

# Monthly Debt Report

## March 2019

### Recent Events

- As of March 1<sup>st</sup>, the University's estimated borrowing cost was 3.875% <sup>(1)</sup>. Since the beginning of the year, long-term interest rates have been static, with 10- and 30-year treasuries trading in a range of only 0.05% from their current levels of 2.65% and 3.02%, respectively. The yield curve is very flat, with just 0.73% separating the 1-month LIBOR rate (2.39%) from the 30-year treasury rate (3.02%)
- \$100 million of commercial paper was retired in February with proceeds from 2019A General Revenue Bonds. Currently, there is no outstanding commercial paper
- Through June 2019, the University plans to issue \$25 million in commercial paper to fund approved projects

### Estimated Future Funding

#### FY 2019-2023 (in millions)

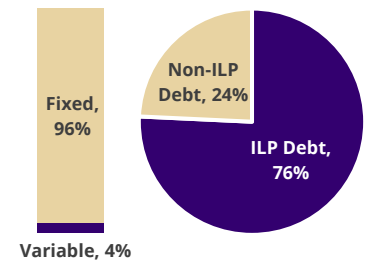
Authorized FY 2019 Issuance <sup>(A)</sup>	\$	100
Board Approved Projects <sup>(B)</sup>		154
Remaining Debt Capacity (FY 2020-2023)		246
<b>Total Debt Funding</b>	<b>\$</b>	<b>500</b>

(A) Authorized projects include HFS Phase 4a and Life Sciences  
(B) Estimated. Authorized projects include Destination One and NWH Childbirth Center

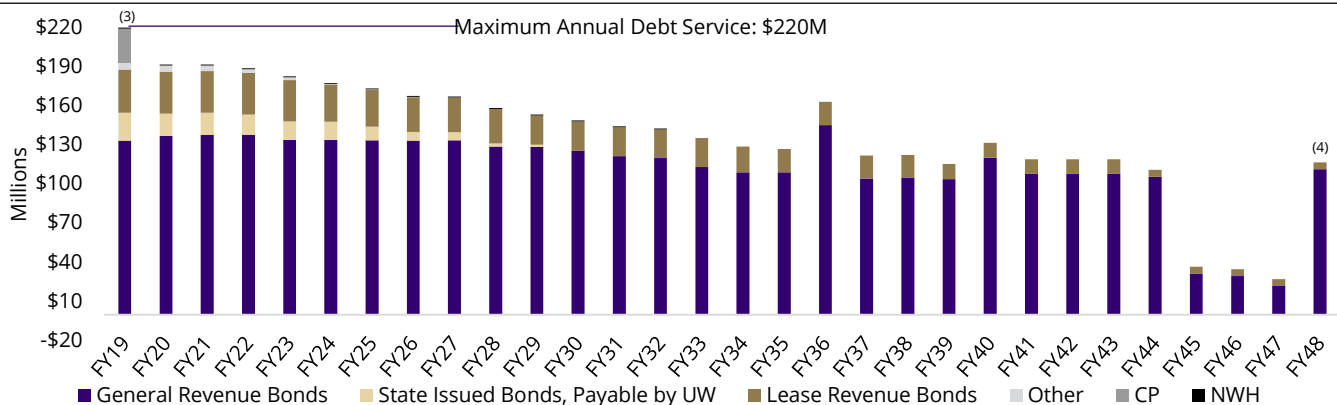
- A revised estimate of debt capacity was presented to the Board in May 2018. This analysis indicated \$500 million in debt capacity (roughly equal to principal expected to be repaid FY19-23)
- Debt capacity estimates will be revised and presented to the Board in June of 2019
- Additional capacity from the Capital Assets Pool is recalculated quarterly as the value of the Invested Funds (IF) changes and principal owed to the CAP is repaid. As of 12/31/2018, the available capacity was \$109 million
- Short-term equipment financing has minimal impact on capacity

### External Debt Portfolio

- The University has **\$2,376 million** <sup>(2)</sup> of external debt outstanding as of February 28<sup>th</sup>, 2019. This is lower than the previous report (\$2,383 million as of 12/31/2018) due to principal repayments of \$7 million
- The weighted average cost of debt is 3.53%
- Between 2008 and 2014 outstanding debt grew by 13% annually. From 2015 through 2018, the annual growth rate slowed to 5%. Debt has not materially grown since 2017 and outstanding debt is projected to remain stable through 2023
- \$135 million of internal funding from the CAP is excluded from the external debt portfolio



### Annual Debt Service



(1) 80/20 weighting between the tax-exempt and taxable 30-year interest rates to illustrate the University's portfolio (assumes 5% coupons and a 10-year par call for the tax-exempt bonds)

(2) Reflects the impact of the 2019A General Revenue Bond

(3) Includes a \$25 million commercial paper repayment

(4) Estimated maturity for 2019A bonds. The University maintains flexibility to amortize principal

# Debt Dashboard

## March 2019

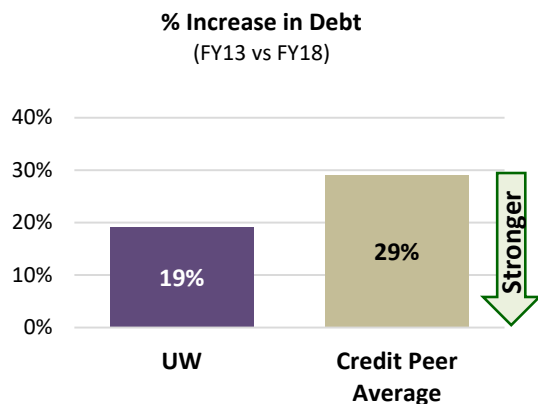
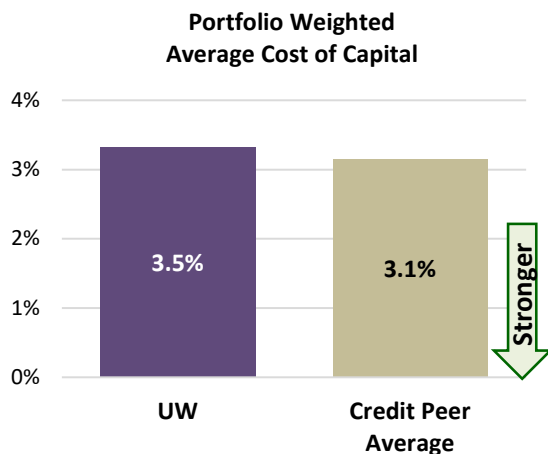
### Peer Comparison Highlights

- The University's debt portfolio is well positioned compared to credit peer institutions based on key credit and debt portfolio metrics
- The current weighted average cost of the University's debt portfolio is 3.53%, including the 2019A General Revenue Bonds. The University's average debt duration is slightly longer than credit peers which contributes to a slightly higher carrying cost of debt
- After a period of increased debt issuance by the University during years of historically low interest rates, credit peer institutions now outpace the University in terms of debt issuance
- Compared to credit peers, the University scores highly in market position but is less strong in financial resources and operations
- The University is highly rated at Aaa/AA+, this highlights the significant boost the rating agencies give to the University's size and scope, as well as to qualitative factors including strategic positioning, fiscal oversight, and governance

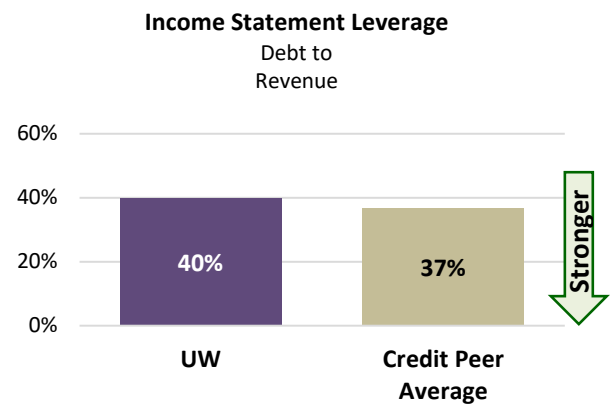
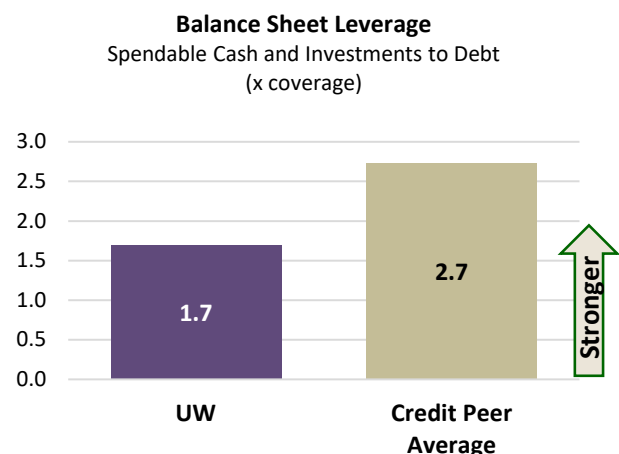
### Credit Peer Group

- The University's credit peer group includes public universities rated Aa2 or higher by Moody's with over \$1 billion in annual revenue and more than 10% exposure to health care. Statewide systems are excluded
- Current credit peer institutions include U Michigan, Virginia, UNC Chapel Hill, Ohio State, Penn State, U Colorado, U Utah, U Iowa, U Kentucky, and U Alabama at Birmingham
- Moody's rates 271 public universities with an A-rating or higher

#### Key Debt Portfolio Metrics <sup>(1)(2)</sup>



#### Key Credit Metrics <sup>(1)(2)</sup>



(1) Includes 2019A General Revenue Bonds

(2) Peer ratios updated to reflect FY18 data where available