Long-Term Credit Rating: Aaa/AA+
Internal Lending Rate: 4.50%
Weighted Average Cost of Debt: 3.50%

MONTHLY DEBT REPORT

September 2018

Recent Events

- As of August 14th, the University's estimated borrowing cost was 3.93% (1). Trade war uncertainty and concerns over Turkey's economic stability have resulted in a flight to quality; treasury yields have trended lower, while tax-exempt yields are relatively unchanged
- Since June 30th, $35 million of commercial paper was issued on 8/8/18 at a rate of 1.67% to fund Housing and Food Services Phase 4a and Life Sciences. The University paid off $25 million in outstanding commercial paper on July 16th, bringing the total outstanding commercial paper to $100 million
- The University plans to issue an additional $15 million in commercial paper through January 2019 to fund Clinical Transformation

Estimated Future Funding

FY 2019-2023 (in millions)

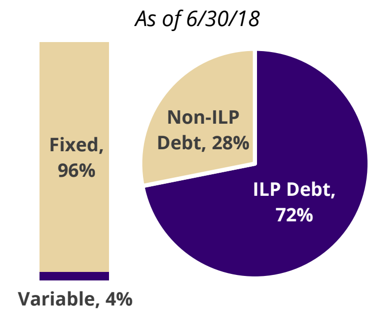
Authorized FY 2019 Issuance [A]	$	100
Additional FY 2019 Commercial Paper Borrowing [B]		26
Estimated Additional Capacity from Debt (FY 2020-2023)		374
Total Debt Funding	**$**	**500**

(A) Authorized projects include HFS Phase 4a and Life Sciences
(B) Authorized projects include Clinical Transformation

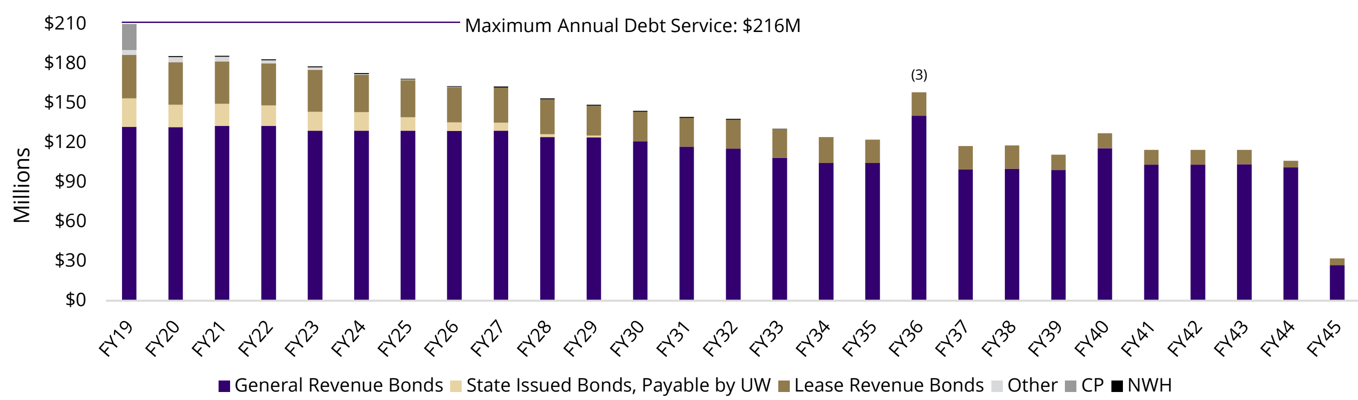
- A comprehensive review of the debt capacity methodology and a revised estimate were presented in May 2018. This analysis indicated $500 million in debt capacity (roughly equal to principal expected to be repaid FY19-23)
- Debt capacity estimates will be revised and presented in 2019
- Additional capacity 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
- Short-term equipment financing has minimal impact on capacity

External Debt Portfolio

- The University had **$2,419 million** of external debt outstanding as of 6/30/18 (end of 2018 Fiscal Year). This is lower than the previous report ($2,433 million as of 5/31/2018) due to principal repayments of $15 million
- Additionally, the University paid $56 million in principal during the month of July
- The weighted average cost of debt is 3.50%
- Between 2008 and 2013 outstanding debt grew by 15% annually. Since 2014, the annual growth rate slowed to 5%. Outstanding debt is projected to remain stable through 2023
- $137 million of internal funding from the CAP is excluded from the external debt portfolio



Annual Debt Service (2)



(1) 80/20 weighting between the tax-exempt and taxable 30-year interest rates to illustrate the University's portfolio
(2) Excludes Valley Medical Center bonds
(3) Represents a large principal payment in FY36

ATTACHMENT 3

TREASURY OFFICE
UNIVERSITY of WASHINGTON

Long-Term Credit Rating: Aaa/AA+
Internal Lending Rate: 4.50%
Weighted Average Cost of Debt: 3.50%

RATING AGENCY SCORECARDS

September 2018

Comments

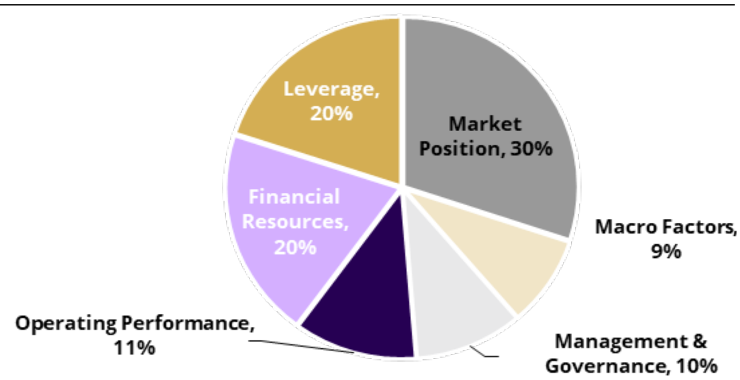
- Both Moody's and S&P have "rating scorecards" intended to provide a calculated rating based on key credit factors. The agencies apply judgment to the scorecard rating to assign actual ratings that may be different than the scorecard result
- S&P tends to include more qualitative factors into their scorecard and therefore the result tends to more closely approximate the actual rating; Moody's excludes many qualitative factors from their scorecard which often results in a wider difference to the actual rating

Key Takeaways

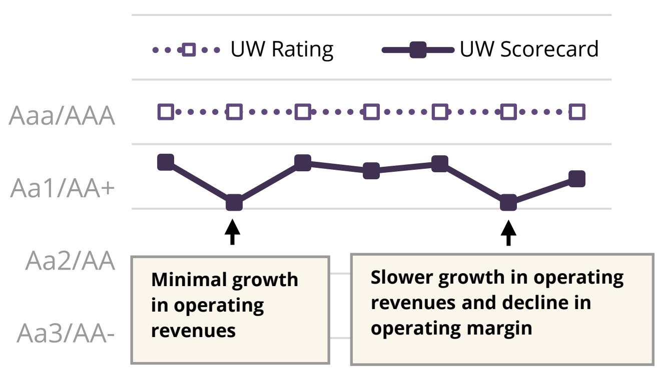
- For both Moody's and S&P, UW scores highly in market position and is less strong in financial resources and operations
- The Moody's scorecard shows UW at an Aa1 rating, one notch below the actual Aaa rating. This reflects positively on qualitative factors including strategic positioning, fiscal oversight, and governance
- The Moody's scorecard results improved from fiscal 2016 to 2017 due primarily to growth in cash and investments. Despite the scorecard improvement, Moody's assigned a negative outlook to the rating largely due to operating results at UW Medicine and the negative outlook for the sector
- The S&P scorecard result is the same as the actual AA+ rating. The University's debt tends to price at the lower AA+ S&P rating due to the split rating categories between agencies

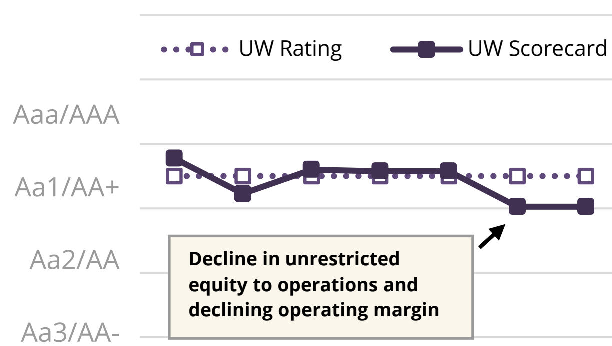
Moody's | Standard & Poor's

Scorecard Factors



UW Scorecard Result vs Rating History





UW Factor Heatmap