

July 11, 2018

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Revenue 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. Three USHE institutions recently issued revenue bonds to construct facilities approved by the 2018 Utah State Legislature. Salt Lake Community College (SLCC) closed on \$11,735,000 of Auxilliary System and Student Fee Revenue bonds on June 20, 2018 with an all-inclusive interest cost of 2.83 percent. Utah State University (USU) closed on \$32,210,000 of Research Revenue bonds on June 21, 2018 with an all-inclusive interest cost of 3.54 percent. The University of Utah closed on \$80,040,000 of General Revenue and Refunding bonds on July 17, 2018 with an all-inclusive interest cost of 3.62 percent

Background

In the May 2018 meeting, the Board authorized SLCC to issue revenue bonds to construct a student center on the Jordan Campus. After a negotiated public offering on June 5, 2018, the 2018 Auxilliary System and Student Fee Revenue bonds closed on June 20, 2018. The SLCC bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

Sources		Uses	
Par Value	\$11,735,000	Deposit to Escrow Fund	\$13,000,000
Reoffering Premium	1,396,802	Debt Service Reserve Fund	1,499,250
Debt Service Reserve Fund	1,499,250	Cost of Issuance/Rounding	94,016
		Underwriter's Discount	37,786
	\$14,631,052		\$14,631,052

- True Interest Cost (TIC) 2.69%
- All-Inclusive Cost (All-in TIC) 2.83%
- Maximum Coupon Rate 5%
- Maturity Date 10 years

In the May 2018 meeting, the Board authorized USU to issue revenue bonds to construct Phase II of the Space Dynamics Laboratory. After a competitive sale on May 31, 2018, the 2018 Research Revenue

bonds closed on June 21, 2018. The USU bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

Sources		Uses	
Par Value	\$32,210,000	Construction Fund	\$31,400,000
Reoffering Premium	1,522,389	Capitalized Interest	1,783,007
		Underwriter's Discount	259,949
		Cost of Issuance/Rounding	164,874
		Bond Insurance Premium	84,067
		Surety Bond	40,492
	\$33,732,389		\$33,732,389

- True Interest Cost (TIC) 3.47%
- All-Inclusive Cost (All-in TIC) 3.54%
- Maximum Coupon Rate 5%
- Maturity Date 31.5 years

In the March 2018 meeting, the Board authorized the University of Utah to issue revenue bonds to construct the south campus student housing and dining complex. After a negotiated public offering on June 7, 2018, the 2018 General Revenue bonds closed on July 17, 2018. The University of Utah bond sale conformed to the parameters approved by the Regents. The following is a brief summary of the results:

Sources		Uses	
Par Value	\$80,040,000	Deposit to Escrow Fund	\$85,000,000
Reoffering Premium	11,334,821	Capitalized Interest	5,904,293
		Underwriter's Discount	201,701
		Cost of Issuance/Rounding	268,827
	\$91,374,821		\$91,374,821

- True Interest Cost (TIC) 3.59%
- All-Inclusive Cost (All-in TIC) 3.62%
- Maximum Coupon Rate 5%
- Maturity Date 26 years

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 only; no action is required.

David L. Buhler
Commissioner of Higher Education



FINAL FINANCING SUMMARY

For

\$11,735,000

State Board of Regents of the State of Utah

SALT LAKE COMMUNITY COLLEGE

Student Building Fee Revenue Bonds

Series 2018

(Updates in Red)

Purpose:	For the State Board of Regents of the State of Utah to issue, on behalf of Salt Lake Community College (the “College”) Student Building Fee Revenue Bonds (the “Series 2018 Bonds”) for the purpose of financing a portion of the costs of renovating and expanding a student center on the College’s Jordan Campus (the “Project”), and to pay costs of issuance.
Par Amount:	Not-to-exceed \$13,000,000 for Project costs plus all applicable costs of issuance. (Actual was \$11,735,000)
Security:	The Series 2018 Bonds will be payable from and secured solely by a pledge of student building fee revenues as well as certain investment income of the College. A debt service reserve fund, if required, will be funded through the application of available College monies. (A debt service reserve fund was required and was funded as noted above)
Rating(s):	‘AA’ rating is expected to be issued by S&P Global Ratings as a result of the Series 2018 Bonds being backed by a moral obligation pledge of the State of Utah. (This ‘AA’ rating was confirmed by S&P Global Ratings)
Method of Sale:	Negotiated public offering
True Interest Cost:	TBD (Estimates range from 2.59% to 2.82%) (Pricing Call: 2.69%; Wrap-up Call: 2.68%)
Underwriters:	The College will issue a Request for Proposals from well-known higher education underwriters from around the country. From the responses received, it is expected that one firm will be selected to handle the underwriting duties for the College’s Series 2018 Bonds. (The firm of RBC Capital Markets was selected to negotiate this bond transaction)
Sale Date:	TBD (Late May is goal) (June 5 th was the sale date)
Closing Date:	TBD (Late June is goal) (June 20 th was the chosen closing/settlement date)

Principal Payment Dates: March 1, beginning March 1, 2019

Interest Payment Dates: September 1 and March 1, beginning September 1, 2018

Interest Basis: 30/360

Optional Redemption: 7-year par call expected (confirmed)

Results of Sale: TBD (see below)

Parameters Recap: Par amount of Bonds: Not-to-exceed \$15 million (actual was \$11,735,000)
Maximum Term: 15-years (10-years was final maximum maturity)
Maximum Coupon: 5.50% (5.00% was maximum coupon)
Maximum Discount from Par: Not-to-Exceed 2.00% (no discount bonds were utilized)

College Contacts: Mr. Dennis Klaus, Vice President of Business Services and CFO (801-957-4250)
Ms. Debra Glenn, Controller (801-957-4084)
Mr. Travis Kartchner, Associate Controller/Treasurer (801-957-4224)

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
Research Revenue Bonds, Series 2018B
Final Summary Sheet**

Proposed Issue: Research Revenue Bonds

Total Approximate Issue Size: \$33,165,000 (Final par amount: \$32,210,000)

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

Detail of Proposed Series 2018B Bonds:

Principal Amount: Not to exceed \$35,000,000
(\$32,210,000)

Interest Rate: Not to exceed 5.0% (max
coupon of 5% and True
Interest Cost of 3.473%)

Maturity Date: Not to exceed 32 years (31.5
Years)

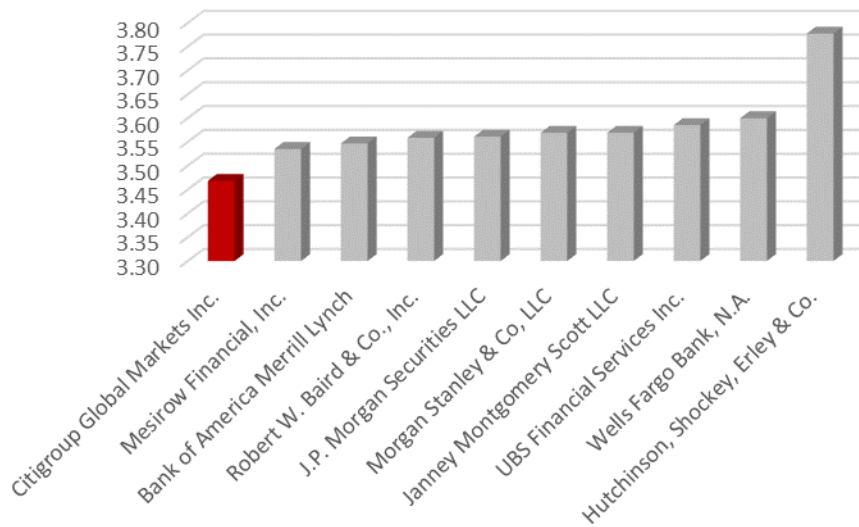
Aggregate Discount: Not to exceed 2% (Premium
bid of 103.919%)

Bond Rating: AA from S&P (Confirmed)

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 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 bonds were sold and closed as scheduled. The winning underwriter was Citigroup Global Markets, who provided the lowest True Interest Cost of the 10 bids received. See the attached bid summary)

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. (Following an RFP, the University selected US Bank as trustee for current and future bonds)



BID COMPARISON

Par Amount:	\$32,210,000
Dated Date:	June 21, 2018
Delivery Date:	June 21, 2018
Final Maturity Date:	December 1, 2049
S&P:	"AA"

UNDERWRITERS	TIC BID	DIFFERENCE FROM WINNING BID	Total P&I	DIFFERENCE FROM WINNING BID
Citigroup Global Markets Inc.	3.468178	-	56,044,629	-
Mesirow Financial, Inc.	3.535369	0.0672	56,485,279	440,651
Bank of America Merrill Lynch	3.546998	0.0788	56,560,123	515,494
Robert W. Baird & Co., Inc.	3.558737	0.0906	56,642,438	597,810
J.P. Morgan Securities LLC	3.561224	0.0930	56,659,829	615,201
Morgan Stanley & Co, LLC	3.569176	0.1010	56,705,379	660,751
Janney Montgomery Scott LLC	3.569213	0.1010	56,705,379	660,751
UBS Financial Services Inc.	3.585399	0.1172	56,817,438	772,809
Wells Fargo Bank, N.A.	3.600007	0.1318	56,916,305	871,676
Hutchinson, Shockey, Erley & Co.	3.777431	0.3093	58,129,425	2,084,796



FINAL FINANCING SUMMARY

For

\$80,040,000

State Board of Regents of the State of Utah

UNIVERSITY OF UTAH

General Revenue Bonds

Series 2018A

(Updates in Red)

Purpose:	To finance a portion of the construction of a South Campus Student Housing and Dining Project (the “Project”) together with other amounts necessary to pay capitalized interest, pay costs of issuance, and satisfy any debt service reserve requirements, if any. (no debt service reserve fund was required)
Not-to-Exceed Par Amount:	\$105,217,000 (Actual: \$80,040,000)
Security:	The Series 2018A Bonds will be payable from and secured by a General Revenue pledge which consists of substantially all 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 <i>are expected</i> by Moody’s Investors Service and S&P Global Ratings, respectively. (These ratings were confirmed)
Method of Sale:	Negotiated public offering
True Interest Cost:	TBD (Pricing Call: 3.60%; Post-pricing Wrap-up Call: 3.59%)
Underwriters:	The University recently reconstituted the members of its “Underwriter Pool” through a Request for Proposals format, from which an underwriter or group of underwriters for the Project will be chosen. (Barclays and Citigroup, with a 70/30 underwriting liability split, were selected from a group of nine proposals)
Sale Date:	TBD – Current Calendar calls for mid-June 2018 (June 7th)
Closing Date:	TBD – Current Calendar calls for mid-to-late July 2018 (July 17)
Principal Payment Dates:	August 1 of each year, with the beginning date to be determined based on need for capitalized interest (August 1, 2020 was selected)
Interest Payment Dates:	August 1 and February 1, beginning February 1, 2019

Final Financing Summary
University of Utah Series 2018A Bonds
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Interest Basis: 30/360

Parameters: Not-to-Exceed Par for the Project: \$105,217,000 (**\$80,040,000**)
Not-to-Exceed Term: 30-years from the date of the Bond's issuance
(**26-years was chosen**)
Not-to-Exceed Coupon: 5.50% (**5.00% coupon was highest coupon**)
Not-to-Exceed Discount from Par: 2.00% (**No discount bonds were sold**)

Optional Redemption: May be non-callable or callable at the option of the University as determined at the time of the sale (**University opted for a traditional 10-year par call**)

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)