Underwriter'sDiscount</th>
<th>Cost of Issuance/Rounding</th>
<th>Bond Insurance Premium</th>
<th>Surety Bond</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Par Value</td>
<td>$38,825,000</td>
<td></td>
<td>$41,738,871</td>
<td>579,194</td>
<td>171,196</td>
<td>103,677</td>
<td>84,798</td>
<td>$42,677,736</td>
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<tr>
<td>Reoffering Premium</td>
<td>1,142,698</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,142,698</td>
</tr>
<tr>
<td>Debt Service Reserve Fund</td>
<td>2,710,038</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,710,038</td>
</tr>
</tbody>
</table>

- True Interest Cost (All-in TIC) 3.25%
- Maximum Coupon Rate 5%
- Maturity Date 26.9 years
- NPV Refunding Savings $2,807,511 (7.64% of refunded principal)
- Aggregate Refunding Savings $8,174,380 (including $2,710,038 from reserve fund)

Additional details about the bond issue may be found in the attached Financing Summaries prepared by the respective financial advisors.

Commissioner’s Recommendation

This is an information item; no action is required.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments
FINANCING SUMMARY

For

State Board of Regents of the State of Utah
UNIVERSITY OF UTAH
General Revenue Refunding Bonds
Series 2017B-1 and Series 2017B-2

Final Pricing Results

Purpose: To move quickly to advance-refund certain outstanding obligations of the Board—in anticipation of losing the advance-refunding financing technique due to tax reform efforts in Congress—issued on behalf of the University of Utah, to generate net-present-value savings; to fix out certain variable-rate obligations of the University’s Hospitals and Clinics, and to pay costs of issuance.

Par Amount $84,900,000 (Series 2017B-1) and $11,650,000 (Series 2017B-2)

Security: The Series 2017B Bonds are payable from and secured by a General Revenue pledge which consists of substantially all the income and revenues of the University authorized to be pledged, apart from (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: $4,683,702 of aggregate savings over the life of the refunded bonds or $3,813,912 on a net-present-value basis. These net-present-value savings translate into 5.761% of refunded principal.

True Interest Cost: 2.75% (2.73% was targeted at time of pricing call) All-in TIC: 2.78%

Underwriters: The University selected Barclays Capital as sole managing underwriter for the transaction.
Sale Date: Tuesday, December 12, 2017
Closing Date: Thursday, December 21, 2017
Principal Payment Dates: August 1, 2019 through August 1, 2038
Interest Payment Dates: August 1 and February 1, beginning February 1, 2018
Interest Basis: 30/360
Optional Redemption: August 1, 2027 @ 100%
Parameters Recap: Refunding: Not-to-exceed $220 million ($115 million remaining after Series 2017A Bonds). Actual amount was $96.550 million
Maximum Term: 30-years (21-years actual)
Maximum Coupon: 6.00% (5.00% actual)
Maximum Underwriter’s Discount: $6.00/$1000 ($2.14/$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)
Utah State University  
Student Building Fee Revenue Refunding Bonds, Series 2017  
Final Summary Sheet

Proposed Issue:  
Student Building Fee Revenue Refunding Bonds

Total Approximate Issue Size:  
$38,230,000 (Final par amount: $38,825,000)

Use of Funds:  
To refinance the callable maturities ($36,770,000) of the University’s existing Series 2013B Student Building Fee Revenue Bonds for economic savings. The 2013B bonds were issued to fund the Aggie Recreation Center and the Wayne Estes Center.

Final Details of Series 2017 Bonds:

- Principal Amount: Not to exceed $43,000,000 ($38,825,000)
- Interest Rate: Not to exceed 5.0% (max coupon of 5% and True Interest Cost of 3.177%)
- Maturity Date: Not to exceed 27 years (26.9 Years)
- Aggregate Discount: Not to exceed 2% (Premium bid of 101.451%)
- Underwriter’s Discount: Not to exceed 2% (1.492%)
- Bond Rating: AA from S&P (Rating confirmed, Insurance and Surety Bond provided by Assured Guaranty)
- Source of Repayment: Student Building Fee Revenues

Timetable Considerations:  
The University is proceeding with plans for a competitive bond sale soon after Regent approval is received, with a tentative date of December 14. The anticipated closing date is December 28, 2017. (The bonds were sold and closed as scheduled. The winning underwriter was R.W. Baird & Co., who provided the lowest True Interest Cost of the 9 bids received. See the attached bid summary)
SUMMARY OF BID RESULTS

<table>
<thead>
<tr>
<th>Final Par Amount:</th>
<th>$38,825,000</th>
<th>NPV Savings %</th>
<th>7.635%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final TIC</td>
<td>3.177%</td>
<td>NPV Savings $</td>
<td>$2,807,511</td>
</tr>
<tr>
<td>Total Bids Received</td>
<td>9</td>
<td>Gross Savings</td>
<td>$8,174,380</td>
</tr>
<tr>
<td>Final Maturity Date:</td>
<td>June 15, 2032</td>
<td>Average Annual Savings</td>
<td>$302,755</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>UNDERWRITERS</th>
<th>TIC BID</th>
<th>DIFFERENCE FROM WINNING BID</th>
<th>NPV SAVINGS (DOLLARS)</th>
<th>DIFFERENCE FROM WINNING BID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert W. Baird &amp; Co., Inc.</td>
<td>3.182</td>
<td>-</td>
<td>2,807,511</td>
<td>-</td>
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<tr>
<td>Wells Fargo Bank, NA</td>
<td>3.198</td>
<td>0.015</td>
<td>2,724,349</td>
<td>83,162.00</td>
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<td>Janney Montgomery Scott LLC</td>
<td>3.229</td>
<td>0.047</td>
<td>2,545,796</td>
<td>261,715.00</td>
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<tr>
<td>Jefferies LLC</td>
<td>3.238</td>
<td>0.056</td>
<td>2,495,589</td>
<td>311,922.00</td>
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<tr>
<td>RBC Capital Markets</td>
<td>3.247</td>
<td>0.065</td>
<td>2,445,443</td>
<td>362,068.00</td>
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<td>Bank of America Merrill Lynch</td>
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<td>0.095</td>
<td>2,278,975</td>
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<td>Citigroup Global Markets Inc.</td>
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<td>1,518,718</td>
<td>1,288,793.00</td>
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<td>HilltopSecurities</td>
<td>3.446</td>
<td>0.264</td>
<td>1,358,506</td>
<td>1,449,005.00</td>
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<td>Morgan Stanley &amp; Co, LLC</td>
<td>3.460</td>
<td>0.278</td>
<td>1,283,317</td>
<td>1,524,194.00</td>
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</table>