



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

February 15, 2024

Requests for Revenue Bond Financed Projects for the 2024 Legislative Session – University of Utah Health West Valley In-Patient Project

In accordance with Utah Board of Higher Education Policy R702, Non-State Funded Projects, the Board must review and authorize institutional requests for non-state funded capital development projects, including those financed with revenue bonds, that require legislative approval.

The University of Utah is requesting Board approval to pursue legislative authorization in the 2024 Legislative Session for an additional \$450 million of bond-financed capital for the University of Utah Health West Valley In-Patient Project. House Bill 191 of the 2022 Legislative Session authorized the University of Utah to issue revenue bonds in the amount of \$400 million for the West Valley Health and Community Center project, with clinical revenues and other non-state revenues of the University of Utah Health Sciences as the primary revenue sources of repayment. This second \$450 million tranche requested by the University would cover an increase in project square footage of 165,253 (up to 771,653 total), the addition of 100-150 inpatient hospital beds and cost inflation related to supply chain delays, sub-contractor services and equipment. The requested bonding authority would also cover cost of issuance and capitalized interest.

The University of Utah is launching a funding raising campaign and exploring all 'UHealth' related revenue sources to pledge as repayment of the newly requested bond issuance.

As of June 30, 2023, the University of Utah held \$1,881,050,000 of outstanding revenue bond indebtedness, and for Fiscal Year 2023, reported \$2,357,517,788 in total long-term debt. In FY 2023, the University of Utah's viability and debt burden ratios measured 1.69, and 3.84, respectively. With the newly requested bond issuance authority of an additional \$450 million for the project, OCHE conservatively estimates that the University of Utah's viability and debt burden ratios would approximate to 1.42 and 4.27, holding other factors constant. Importantly, these estimated values would remain within established tolerances for each measure (viability ratio at a 1:1 minimum threshold and debt burden ratio at a 7.0 maximum threshold).

Additional project details are attached. If the Board approves this project, the Commissioner's Office will forward the request to the Legislature for consideration in the 2024 General Session.

Following legislative authorization, in accordance with Board Policy R590, Issuance of Revenue Bonds for Colleges and Universities, the Board must authorize the issuance and sale of bonds through an approving resolution that includes parameters for principal amounts, maturity date, discounts, and interest rates.

Commissioner's Recommendation

The Commissioner recommends the Board review and approve this request for legislative action. If the Legislature authorizes the bonds, the University of Utah's request for an approving resolution should include financial analyses that document the feasibility and sufficiency of revenue streams necessary to support the institution's currently outstanding indebtedness and the proposed revenue bonds, as well as any other information required by statute or policy.

Attachments