



# MEMORANDUM

TAB D

December 6, 2019

## USHE – Revenue Bond Results

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. Four USHE institutions recently issued revenue bonds to refund prior issued debt and to construct facilities approved by the Regents and the 2019 Utah State Legislature: Utah State University, Snow College, Utah Valley University, and the University of Utah. Additional details about the bond issues may be found in the attached summary sheet and the financing summaries prepared by the respective financial advisors.

### **Commissioner's Recommendations**

**Information item only; no action is required.**

### **Attachments**

## Summary of Bond Results

1. In the September 2019 meeting the Board authorized Utah State University (USU) to issue revenue bonds to refinance Series 2018A Research revenue bonds for savings. After a direct placement with J.P. Morgan the bonds closed on October 16, 2019 and conformed to the parameters approved by the Regents. The following is a brief summary of the results:

- True Interest Cost (TIC) 1.88%
- Maturity Date 8.13 years
- Net Present Value (NPV) Savings \$219,567 (3.9%)

| <b>Sources</b>     |             | <b>Uses</b>                |             |
|--------------------|-------------|----------------------------|-------------|
| Par Value          | \$6,231,000 | Deposit to Refinance 2018A | \$5,548,254 |
|                    |             | Debt Service Reserve Fund  | 623,100     |
|                    |             | Cost of Issuance/Round     | 59,646      |
| <b>\$6,231,000</b> |             | <b>\$6,231,000</b>         |             |

2. In the September 2019 meeting the Board authorized Snow College to issue revenue bonds to refinance Series 2011 bonds for savings. After a negotiated sale on October 8, 2019 that conformed to the parameters approved by the Regents, the bonds closed on October 23, 2019. The following is a brief summary of the results:

- True Interest Cost (TIC) 2.805%
- Maturity Date 16.64 years
- Net Present Value (NPV) Savings \$943,811 (7.78%)

| <b>Sources</b>          |              | <b>Uses</b>              |              |
|-------------------------|--------------|--------------------------|--------------|
| Par Value               | \$13,110,000 | Deposit to Refund 2012A  | \$12,853,045 |
| Original Issue Discount | (95,430)     | Underwriter's Discount   | 25,334       |
|                         |              | Surety/Insurance Premium | 32,376       |
|                         |              | Cost of Issuance/Round   | 103,815      |
| <b>\$13,014,570</b>     |              | <b>\$13,014,570</b>      |              |

3. In the September 2019 meeting the Board authorized the Utah Valley University to issue revenue bonds to refund the 2004A and 2012A bonds and to expand the Sorenson Student Center. The bonds were issued in two series: 2019A tax-exempt bonds and 2019B taxable bonds. After a competitive sale on October 2, 2019 that conformed to the parameters approved by the Regents, the bonds closed on November 5, 2019. The following is a brief summary of the results:

- |                                   | <b><u>2019A tax-exempt</u></b> | <b><u>2019B taxable</u></b> |
|-----------------------------------|--------------------------------|-----------------------------|
| • True Interest Cost (TIC)        | 2.319%                         | 2.397%                      |
| • Maturity Date                   | 20 years                       | 13 years                    |
| • Net Present Value (NPV) Savings | \$7,185                        | \$1,891,053 (6.39%)         |

| <b>Sources 2019A Tax-Exempt</b> |              |
|---------------------------------|--------------|
| Par Value                       | \$21,860,000 |
| Reoffering Premium              | 3,420,897    |
| <b>\$25,280,897</b>             |              |

| <b>Sources 2019B Taxable</b> |              |
|------------------------------|--------------|
| Par Value                    | \$31,010,000 |
| Reoffering Premium           | 132,654      |
| <b>\$31,142,654</b>          |              |

| <b>Uses 2019A Tax-Exempt</b> |                     |
|------------------------------|---------------------|
| Deposit to Project           | \$24,560,000        |
| Deposit to Refund 2004A      | 405,202             |
| Underwriter's Discount       | 209,477             |
| Surety Premium               | 30,698              |
| Cost of Issuance/Round       | 75,520              |
|                              | <b>\$25,280,897</b> |

| <b>Uses 2019B Taxable</b> |                     |
|---------------------------|---------------------|
| Deposit to Refund 2012A   | \$30,860,479        |
| Underwriter's Discount    | 130,831             |
| Surety Premium            | 43,547              |
| Cost of Issuance/Round    | 107,797             |
|                           | <b>\$31,142,654</b> |

4. In the May 2019 meeting the Board authorized the University of Utah to issue revenue bonds to construct the Rice-Eccles stadium upgrade and a cancer care center. The bonds were issued in two series: 2019A tax-exempt bonds and 2019B taxable bonds. After a negotiated sale on November 13, 2019 that conformed to the parameters approved by the Regents, the bonds closed on December 11, 2019. The following is a brief summary of the results:

|                            | <b><u>2019A tax-exempt</u></b> | <b><u>2019B taxable</u></b> |
|----------------------------|--------------------------------|-----------------------------|
| • True Interest Cost (TIC) | 2.348%                         | 3.329%                      |
| • Maturity Date            | 20 years                       | 20 years                    |

| <b>Sources 2019A Tax-Exempt</b> |                     |
|---------------------------------|---------------------|
| Par Value                       | \$74,050,000        |
| Reoffering Premium              | 16,353,170          |
|                                 | <b>\$90,403,170</b> |

| <b>Sources 2019B Taxable</b> |                     |
|------------------------------|---------------------|
| Par Value                    | \$30,165,000        |
|                              | <b>\$30,165,000</b> |

| <b>Uses 2019A Tax-Exempt</b> |                     |
|------------------------------|---------------------|
| Deposit to Stadium Project   | \$50,000,000        |
| Deposit to Cancer Care Ctr   | 40,000,000          |
| Underwriter's Discount       | 164,073             |
| Cost of Issuance/Round       | 239,097             |
|                              | <b>\$90,403,170</b> |

| <b>Uses 2019B Taxable</b>  |                     |
|----------------------------|---------------------|
| Deposit to Stadium Project | \$30,000,000        |
| Underwriter's Discount     | 66,837              |
| Cost of Issuance/Round     | 98,163              |
|                            | <b>\$30,165,000</b> |

**Utah State University  
Research Revenue Refunding Bonds, Series 2019A  
Final Summary Sheet**

Proposed Issue: Series 2019A Research Revenue Refunding Bonds

Total Approximate Issue Size: \$5,736,000 (Final par amount: \$5,745,000)

Use of Funds: To refinance for savings the Series 2018A Research Revenue Bonds, which were issued to fund the purchase of the building where the USU Salt Lake Education Center; fund a reserve fund; and pay associated costs of issuance.

Detail of Proposed Series 2019A Bonds:

Principal Amount: Not to exceed \$6,000,000  
(\$5,745,000)

Interest Rate: Not to exceed 2.5% (Coupon  
and True Interest Cost of  
1.88%)

Maturity Date: Not to exceed 9 years (8.13  
years)

Aggregate Discount: Not to exceed 2% (Bonds  
purchased at par)

Bond Rating: The bonds will be privately  
placed and will not be rated

Source of Repayment: Research Revenues

Timetable Considerations: Regent approval will be sought at the September 13 meeting. The University anticipates selling bonds by direct placement to the bank that can offer the best combination of rates and fees to generate the most debt service savings for the University. The 2018A Bonds are currently callable and will be completely defeased at the closing of the 2019A Bonds, anticipated to occur in late September or early October. (The bonds were sold and closed as scheduled. NPV savings were 3.9% or \$219,567.)

**Snow College**  
**Student Fee and Housing System Revenue Refunding Bonds, Series 2019**  
**Final Summary Sheet**

Proposed Issue: Student Fee & Housing System Taxable Revenue Refunding Bonds, Series 2019

Total Approximate Issue Size: \$13,025,000 (Final par amount: \$13,110,000)

Use of Funds: To refinance the callable maturities (\$12,135,000) of the College's existing Series 2011 Student Fee & Housing System Revenue Bonds for economic savings. The 2011 bonds were issued to construct the Suites at Academy Square.

Detail of Proposed Series 2019 Bonds:

Principal Amount: Not to exceed \$13,500,000 (\$13,110,000)

Interest Rate: Not to exceed 5% (max coupon of 3% and True Interest Cost of 2.805%)

Maturity Date: Not to exceed 17 years (16.64 years)

Aggregate Discount: Not to exceed 2% (Final bid of 99.079%)

Bond Rating: AA from S&P (Confirmed)

Source of Repayment: Housing Revenues, Student Fees, other Revenues

Timetable Considerations: Pending authorization from the Regents on September 13, and the continued availability of sufficient economic savings, the College anticipates selling bonds via negotiated sale in late September or early October, and closing the transaction in October. (The bonds were sold and closed as scheduled. NPV savings were 7.78% or \$943,811.)



**FINAL REGENT FINANCING SUMMARY**  
For

**\$52,870,000**

**State Board of Regents of the State of Utah  
UTAH VALLEY UNIVERSITY  
Student Center Building Fee and Unified System Refunding and Revenue Bonds  
Series 2019A  
and  
Student Center Building Fee and Unified System Refunding Bonds  
Series 2019B**

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|                           |  |
|---------------------------|--|
| Purpose:                  | The purpose of this transaction is several-fold: (1) To finance the renovation and expansion of the Sorenson Student Center (the “Project”) on the campus of Utah Valley University (the “University”); (2) Current refund all remaining principal amounts of the University’s Series 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds; and (3) Advance-refund—on a taxable basis—the callable portion of the University’s Series 2012A Student Center Building Fee and Unified System Revenue Bonds, together with other amounts necessary to pay costs of issuance, pay capitalized interest and fund any debt service reserve requirements, if any. |
| Not-to-Exceed Par Amount: | <b>\$61,000,000 (\$52,870,000 was the final combined par amount)</b><br><b>Series 2019A (tax-exempt): \$21,860,000</b><br><b>Series 2019B (taxable): \$31,010,000</b>  |
| Security:                 | The Series 2019 Bonds will be payable from and secured by a pledge of revenues which consist of (i) Net Operating Revenues, (ii) all Student Center Building Fees, (iii) all earnings on all funds and accounts created under the General Indenture of Trust and (iv) to the extent applicable and permitted by law any debt service grants from the United States of America.   |
| Rating:                   | ‘AA’ is expected by S&P Global Ratings by virtue of the Moral Obligation pledge of the State of Utah ( <b>‘AA’ was confirmed</b> )   |
| Method of Sale:           | Competitive Sale   |
| True Interest Cost:       | TBD <b>Series 2019A (tax-exempt): 2.319% (20-year maturity)</b><br><b>Series 2019B (taxable): 2.397% (13-year maturity)</b>  |

**Final Regent Financing Summary**  
**Utah Valley University Series 2019 Bonds**  
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|                                   |  |
|-----------------------------------|--|
| Sale Date:                        | TBD – Current Calendar calls for early October 2019 <b>(October 2, 2019 was sale date)</b>   |
| Closing Date:                     | TBD – Current Calendar calls for late October or early November 2019 <b>(November 5, 2019 was closing date)</b>  |
| Principal Payment Dates:          | November 1 of each year, with the beginning date yet to be determined <b>(November 1 of each year, beginning November 1, 2020)</b>   |
| Interest Payment Dates:           | November 1 and May 1, beginning May 1, 2020 <b>(Confirmed)</b>   |
| Interest Basis:                   | 30/360 <b>(Confirmed)</b>  |
| Parameters:                       | Not-to-Exceed Par for the Project: \$61,000,000 <b>(\$52,870,000)</b><br>Not-to-Exceed Term: 25-years from the date of issuance <b>(20-years)</b><br>Not-to-Exceed Coupon: 5.50% <b>(5.00% was highest coupon)</b><br>Not-to-Exceed Discount from Par: 2.00% <b>(0.958%)</b> |
| Optional Redemption:              | May be non-callable or callable at the option of the University as determined at the time of the sale<br><b>Series 2019A: 10-year par call</b><br><b>Series 2019B: Make-whole call</b>   |
| Projected NPV Savings:            | Series 2004A: \$8,700* <b>(\$7,185)</b><br>Series 2012A: \$1,883,982* <b>(\$1,891,053, or 6.39% of refunded principal)</b>   |
| <b>Actual Gross Savings:</b>      | <b>Series 2004A: \$8,694</b><br><b>Series 2012A: \$3,887,115 or approximately \$300,000 per year</b>   |
| <b>Debt Service Reserve Fund:</b> | <b>Covered by a stand-alone surety policy from Assured Guaranty <u>without being required to purchase a principal and interest policy (saved UVU over \$76,000)</u></b>  |
| University Contacts:              | Mr. Val Peterson, Vice President of Finance and Administration (801-863-8486)<br><br>Mr. Jacob Atkin, Associate Vice President of Finance (801-863-8576)   |
| Bond Counsel:                     | Mr. Blake Wade, Gilmore & Bell (801-258-2725)  |
| Municipal Advisor:                | Mr. Kelly Murdock, <b>Stifel, Nicolaus &amp; Company, Incorporated</b> (801-538-0351)  |

*\*Preliminary, subject to change (Updates in RED reflect final information)*

# STIFEL

## FINAL FINANCING SUMMARY

For

### STATE BOARD OF REGENTS OF THE STATE OF UTAH UNIVERSITY OF UTAH

\$74,050,000

General Revenue Bonds, Series 2019A (Tax-Exempt)

and

\$30,165,000

General Revenue Bonds, Series 2019B (Federally Taxable)

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|                           |   |
|---------------------------|---|
| Purpose:                  | To finance (i) the construction of a portion of a cancer care center (the “Cancer Care Project”) in an amount not to exceed \$40,000,000, and (ii) the construction of a stadium upgrade (the “Stadium Project”) in an amount not to exceed \$80,000,000, together with other amounts necessary to pay costs of issuance.           |
| Not-to-Exceed Par Amount: | <b>\$125,000,000 (\$104,215,000 was final par amount)</b>   |
| Security:                 | The proposed bonds (the “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. <b>(Ratings were confirmed)</b>  |
| Method of Sale:           | Negotiated public offering  |
| True Interest Cost:       | <b>2.700% (total transaction)</b><br><b>2.348% (Series A – Tax-Exempt)</b><br><b>3.329% (Series B – Taxable)</b>  |
| Underwriters:             | TBD <b>(Goldman Sachs &amp; Bank of America Securities Negotiated Underwriter’s Discount: <u>\$2.22</u>)</b>  |
| Sale Date:                | TBD – Late 2019 or Early 2020 <b>(November 13, 2019)</b>  |
| Closing Date:             | TBD – Late 2019 or Early 2020 <b>(December 11, 2019)</b>  |



Principal Payment Dates: August 1 of each year, with the beginning date to be determined based on need for capitalized interest, if any, or for other reasons **(no capitalized interest was necessary)**  
**(August 1, 2021 – Series A Beginning Date)**  
**(August 1, 2033 – Series B Beginning Date)**

Interest Payment Dates: August 1 and February 1 **(commencing August 1, 2020)**

Interest Basis: 30/360 **(✓)**

Parameters: Not-to-Exceed Par for the Cancer Care Project: \$40,000,000 **(✓)**  
Not-to-Exceed Par for the Stadium Project: \$80,000,000 **(✓)**  
Not-to-Exceed Term: 30-years from the date of the Bonds' issuance **(20-year amortization was chosen)**  
Not-to-Exceed Interest Rate: 6.00% **(5.00% was highest coupon)**  
Not-to-Exceed Interest Rate for Variable-Rate Bonds or Commercial Paper: 12.0% **(n/a)**  
Not-to-Exceed Discount from Par: 2.00% **(there was no original issue discount)**

Optional Redemption: May be non-callable or callable at the option of the University of Utah, as determined at the time of the sale **(10-year par call was chosen for both Series 2019A and Series 2019B Bonds)**

University Contacts: Ms. Cathy Anderson, Chief Financial Officer (801-581-6940)  
Mr. Robert Muir, Director of Treasury Services (801-585-5598)

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

Underwriter's Counsel: Mr. Eric Hunter, Chapman and Cutler (801-533-0066)

Municipal Advisor: Mr. Kelly Murdock, Stifel, Nicolaus & Company, Inc. (801-538-0351)