November 20, 2020

Revenue Bond Results

Board 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 Utah Board of Higher Education in the next scheduled meeting after the closing. In the May 2020 meeting, the Board authorized the Utah Higher Education Assistance Authority to refinance student loan revenue bonds, and in the August 2020 meeting, the Board authorized Dixie State University to issue revenue bonds to expand the Greater Zion Stadium.

After receiving consent from bondholders and using a short-term warehouse loan agreement with the Royal Bank of Canada, UHEAA issued $222,450,000 of revenue bonds in two series that closed on October 30, 2020. The first series (A-1A) of $131,250,000 were sold as fixed rate notes, and the second series (A-1B) of $91,200,000 were sold as floating rate notes based on the LIBOR index. DSU sold $10,050,000 of revenue bonds that closed on September 23 with a true interest cost of 2.26%. Additional details about both bond issues may be found in the attached financing summaries prepared by the financial advisors.

Commissioner's Recommendations

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

Attachments:

Dixie State University
General Revenue Bonds, Series 2020
Final Summary Sheet

Proposed Issue:	General Revenue Bonds
Total Approximate Issue Size:	$9,160,000 (Final par amount: $10,756,103.75)
Use of Funds:	To fund the design and construction of an expansion to the Greater Zion Stadium (legislatively approved for up to $10,000,000 in project costs); satisfy any reserve requirements; pay capitalized interest; and pay associated costs of issuance.

Details of Proposed Series 2020 Bonds:

Principal Amount:	Not to exceed $11,000,000 ($10,050,000)
Interest Rate:	Not to exceed 5.5% (Coupons ranged from a high of 5% to a low of 2% with a True Interest Cost of 2.26%)
Maturity Date:	Not to exceed 32 years (30 years)
Aggregate Discount:	Not to exceed 2% (Bonds purchased at a premium to par, discounts as low as 97.574% and premiums as high as 136.296%)
Bond Rating:	AA from S&P
Bond Insurance:	Build America Mutual (Both bond insurance and a surety policy were utilized)
Tax Exemption:	The bonds will be tax exempt
Source of Repayment:	Tourism revenue from Washington County

Timetable Considerations:	Approval will be sought at an interim meeting of the Board of Higher Education on August 21st. The University is proceeding with plans to sell bonds soon after approval is received, with a tentative competitive sale date planned for September 10th. The underwriter will be whichever bidder delivers the lowest combination of rates and fees as determined by the True Interest Cost (TIC). The bond closing date will be September 23rd, 2020. (The bonds were sold and closed as scheduled.)

Financing Summary
For

$222,450,000
Utah Board of Higher Education
Student Loan Backed Notes, Series 2020-1

Purpose:	To (a) refinance a portfolio of Federal Family Education Loan Program (FFELP) loans with a financing structure that has provisions for the elimination and replacement of LIBOR as the index for determining the yield on the student loans and on the financing instruments, and (b) to release equity in the form of both cash and FFELP loans to the UHEAA balance sheet.
Not-to-Exceed Par Amount:	The authorizing resolution permitted up to $327,500,000, but due to favorable market conditions and the release of approximately $95 million in FFELP loans to UHEAA's balance sheet, the financing was reduced to $222,450,000, consisting of (1) $131,250,000 of Series A-1A fixed rate notes (CUSIP 91754R R58) with a 1.55% interest rate, sold at a slight discount to yield 1.562%, and (2) $91,200,000 of floating rate Series A-1B notes (CUSIP 91754R R66) paying interest at a spread of 1.10% to One-Month LIBOR (or its eventual replacement index).
Security:	The notes are limited obligations of the Board, and are secured primarily by and repaid from payments received from a discrete pool of pledged FFELP student loans. Credit enhancement for the notes consists of overcollateralization, excess spread and a cash funded reserve fund.
Ratings:	Aaa(sf) by Moody's Investors Service AA+(sf) by S&P Global Ratings.
Method of Sale:	Limited Negotiated Public Offering

True Interest Cost:	Not calculable because of the floating rate component. The Series 2020-A-1A will yield 1.562%, and the Series 2020-A1B floating rate notes will pay interest at a spread of 1.100% to One-Month LIBOR, or its' eventual replacement index.
Underwriters:	RBC Capital Markets
Sale Date:	October 26, 2020
Closing Date:	October 30, 2020
Principal Payment Dates:	The twenty-fifth day of each calendar month, or, if not a business day, the next business day, beginning on January 25, 2021. (Monthly Distribution Dates)
Interest Basis:	On each Monthly Distribution Date
Parameters:	Maximum Par Amount - $327,500,000 Actual - $222,450,000 Interest Rates – For up to 65% of the notes – 4.0% fixed rate, and up to 100% at a variable rate not to exceed 25% per annum Actual – 59% of notes sold at a fixed interest rate of 1.50%, sold at a discount to yield 1.562%, and 41% of notes sold at a variable rate of 1.100% over One-Month LIBOR, or its eventual replacement Underwriter's Discount – 0.625% Actual – 0.625% Maximum Discount from par – 20.0% Actual – Fixed rate notes sold at 99.96376% Variable rate notes sold at par Maximum Final Maturity – 40 years Actual – July 25, 2060
Optional Redemption	The notes may be optionally prepaid when the then outstanding student loan pool balance is 10% or less of the initial student loan pool balance
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