



# MEMORANDUM

May 18, 2023

## Utah State University – Series 2023 Revenue Bonds

Board 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 requests Board authorization to issue up to \$72,000,000 of General Revenue Bonds for the purposes described in the following sections.

### **Request to Issue Approximately \$72,000,000 Authorized by State Legislature**

Utah State University requests Board authorization to issue General Revenue Bonds for the following purposes that have been authorized by the state legislature:

- \$49,293,000 for the construction of the South Campus Residence Hall project as approved by the Board in November 2022 and authorized by the 2023 Legislative Session (S.B. 297); housing rental fees and other auxiliary revenues will be the primary source of repayment for the bonds.
- \$22,925,000 for the construction of the South Campus Parking Terrace as approved by the Board in November 2022 and authorized by the 2023 Legislative Session (S.B. 297); parking fees and other auxiliary revenues will be the primary source of repayment for the bonds.

The relevant parameters of the requested issue are:

- Principal amount not to exceed \$84,000,00 (including costs of issuance and capitalized interest)
- Interest rate not to exceed 5.0%
- Discount from par not to exceed 2%
- Final maturity not to exceed 34 years from the date of issue

### **Impact to Financial Metrics and Sufficiency of Revenue Streams**

As of June 30, 2022, Utah State University held \$319,645,000 of outstanding bond indebtedness, with a Fiscal Year 2022 viability ratio of 2.14 and a debt burden ratio of 2.4%. After accounting for the requested bond issuance and holding other factors constant, a naïve estimate demonstrates that USU will remain well within system standards for viability and debt burden ratios, at 1.7 (1:1 minimum threshold) and 2.9% (7.0% maximum threshold), respectively. Moreover, USU projects that net revenues within its Auxiliary Systems activities pool will support an annual bond debt service ratio of 1.5 to 1.68 once these projects are operational.

A copy of the request letter, analysis of the feasibility and sufficiency of revenue streams, financing summary, and the Approving Resolution are attached. Representatives from the University will attend the meeting to provide additional information and answer questions from the Board.

**Commissioner’s Recommendation**

The Commissioner recommends the Board approve the proposed Authorizing Resolution to issue General Revenue bonds for Utah State University.

**Attachments**