

May 9, 2018

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Utah State University – Series 2018 Research Revenue Bonds

Issue

Regent Policy R590, *Issuance of Revenue Bonds for Colleges and Universities* requires the Board to review and approve the issuance and sale of revenue bonds that have been affirmatively authorized by the Utah State Legislature. Utah State University (USU) requests Board authorization to issue up to \$35,000,000 of Research Revenue Bonds to construct Phase II of the Space Dynamics Laboratory as authorized by the 2018 Legislature.

Background

During the 2018 General Session the Legislature passed House Bill 9, *Revenue Bond and Capital Facilities Authorizations* which authorized USU to issue revenue bonds for the construction of the Space Dynamics Laboratory Phase II. The Laboratory develops intelligence, surveillance and reconnaissance technologies including technologies used for tactical sensors, data compression, flight testing, and cyber security. These technologies are in heavy demand by industry, the scientific community, and the military. The project was initially approved by the Board in the September 2017 meeting. Research revenue will pay the debt service on these bonds.

The legislative authorization allows for the issuance of up to \$31,400,000 for the project in addition to costs of issuance, capitalized interest, and debt service reserve requirements. The attached resolution authorizes USU to bond for up to \$35,000,000 for the Space Dynamics Laboratory Phase II project. The relevant parameters of the requested issue are:

- Principal amount not to exceed \$35,000,000 (including costs of issuance and capitalized interest)
- Interest rate not to exceed 5%
- Discount from par not to exceed 2%
- Final maturity not to exceed 32 years from the date of issue

A copy of the request letter from the University, the Approving Resolution, and a financing summary from the financial advisor are attached. Representatives from USU will be in attendance at the meeting to provide additional information and answer questions from the Board.

Commissioner's Recommendation

The Commissioner recommends approval of the proposed Authorizing Resolution to issue Research Revenue Bonds for Utah State University as proposed.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments



May 1, 2018

Commissioner David L. Buhler
Utah State Board of Regents
Board of Regents Building The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Dear Commissioner Buhler:

Utah State University requests that the Board of Regents approve issuing revenue bonds totaling \$31,400,000, together with other amounts necessary to pay costs of issuance, pay capitalized interest, and fund any debt service reserve requirement to finance construction of the Space Dynamics Laboratory Phase II facility. Bonds will be repaid with funds received from reimbursed overhead on research projects. The acquisition was previously approved by the Board of Trustees, Board of Regents, State Building Board, and the Legislature. This item will be presented to the Board of Trustees during the May 4, 2018 meeting.

We appreciate your support and ask that you present this item for Regents approval.

Sincerely,

David T. Cowley
Vice President for
Business and Finance

- C: Kimberly Henrie, Associate Commissioner for Finance and Facilities
Noelle Cockett, President
Dan Christensen, Controller
Dwight Davis, Associate Vice President for Business and Finance

**Utah State University
Research Revenue Bonds, Series 2018B
Preliminary Summary Sheet**

Proposed Issue: Research Revenue Bonds

Total Approximate Issue Size: \$33,165,000

Use of Funds: To finance the cost of constructing the Space Dynamics Laboratory Phase II, fund capitalized interest and a debt service reserve fund, if needed; and pay associated costs of issuance.

Detail of Proposed Series 2018B Bonds:

Principal Amount: Not to exceed \$35,000,000

Interest Rate: Not to exceed 5.0%

Maturity Date: Not to exceed 32 years

Aggregate Discount: Not to exceed 2%

Bond Rating: AA from S&P

Source of Repayment: Research Revenues

Timetable Considerations: Regent approval will be sought at the May 18 meeting. The University is proceeding with plans to sell bonds soon after Regent approval is received, with a tentative sale date planned for Thursday, May 31, 2018. The University anticipates selling bonds by competitive sale, and the underwriter will be whichever provides the lowest borrowing cost as a combination of each bidder's proposed rates and fees. The anticipated closing date is June 21, 2018.

The University has also issued a Request for Proposals for Trustee Services. Depending on the results of that RFP, the University may change bond trustee in conjunction with this transaction.

APPROVING RESOLUTION
UTAH STATE UNIVERSITY
RESEARCH BONDS – SPACE DYNAMICS LABORATORY (PHASE II)

Salt Lake City, Utah

May 18, 2018

The State Board of Regents of the State of Utah (the “Board”) met in regular session (including by electronic means) at Salt Lake Community College in Salt Lake City, Utah on May 18, 2018, commencing at 9:00 a.m. The following members were present:

Daniel W. Campbell	Chair
Harris H. Simmons	Vice Chair
Jessellie B. Anderson	Member
Nina Barnes	Member
Wilford W. Clyde	Member
Marlin K. Jensen	Member
Ronald W. Jibson	Member
Patricia Jones	Member
Steven J. Lund	Member
Robert S. Marquardt	Member
Christina Ortega	Member
Robert W. Prince	Member
Mark R. Stoddard	Member
Teresa L. Theurer	Member
Alex Trujillo	Student Regent
Joyce P. Valdez	Member
Thomas Wright	Member

Absent:

Also Present:

David L. Buhler	Commissioner of Higher Education
Loreen Olney	Secretary

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After the meeting had been duly convened and called to order by the Chair, the roll had been called with the above result, the Chair announced that one of the purposes of the meeting was the consideration of various matters with respect to the issuance and sale of the State Board of Regents of the State of Utah, Utah State University Research Revenue Bonds, Series 2018B.

The following resolution was introduced in written form and after full discussion, pursuant to motion made by Regent _____ and seconded by Regent _____, was adopted by the following vote:

YEA:

NAY:

The resolution is as follows:

RESOLUTION

A RESOLUTION OF THE STATE BOARD OF REGENTS OF THE STATE OF UTAH AUTHORIZING THE ISSUANCE AND SALE OF ITS UTAH STATE UNIVERSITY RESEARCH REVENUE BONDS, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$35,000,000; AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL INDENTURE, OFFICIAL STATEMENT, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, the State Board of Regents of the State of Utah (the “Board”) is established and exists under and pursuant to Section 53B-1-103, Utah Code Annotated 1953, as amended (the “Utah Code”); and

WHEREAS, pursuant to the provisions of Title 53B, Chapter 1, Utah Code, the Board is authorized to act as the governing authority of Utah State University (the “University”) for the purpose of exercising the powers contained in Title 53B, Chapter 21, of the Utah Code and the specific authorization of Section 63B-28-102(2) of the Utah Code (collectively, the “Act”); and

WHEREAS, pursuant to a General Indenture of Trust dated as of August 1, 1995, as heretofore amended and supplemented (the “General Indenture”), between the Board and Wells Fargo Bank, N.A., as trustee (along with any replacement trustee, the “Trustee”), the Board, acting for and on behalf of the University has issued various series of its Research Revenue Bonds (the “Outstanding Bonds”); and

WHEREAS, the General Indenture authorizes the issuance of additional bonds to be issued on a parity with the Outstanding Bonds; and

WHEREAS, in accordance with the provisions of the Act, the Board is authorized to issue revenue bonds for and on behalf of the University for the purpose of financing all or part of the costs of constructing a Space Dynamics Laboratory Phase II (the “2018B Project”) in an aggregate principal amount of not to exceed \$31,400,000 for acquisition and construction proceeds, together with other amounts necessary to pay costs of issuance, pay capitalized interest, and fund any debt service reserve requirements); and

WHEREAS, the Board intends to issue revenue bonds for and on behalf of the University for the purpose of financing the 2018B Project and to pay costs of issuance and fund reserves, all pursuant to the General Indenture, as further supplemented and amended by a Supplemental Indenture of Trust (the “Supplemental Indenture” and together with the General Indenture, the “Indenture”) between the Board and the Trustee, which bonds will be designated as the “State Board of Regents of the State of Utah, Utah State University

Research Revenue Bonds, Series 2018B (the “Bonds”) in an aggregate principal amount of not to exceed \$35,000,000; and

WHEREAS, the Bonds shall be payable solely from the University’s revenues and other moneys pledged therefor in the Indenture and shall not constitute nor give rise to a general obligation or liability of the Board, the University or the State of Utah or constitute a charge against their general credit; and

WHEREAS, there has been presented to the Board at this meeting a form of a Preliminary Official Statement relating to the Bonds (the “Preliminary Official Statement”), including a form of an Official Notice of Bond Sale (the “Official Notice of Bond Sale”), in the event the Bonds are publicly sold, a form of Supplemental Indenture and a form of a Bond Purchase Agreement (the “Bond Purchase Agreement”), in the case where the Bonds are sold at a negotiated sale or private placement, to be entered into among the Board, the University and the underwriters or purchasers for the Bonds (the “Purchaser”); and

WHEREAS, the University has circulated a Request for Proposals for Trustee services and the Board desires to authorize the University to take all actions necessary to replace the trustee for bonds outstanding under the Indenture and the other bonds of the University if deemed advantageous; and

WHEREAS, the Board desires to grant to the Chair and/or Vice Chair of the Board and/or the Chair of the Finance and Facilities Committee of the Board, the authority to approve the method of sale, interest rates, principal amount, terms, maturities, redemption features, and purchase prices at which the Bonds shall be sold and any changes with respect thereto from those terms which were before the Board at the time of adoption of this Resolution; provided such terms do not exceed the parameters set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF REGENTS OF THE STATE OF UTAH, AS FOLLOWS:

Section 1. All terms defined in the foregoing recitals hereto shall have the same meanings when used herein.

Section 2. All actions heretofore taken (not inconsistent with the provisions of this resolution) by the Board and the University and the officers of the Board or the University directed toward the issuance of the Bonds are hereby ratified, approved and confirmed.

Section 3. The Board hereby authorizes, approves and directs the use and distribution of the Preliminary Official Statement substantially in the form of the Preliminary Official Statement presented to the Board at this meeting in connection with the offering and sale of the Bonds, in the event the Bonds are publicly sold. The Chair, Vice Chair and/or Chair of the Finance and Facilities Committee of the Board and the President and/or Vice President for Business and Finance of the University are hereby authorized to execute and deliver on behalf of the Board and the University the final

Official Statement in substantially the same form and with substantially the same content as the form of the Preliminary Official Statement presented to this meeting with any such alterations, changes or additions as may be necessary to finalize the Official Statement. The preparation, use and distribution of the Official Statement is also hereby authorized. The Board and the University may elect to privately place the Bonds with or without the use of an Official Statement.

Section 4. The Supplemental Indenture in substantially the form presented to this meeting is in all respects authorized, approved and confirmed. The Chair, Vice Chair and/or Chair of the Finance and Facilities Committee and Secretary of the Board and the President and/or Vice President for Business and Finance of the University are hereby authorized to execute and deliver the Supplemental Indenture in substantially the same form and with substantially the same content as the form of such document presented to this meeting for and on behalf of the Board and the University with such alterations, changes or additions as may be authorized by Section 8 hereof.

Section 5. For the purpose of providing funds to be used for (i) financing all or part of the 2018B Project, (ii) funding a reserve fund and (iii) paying costs of issuance of the Bonds, the Board hereby authorizes the issuance of the Bonds, from time to time and in one or more series, in the aggregate principal amount of not to exceed \$35,000,000. The Bonds shall mature on such date or dates, be subject to redemption, and bear interest at the rates as shall be approved by the Chair or Vice Chair of the Board or the Chair of the Finance and Facilities Committee, all within the parameters set forth on Exhibit A attached hereto and incorporated herein by reference. The issuance of the Bonds shall be subject to the final advice of Bond Counsel and to the approval of the office of the Attorney General of the State of Utah.

Section 6. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, interest rates, redemption and number shall be as set forth in the Indenture. The Chair, Vice Chair and/or Chair of the Finance and Facilities Committee and the Secretary of the Board and the President and/or Vice President for Business and Finance of the University are hereby authorized to execute and seal by manual or facsimile signature the Bonds and to deliver the Bonds to the Trustee for authentication. All terms and provisions of the Indenture and the Bonds are hereby incorporated in this Resolution. The appropriate officials of the Board and the University are hereby authorized to execute and deliver to the Trustee the written order of the Board for authentication and delivery of the Bonds in accordance with the provisions of the Indenture.

Section 7. In the case where the Bonds are sold at a competitive sale pursuant to an Official Notice of Bond Sale, the Chair or Vice Chair of the Board and/or the Chair of the Finance and Facilities Committee and the President and/or Vice President for Business and Finance of the University are hereby authorized to execute and deliver a Certificate of Award (the "Certificate of Award") in substantially the same form and with substantially the same content as the form of the Certificate of Award presented at this meeting for and on behalf of the Board with final terms as may be established for the Bonds within the parameters set forth herein. In the case where the Bonds are sold at a negotiated

sale or private placement, the Bond Purchase Agreement in substantially the form presented to this meeting is hereby authorized, approved and confirmed. The Chair or Vice Chair of the Board and/or the Chair of the Finance and Facilities Committee and the President and/or Vice President for Business and Finance of the University are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the same form and with substantially the same content as the form of the Bond Purchase Agreement presented at this meeting for and on behalf of the Board with final terms as may be established for the Bonds within the parameters set forth herein and with such alterations, changes or additions as may be necessary or as may be authorized by Section 8 hereof. The Chair or Vice-Chair of the Board and/or the Chair of the Finance and Facilities Committee and the President and/or Vice President for Business and Finance of the University are hereby authorized to specify and agree as to the final principal amounts, terms, discounts, maturities, interest rates, redemption features and purchase price with respect to the Bonds for and on behalf of the Board and the University and any changes thereto from those terms which were before the Board at the time of adoption of this Resolution, provided such terms are within the parameters set by this Resolution, with such approval to be conclusively established by the execution of the Certificate of Award or the Bond Purchase Agreement, as applicable, and the Supplemental Indenture. In the event that the foregoing officers determine that the Bonds should be privately placed, the Bond Purchase Agreement and Supplemental Indenture may be modified to conform to the agreement with such Purchasers, including agreement to pay breakage fees, default rates, taxable rates and other similar provisions customary in such placements, provided that such obligations are limited to the sources provided under the Indenture.

Section 8. The appropriate officials of the Board and the University, including without limitation the Chair or Vice Chair of the Board and/or the Chair of the Finance and Facilities Committee and the President and/or Vice President for Business and Finance of the University are authorized to make any alterations, changes or additions to the Indenture, the Bonds, the Bond Purchase Agreement, the Certificate of Award, the Official Notice of Bond Sale, the Preliminary Official Statement, the Official Statement, or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to complete the same, to remove ambiguities therefrom, to conform the same to other provisions of said instruments, to the provisions of this Resolution or any resolution adopted by the Board or the provisions of the laws of the State of Utah or the United States or to permit the private placement or public sale of the Bonds, to conform such documents to the terms established for the Bonds and to update such documents with current information and practices.

Section 9. The appropriate officials of the Board and the University, including without limitation the Chair, Vice Chair, Chair of the Finance and Facilities Committee, Commissioner of Higher Education and Secretary of the Board and the President and/or Vice President for Business and Finance of the University, are hereby authorized and directed to execute and deliver for and on behalf of the Board and the University any or all additional certificates, documents and other papers and to perform all other acts they may

deem necessary or appropriate in order to implement and carry out the matters authorized in this Resolution and the documents authorized and approved herein.

Section 10. The appropriate officers of the Board and the University, including without limitation the Chair, Vice Chair, Chair of the Finance and Facilities Committee, Commissioner of Higher Education and Secretary of the Board and the President and/or Vice President for Business and Finance of the University are hereby authorized to take all action necessary or reasonably required by the Indenture, the Preliminary Official Statement, the Official Statement, the Official Notice of Bond Sale, or the Bond Purchase Agreement to carry out, give effect to and consummate the transactions as contemplated thereby and are authorized to take all action necessary in conformity with the Act.

In addition, the appropriate officers of the Board and the University are authorized to take all action and to execute such documents as may be reasonably required to replace any existing trustee for bonds outstanding under the Indenture and the other bonds of the University in the event that the University determines such replacement to be in the best interest of the University.

Section 11. Upon their issuance, the Bonds will constitute special limited obligations of the Board payable solely from and to the extent of the sources set forth in the Indenture. No provision of this Resolution, the Bonds, the Bond Purchase Agreement, the Official Statement, the Indenture or any other instrument executed in connection with the issuance of the Bonds, shall be construed as creating a general obligation of the Board or the University, or of creating a general obligation of the State of Utah or any political subdivision thereof, nor as incurring or creating a charge upon the general credit of the Board, the University, the State of Utah or any political subdivision thereof.

Section 12. After the Bonds are delivered by the Trustee to or for the account of the Purchaser and upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the principal of, premium, if any, and interest on the Bonds are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 13. If any provisions of this Resolution should be held invalid, the invalidity of such provisions shall not affect the validity of any of the other provisions of this Resolution.

Section 14. All resolutions of the Board or parts thereof inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

Section 15. This Resolution shall become effective immediately upon its adoption.

PASSED AND APPROVED BY THE STATE BOARD OF REGENTS OF THE
STATE OF UTAH THIS 18TH DAY OF MAY, 2018.

STATE BOARD OF REGENTS OF THE
STATE OF UTAH

Chair

(S E A L)

ATTEST:

Secretary

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

I, Loreen Olney, the undersigned, the duly qualified and acting Secretary of the State Board of Regents of the State of Utah, do hereby certify, according to the records of said State Board of Regents in my official possession, and upon my own knowledge and belief, that:

(a) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice was given of the agenda, date, time and place of the May 18, 2018 public meeting held by the Members of the State Board of Regents by causing a Notice of Public Meeting, in the form attached hereto as Schedule 1 to be: (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah, at least 24 hours prior to the convening of such meeting, said Notice of Public Meeting having continuously remained so posted and available for public inspection during the regular office hours of the State Board of Regents until the convening of the meeting; (ii) published on the Utah Public Notice Website (<http://pmn.utah.gov>), at least 24 hours prior to the convening of such meeting; and (iii) provided at least 24 hours prior to the convening of such meeting, to the Deseret News and The Salt Lake Tribune, newspapers of general circulation within the geographic jurisdiction of the State Board of Regents, pursuant to their subscription to the Utah Public Notice Website (<http://pmn.utah.gov>), and to each local media correspondent, newspaper, radio station or television station which has requested notification of meetings of the State Board of Regents;

(b) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice of the 2017-2018 Annual Meeting Schedule of the State Board of Regents was given, specifying the date, time and place of the regular meetings of the State Board of Regents scheduled to be held during said years, by causing a Notice of Annual Meeting Schedule for the State Board of Regents, in the form attached hereto as Schedule 2, to be (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah in September 2016; (ii) published on the Utah Public Notice Website (<http://pmn.utah.gov>) during the current calendar year, and (iii) provided to a newspaper of general circulation within the geographic jurisdiction of the State Board of Regents pursuant to its subscription to the Utah Public Notice Website (<http://pmn.utah.gov>); and

(c) the State Board of Regents has adopted written procedures governing the holding of electronic meetings in accordance with Section 52-4-207 Utah Code Annotated 1953, as amended (a copy of which is attached hereto as Schedule 3). In accordance with said Section and the aforementioned procedures, notice was given to each member of the State Board of Regents and to members of the public at least 24 hours before the meeting to allow members of the State Board of Regents and the public to participate in the meeting, including a description of

how they could be connected to the meeting. The State Board of Regents held the meeting (the anchor location) in the building where it would normally meet and provided space and facilities at the anchor location so that interested persons and the public could attend and participate.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the State Board of Regents of the State of Utah, this 18th day of May, 2018.

Secretary

(S E A L)

SCHEDULE 1

NOTICE OF PUBLIC MEETING

(See Transcript Document No. ____)

SCHEDULE 2

NOTICE OF ANNUAL MEETING SCHEDULE

(See Transcript Document No. ____)

SCHEDULE 3

ELECTRONIC MEETING POLICY

EXHIBIT A

PARAMETERS

Principal amount not to exceed	\$35,000,000
Coupon Interest rates not to exceed	5.0%
Discount from par not to exceed	2.0%
Final Maturity not to exceed	32 years from date of issuance
May be non-callable or callable at the option of University as determined at the time of sale	