



MEMORANDUM

TAB M

March 25, 2021

University of Utah - 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 Board in the next scheduled meeting after the closing. In the December 2020 meeting, the Board authorized the University of Utah to issue revenue bonds to: construct the Health Sciences Campus Office Building (HELIX), to issue industrial facilities bonds (research), to refinance existing debt for short-term cash flow (cash), and refinance existing debt for economic savings (refund). While the Board approved issuing bonds to construct a new medical school, the university decided to wait on the issuance until a future date. After a negotiated sale on January 21, 2021, the General Revenue and Refunding bonds closed on February 2, 2021. The bond sale conformed to the parameters approved by the Board:

- True Interest Cost (TIC) 1.93%
- Maximum Coupon Rate 5%
- Maturity Date 20.5 years

The following is a brief summary of the results. Additional details about the bond issue may be found in the attached Financing Summary prepared by the financial advisor.

Sources	2021A-1 HELIX	2021A-2 Research	2021B Cash and Refund
Par Value	\$86,920,000	7,700,000	76,870,000
Reoffering Premium	25,923,447	2,297,194	
	\$112,843,447	\$9,997,194	\$76,870,000
Uses			
Deposit to Construction Fund	\$100,000,000	9,960,000	0
Deposit to Escrow Fund	0	0	76,512,476
Capitalized Interest	12,448,663	0	
Underwriter's Discount	200,822	19,367	177,181.15
Cost of Issuance/Rounding	193,963	17,827	180,342
	\$112,843,447	9,997,194	76,870,000

Commissioner's Recommendation

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

Attachment

STIFEL

FINAL FINANCING SUMMARY For

Utah Board of Higher Education
\$171,490,000
UNIVERSITY OF UTAH
General Revenue and Refunding Bonds
Series 2021A-1, Series 2021A-2, and Series 2021B
(The “Series 2021 Bonds”)

Purpose:

To finance (1) A portion of the costs to construct a health science office building (the “Health Science Office Building Project” or “HELIX” project); (2) To finance the acquisition, construction, improvement, equipping and furnishing of certain research-related buildings and projects; (3) To advance-refund, on a federally taxable basis, certain outstanding bonds of the University for net-present-value savings; (4) To refund, on a federally taxable basis, certain non-callable maturities of outstanding bonds of the University and re-amortize said principal to provide cash flow savings; and (5) Together with other amounts necessary to pay costs of issuance, pay capitalized interest and fund a debt service reserve requirement, if any. ***While the University had considered including the financing of its new Medical School (the “MEDX”) in the Series 2021 bond issue, (with a not-to-exceed borrowing amount of \$137.5 million), it was determined that this project would be included in a bond to be sold on a future date.***

The Series 2021 Bonds may also include up to \$60 million of taxable refunding bonds for purposes of re-amortizing certain upcoming principal maturities to provide cash flow relief due to pandemic-related shortfalls. ***As part of the \$76,870,000 Series 2021B Federally Taxable Bonds, \$52,655,000 were issued to provide approximately \$25 million of cash flow relief to the University for Fiscal Years 2022 and 2023.***

Depending on future interest rates as well as other factors, the University may also issue refunding revenue bonds as part of the Series 2021 bond issue for purposes of generating net-present-value savings of at least 3.00%, in accordance with the \$100 million

approval given by the former State Board of Regents of the State of Utah in its November 15, 2019 board meeting. *As part of the \$76,870,000 Series 2021B Federally Taxable Bonds, \$24,215,000 represented the advance-refunding of certain outstanding and callable bonds of the University. Total savings achieved exceeded \$3.2 million, or 15.3% on a combined net-present-value basis.*

Not-to-Exceed Par Amount: **\$375,000,000** (\$100,000,000 for the Health Science Office Building Project, \$137,500,000 for the Medical Education and Discovery Building *(not included in the Series 2021 bond issue)*; \$10,000,000 for research-related capital improvements; \$60,000,000 for cash flow savings refunding bonds, \$30,000,000 for present-value savings refunding bonds, with the remainder for capitalized interest, costs of issuance, and a debt service reserve fund, if necessary). *The total par amount of the Series 2021 Bonds was \$171,490,000, of which \$86,920,000 represented the tax-exempt Series 2021A-1 Bonds for the Health Science Office Building Project; \$7,700,000 represented the Series 2021A-2 Bonds for research-related capital improvements; \$52,655,000 of the taxable Series 2021B Bonds were issued for cash flow savings; and, \$24,215,000, also of the Series 2021B Bonds, were issued as refunding bonds to provide net-present-value refunding savings, as discussed above.*

Security: The Series 2021 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 *are expected* by Moody’s Investors Service and S&P Global Ratings, respectively. *Both of these ratings were re-affirmed. Each rating agency also reaffirmed the rating outlook for all of the University’s bonds as ‘stable’.*

Method of Sale: Negotiated Public Offering ✓

True Interest Cost: TBD (given current market volatility, a preliminary rate is difficult to determine) *A pre-pricing true interest cost (“TIC”) target of 1.98% was provided to both the University as well as to Chair Simmons immediately prior to the sale of the bonds. Due to a very strong market as well as significant investor demand for the University’s bonds, the Underwriters were able to lower yields on the bonds and decrease the final TIC to 1.93% on a combined basis.*

Final Financing Summary
University of Utah Series 2021 Bonds
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Underwriters: The University recently engaged the firms of JP Morgan and Wells Fargo Securities to serve as underwriters for the Series 2021 Bonds. *JP Morgan's role in the transaction was to serve as Book-Running Senior Manager with a 65% liability. Wells Fargo Securities' role was Co-manager with a 35% liability.*

Sale Date: Current Calendar calls for a January 21, 2021 sale date, subject to market conditions *The Series 2021 Bonds were sold on January 21, 2021.*

Closing Date: TBD – Current Calendar calls for settlement early February 2021. *February 2, 2021 was the closing date for the Series 2021 Bonds.*

Principal Payment Dates: August 1 of each year, beginning August 1, 2024 ✓

Interest Payment Dates: August 1 and February 1, beginning August 1, 2021 ✓

Interest Basis: 30/360 ✓

Parameters: Not-to-Exceed Par for the Projects: \$375,000,000 *\$171,490,000 was actual par amount*
Not-to-Exceed Term: 30-years from the date of the Bond's issuance *The Series 2021 Bonds had a final maturity date of August 1, 2041—approximately 20.5 years.*
Not-to-Exceed Coupon: 5.00% *No coupon exceeded 5.00%*
Not-to-Exceed Discount from Par: 2.00% *Total Underwriter's discount was \$2.31/\$1000, or 0.231%, with the Series 2021A-1 and Series 2021A-2 Bonds sold at a net buyer's premium. The taxable Series 2021B Bonds were sold at par.*

Optional Redemption: May be non-callable or callable (par or make-whole) at the option of the University, as determined at the time of the sale *The University negotiated a 9.5 year par call on all of the Series 2021 Bonds.*

University Contacts: Ms. Cathy Anderson, Chief Financial Officer (801-581-6940)
Mr. Robert Muir, Executive Director – Debt and Asset Management (801-585-5598)

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

Municipal Advisor: Mr. Kelly Murdock, Stifel, Nicolaus & Company (385-799-1734)