

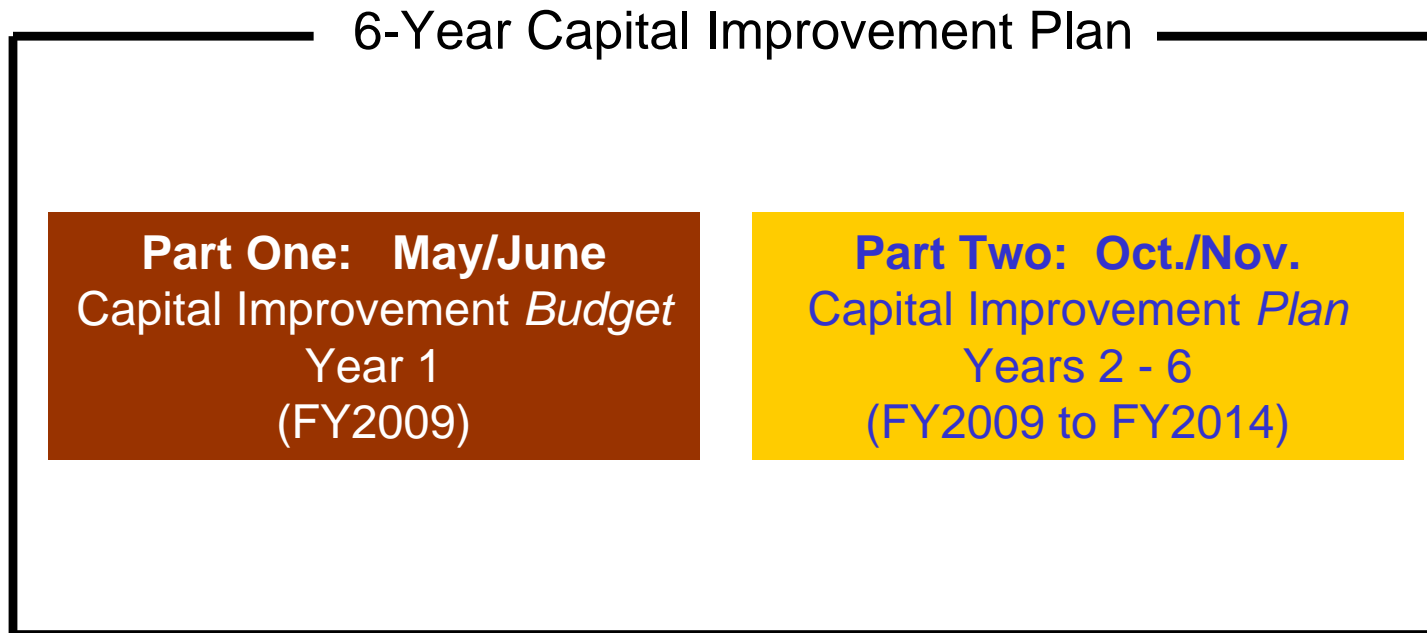
***FY2008-09
Annual Capital
Improvement
Budget***

FY2009 – FY2014

***Six-Year Capital
Improvement
Plan***

Capital Improvement Plan

Board of Regents Policy directs the administration to develop a capital budget with a “6-year time horizon, updated annually”



FY2008-09
Annual Capital
Improvement
Budget

2008 State Capital Request Outcome

Capital Request	
State:	\$105.2
University:	\$35.1
Sub-Total:	\$140.3
Bio-Medical Authority	
State:	\$219.0
University:	\$73.0
Sub-Total:	\$292.0
Total:	\$432.3

FY 2008-09 Capital Improvement Budget Financing Requirements

All projects required to have:

- Cash in hand, or
- Approved financing plan

Example: Labovitz School of Business and Economics

• Total Project Costs	\$23,000,000
• State Appropriation - 2/3 rd	\$15,333,000
• University Contribution – 1/3 rd	\$ 7,667,000
• U of M Bonds*	\$2,000,000
• U of M Bonds **	\$3,833,000
• UMD Cash**	\$1,834,000

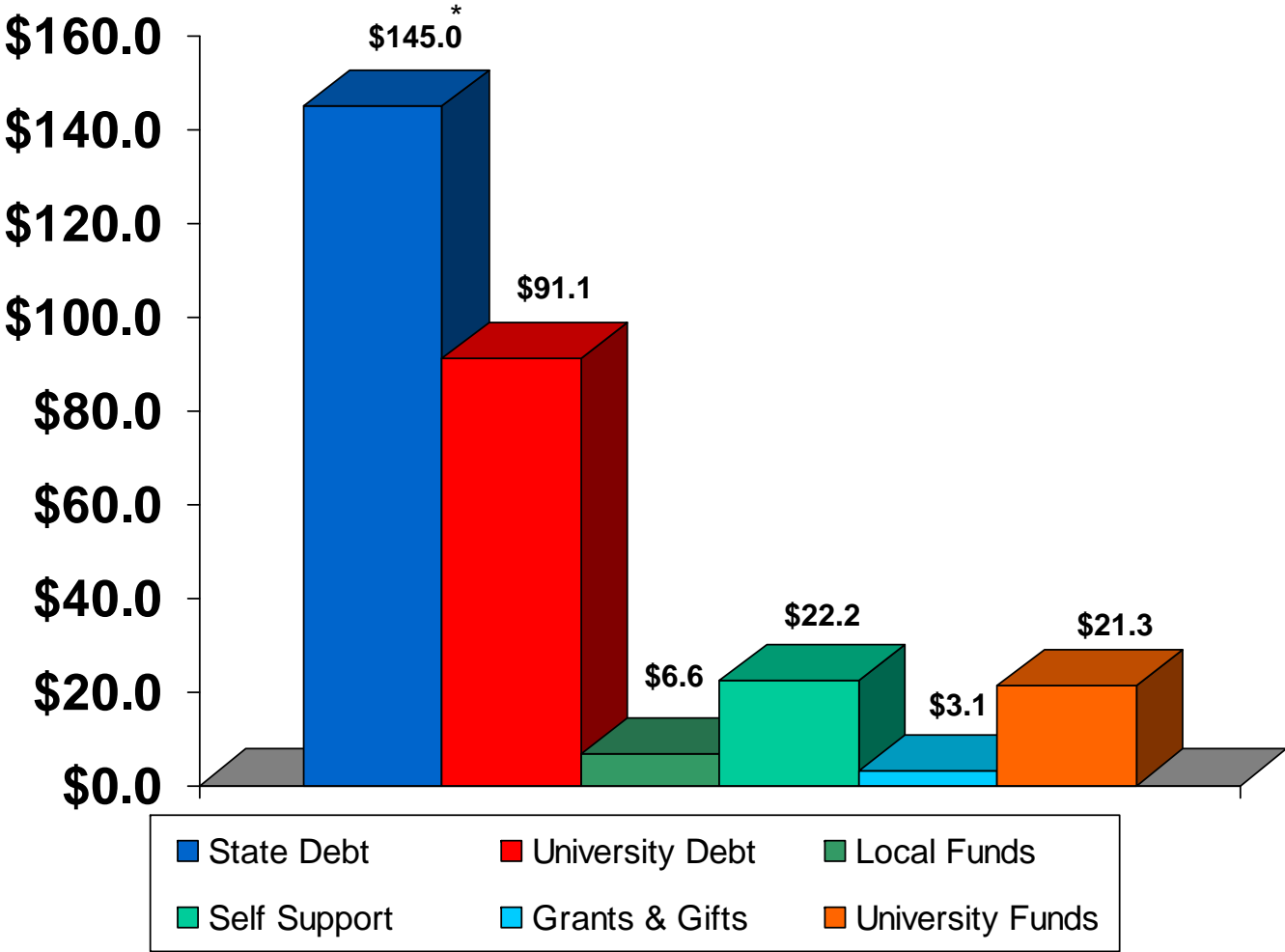
Notes:

* U of M issued debt paid with UMD Resources

** U of M issues debt paid by a central allocation to UMD

FY 2008-09 Capital Improvement Budget Funding Sources

\$289.4 Million



* Includes state supported debt for biomedical facilities program

FY2009 – FY2014

***Six-Year Capital
Improvement
Plan***

Plan Components

**2009 Annual Capital
Budget**

**Capital Improvement *Plan*
(FY2009 to FY2014)**

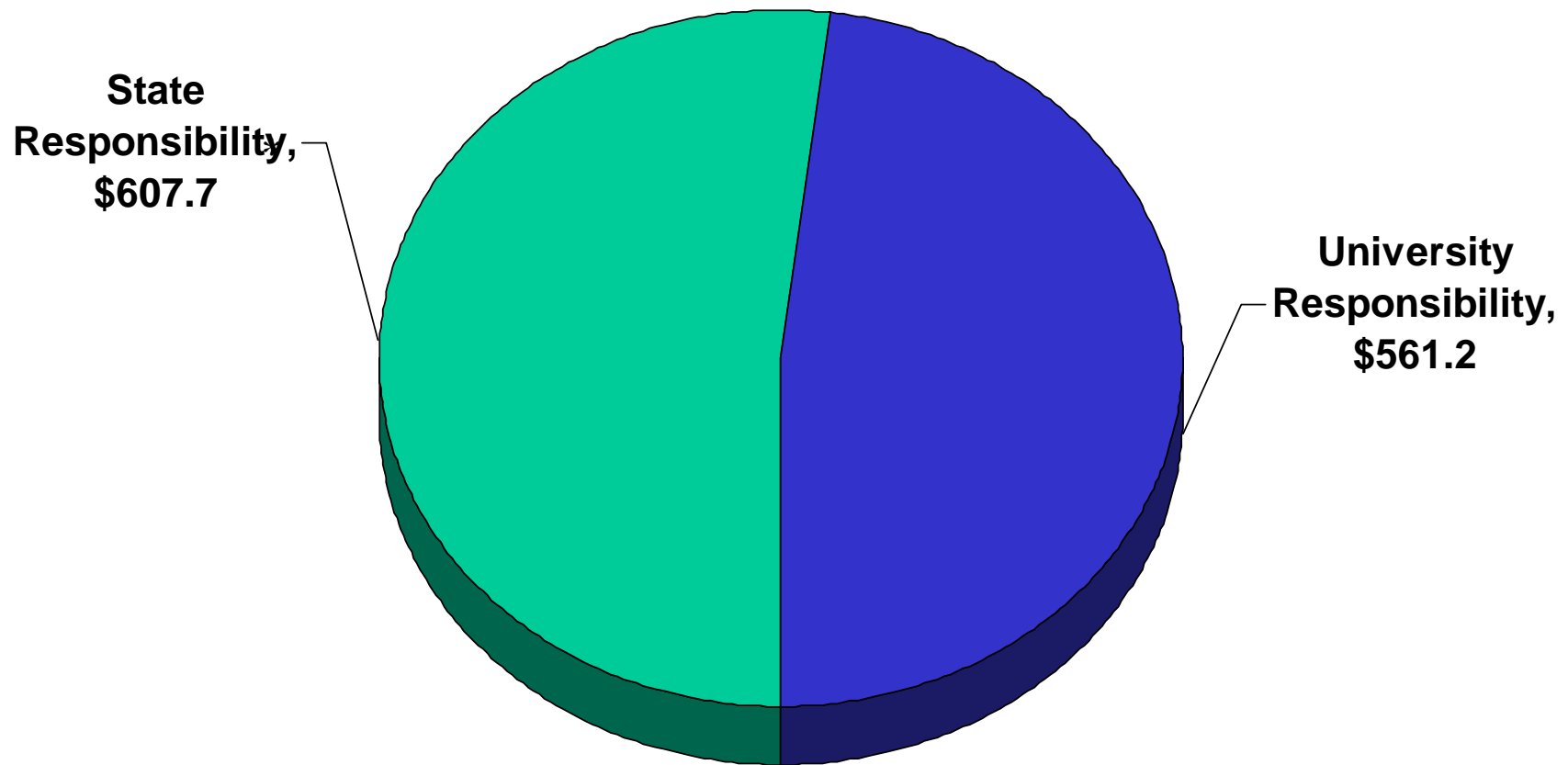


**2009, 2010 and 2012
Preliminary State
Capital Requests**

**2009-2014
University Projects**

**Projects in Planning &
Development**

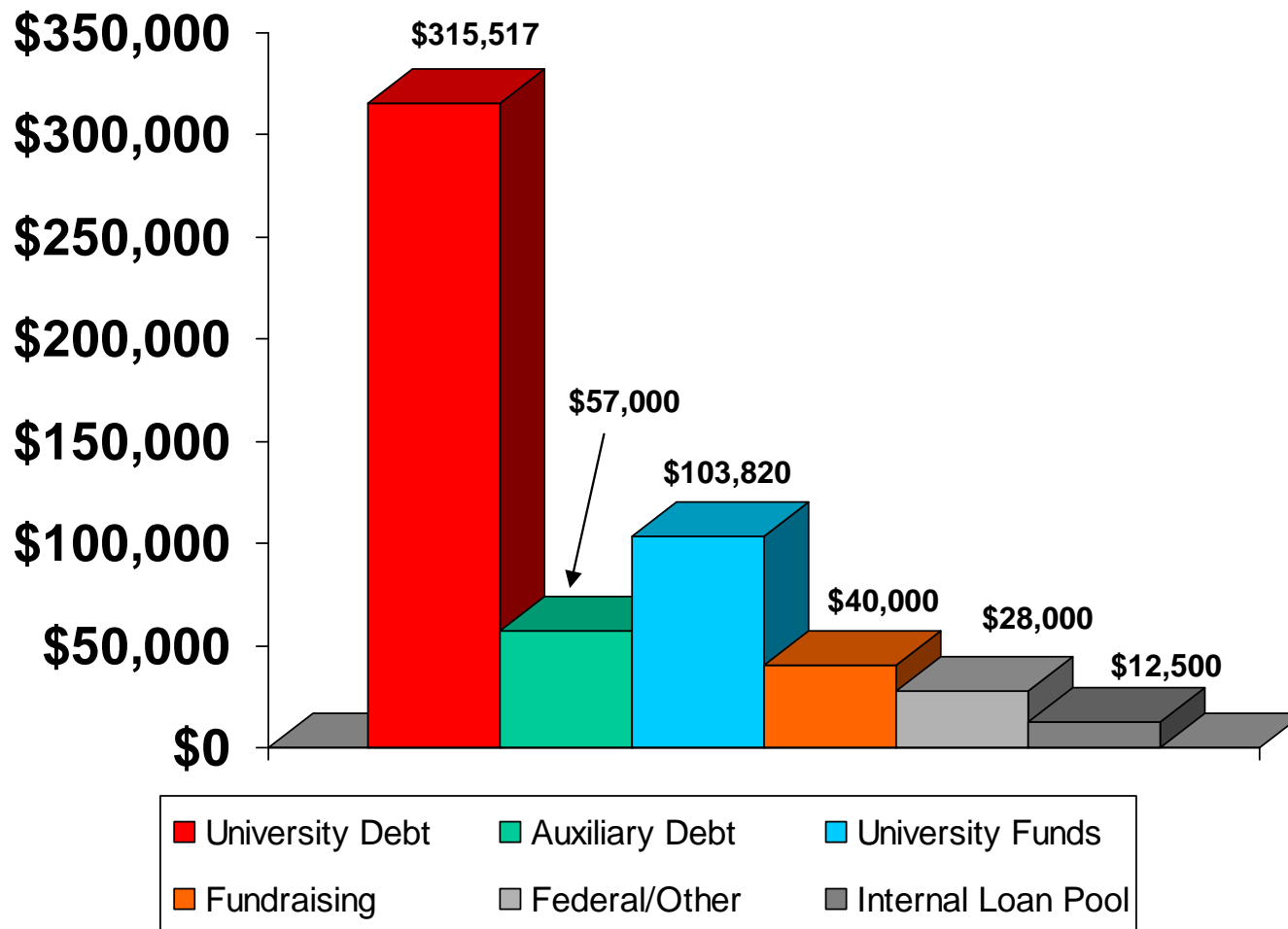
FY 2009 - 2014 Capital Improvement Plan Primary Funding Sources \$1,168,890,000



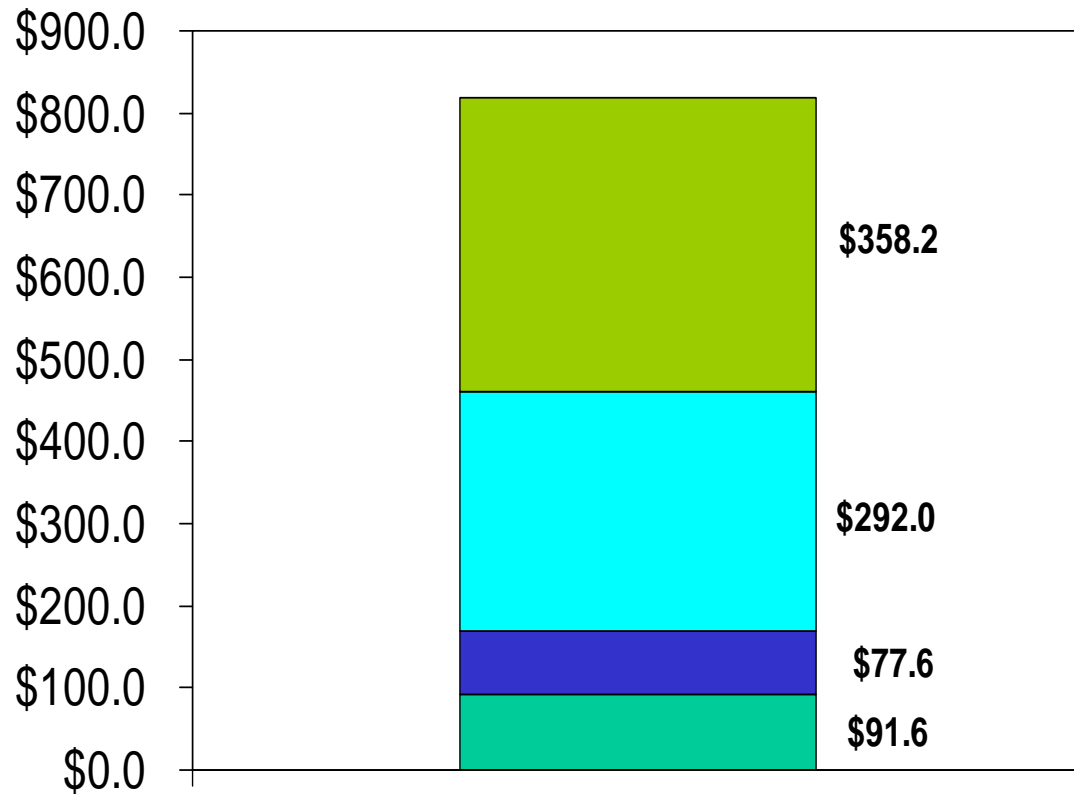
* Includes state supported debt for biomedical facilities program

FY 2010 - 2014 Capital Improvement Plan Funding Sources

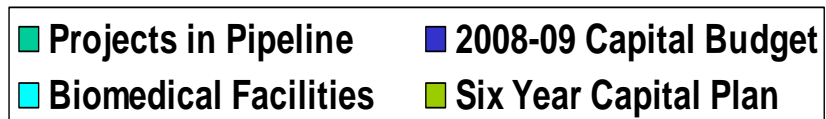
University Responsibility: \$561,207,000



Projects in Pipeline, 2008 Annual Capital Budget, Biomedical Facilities &
 Six Year Capital Improvement Plan
 Projected Maximum Debt Issuance
\$819.4 Million



Debt Issuance

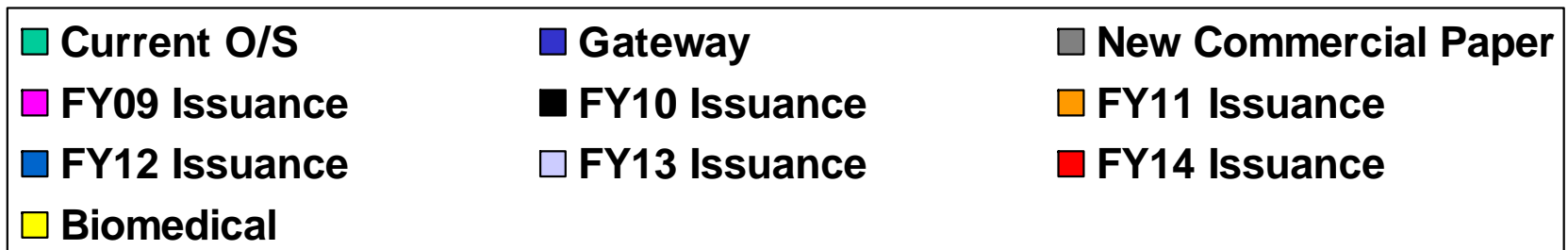
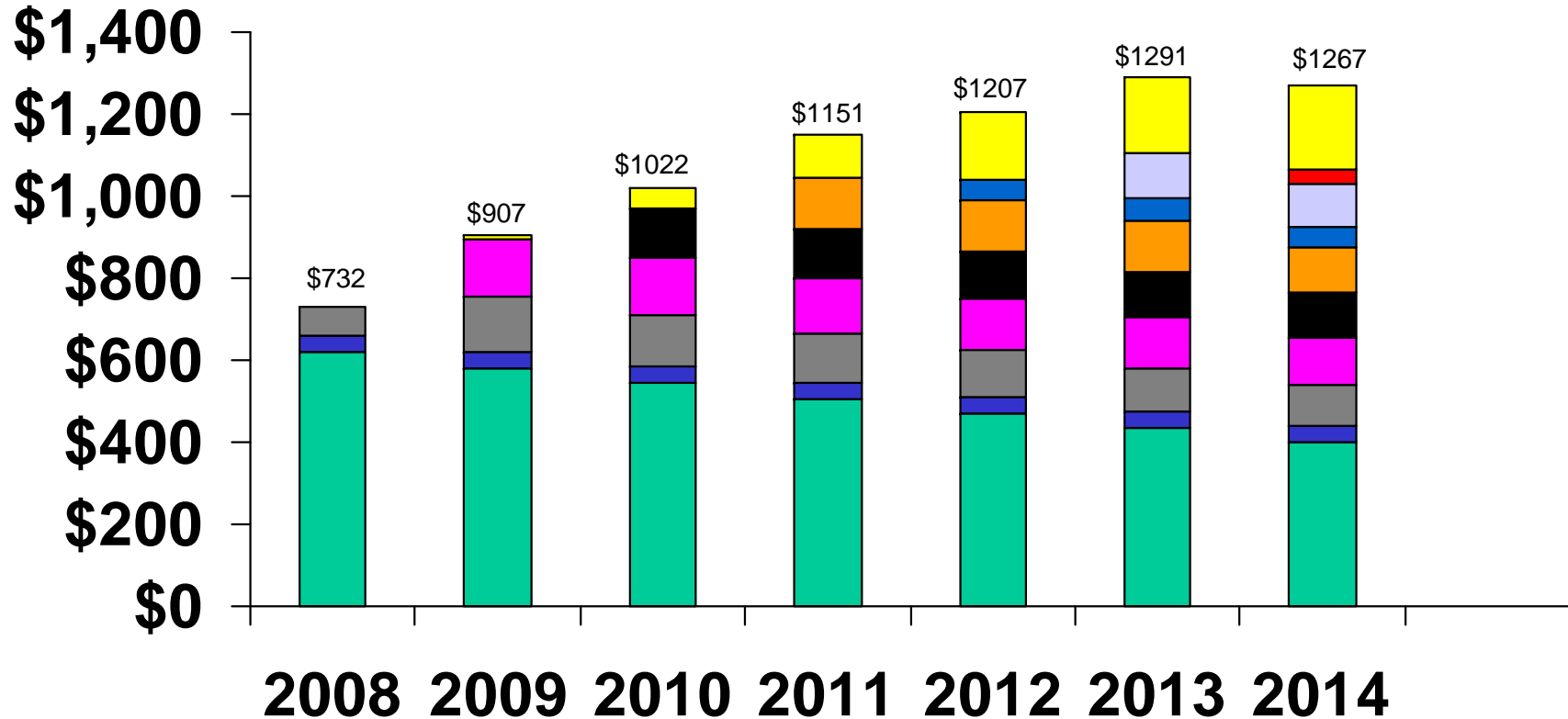


Biomedical Facilities include state share @ \$219M & University Share @ \$73M

Projects in Pipeline, 2008 Annual Capital Budget, Biomedical Facilities & Six Year Capital Improvement Plan Projected Maximum Debt Issuance **\$819.4 Million**

	<u>\$91.6 Million In Pipeline</u>	<u>\$727.8 Million New</u>	<u>Annual Grand Total</u>
Fall 2008/Summer 2009			
TCF Bank Stadium	\$91.6		\$91.6
2008 State Capital Request Projects		\$13.2	\$13.2
Biomedical Facilities		\$15.9	\$15.9
Other University Projects		\$63.7	\$63.7
Fall 2009			
2008 State Capital Request Projects		\$19.8	\$19.8
Biomedical Facilities		\$52.1	\$52.1
Other University Projects		\$59.5	\$59.5
Fall 2010			
2010 State Capital Request Projects		\$18.2	\$18.2
Biomedical Facilities		\$78.9	\$78.9
Other University Projects		\$87.0	\$87.0
Fall 2011			
2010 State Capital Projects		\$30.4	\$30.4
Biomedical Facilities		\$80.4	\$80.4
Other University Projects		\$ 3.6	\$ 3.6
Fall 2012			
2010 State Capital Request Projects		\$12.1	\$12.1
2012 State Capital Projects		\$19.2	\$19.2
Biomedical Facilities		\$51.1	\$51.1
Other University Projects		\$64.3	\$64.3
Fall 2013			
2012 State Capital Request Projects		\$32.0	\$32.0
Biomedical Facilities		\$13.6	\$13.6
Fall 2014			
2012 State Capital Request Projects		\$12.8	\$12.8

Summary of Outstanding Debt Projected June 30 Balances (in millions)



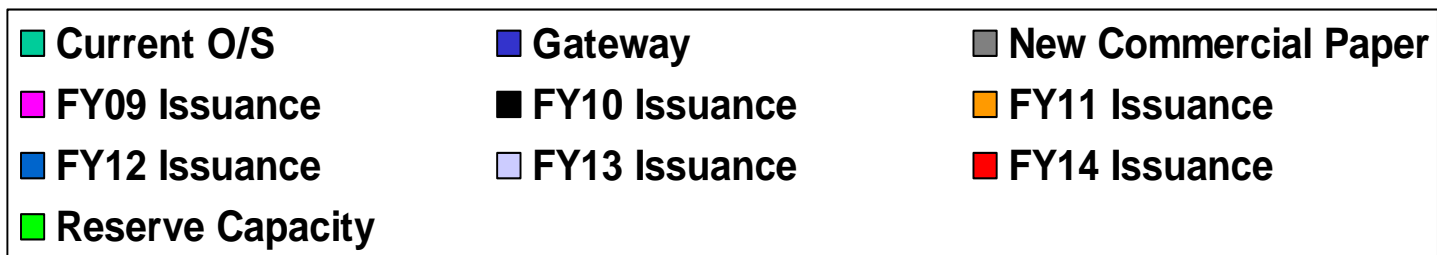
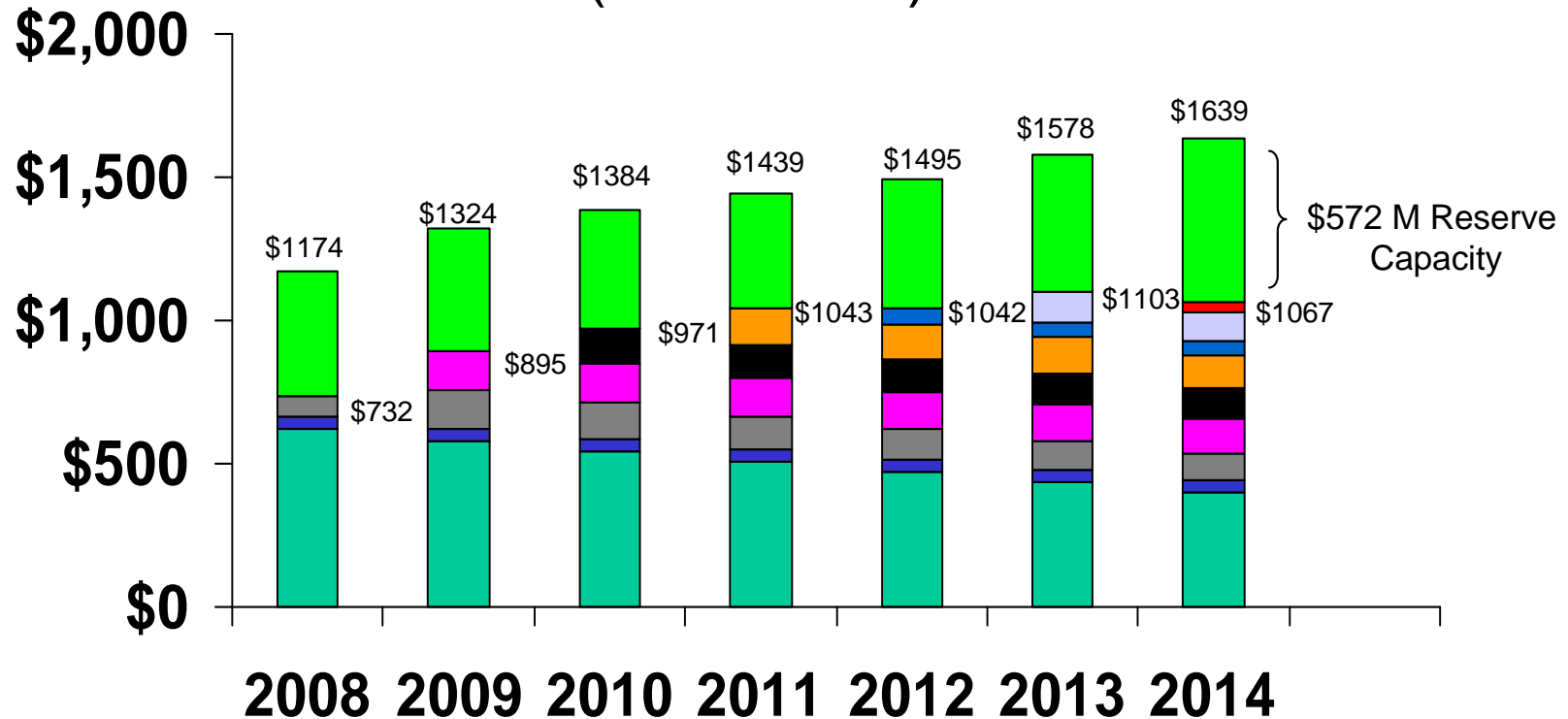
**Projects in Pipeline, 2008 Annual Capital Budget & Six Year
Capital Improvement Plan
Debt Issuance Timeline – “Net” University Debt Capacity Impact**

Total Debt Issuance Plan	\$819.4 Million
State Supported Biomedical Facilities*	<u>\$219.0 Million</u>
“Net” University Debt Capacity Impact	\$600.4 Million

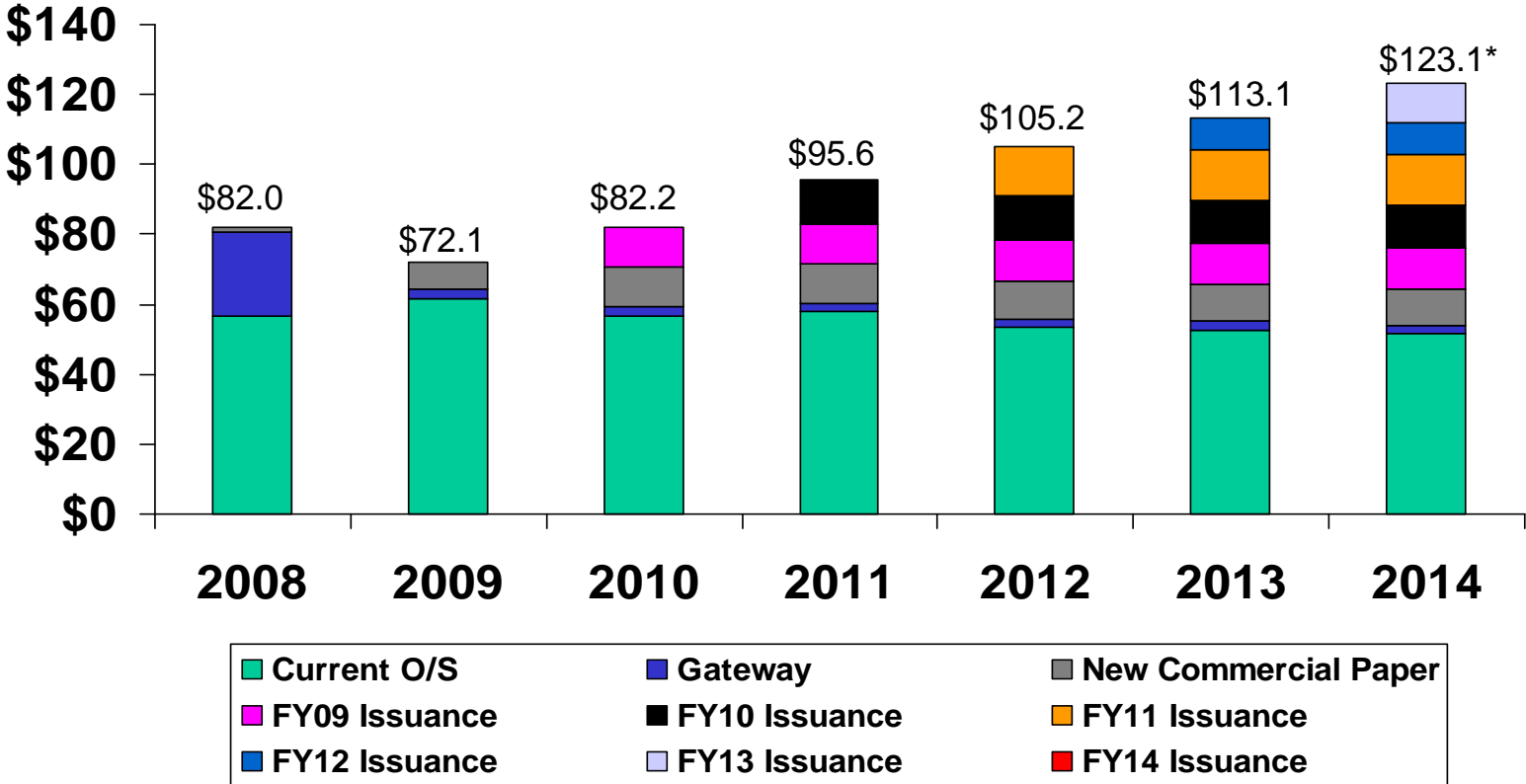
*Excluded from debt capacity impact

Summary of Outstanding Debt

Projected June 30 Balances – Excluding Biomedical (in millions)



Summary of Annual Debt Service Projected Fiscal Year Amounts (in millions)



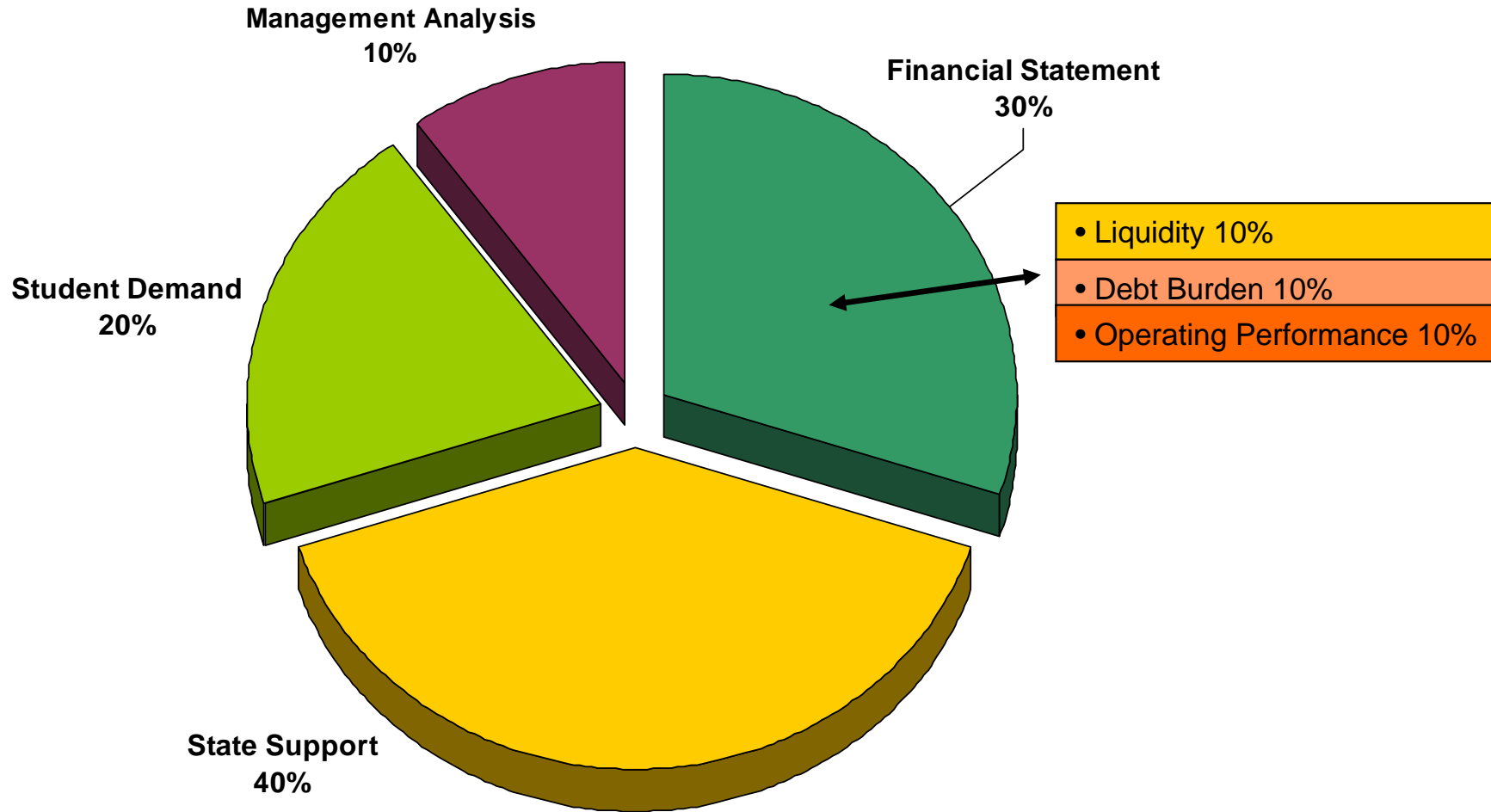
*Includes \$17.0 million of identified external revenue support for debt service (State MN 75% share of biomedical & TCF Bank Stadium naming rights)

Projects in Pipeline, 2008 Annual Capital Budget & Six Year
Capital Improvement Plan
Debt Capacity Impacts

- Maintains Aa2 debt rating
- Issues \$819.4 million of additional debt through FY2014
- \$219.0 million of debt is supported through state appropriations for biomedical facilities
- \$41.4 million of debt is supported by stadium naming rights and documented fundraising revenue
- Net new direct University supported debt of \$559.0 million.
- Maintains a debt capacity reserve of roughly \$572 million of total debt capacity

Spare Slides

University of Minnesota Debt Issuance – Capital Plans Ratio Analysis Bond Rating Determinants



An analysis of student demand, market position and financial indicators places the University of Minnesota in the strong “Aa” category.

Moody's Rating Scale At A Glance

Category	LONG-TERM	SHORT-TERM			
Investment Grade	Aaa	Prime-1			
	Aa1				
	Aa2				
	Aa3				
	A1				
	A2	Prime-2			
	A3				
	Baa1				
	Baa2		Prime-3		
	Baa3				

Category	LONG-TERM	SHORT-TERM			
Speculative Grade		Not Prime			
	Ba1				
	Ba2				
	Ba3				
	B1				
	B2				
	B3				
	Caa1				
	Caa2				
	Caa3				
	Ca				
	C				

University of Minnesota
Debt Capacity & Capital Projects - Key Concepts

Step 1

Strength of Credit

State Support

Student Demand

Financial Statement

Management Analysis

Step 2

Source of Payment

Institutional Revenues

Unit Earned Income

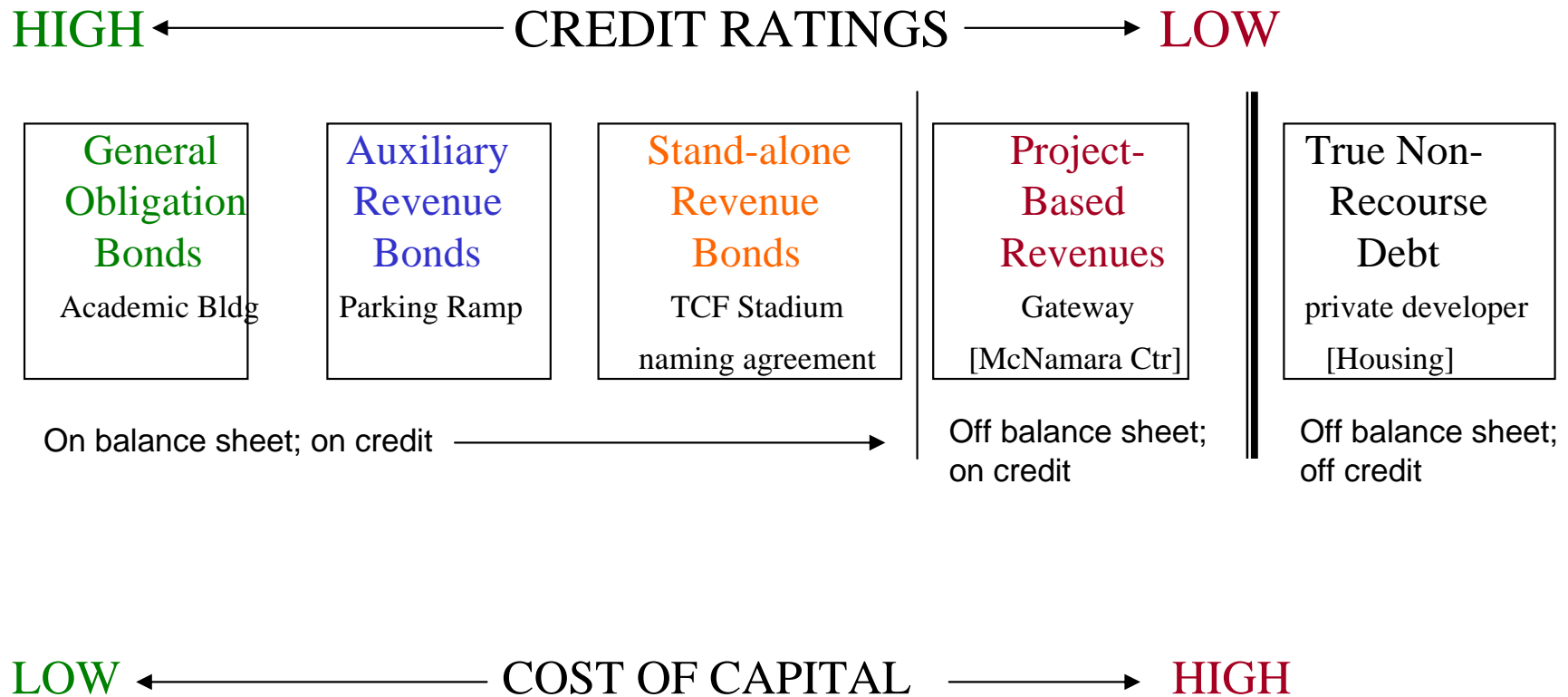
External Fundraising

Unit Reserves

Project Revenues

Federal Funds

Spectrum of Financing Alternatives

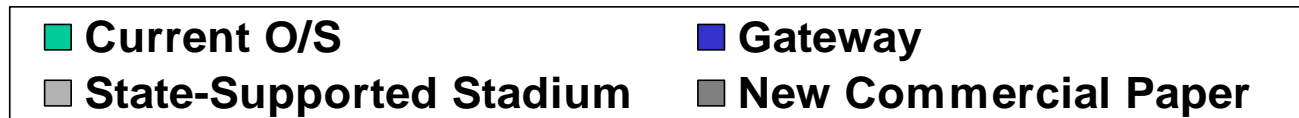
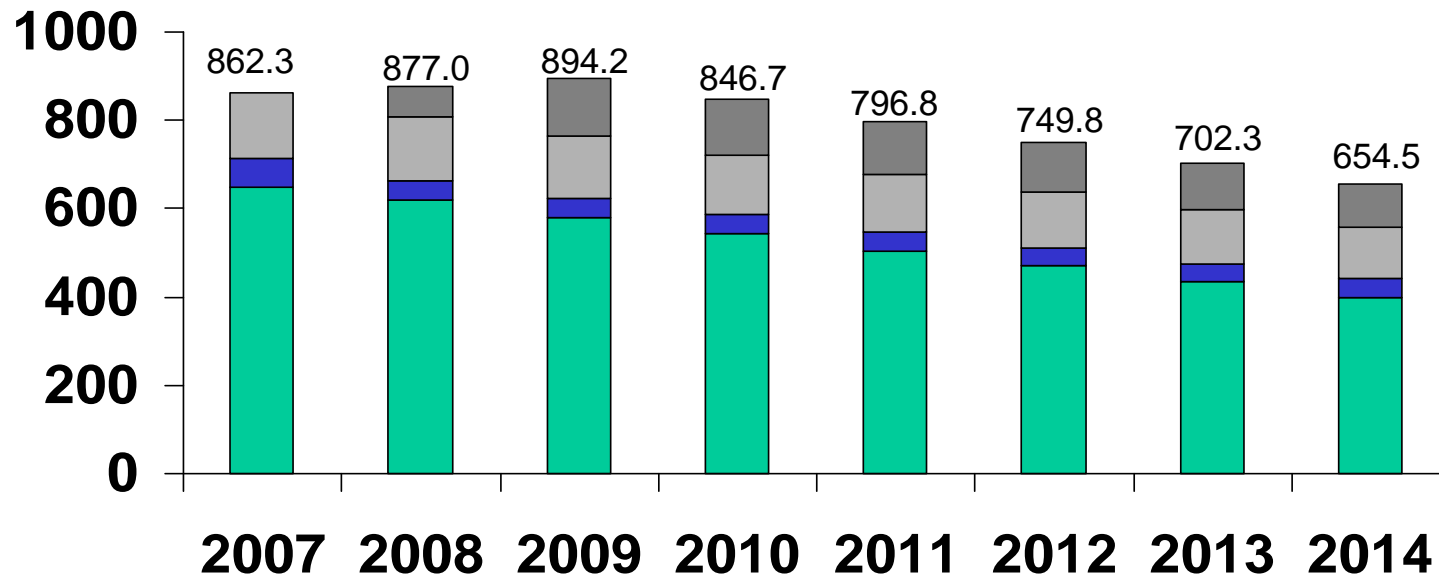


Summary of Outstanding Debt

Board-Authorized Debt

Projected June 30 Balances

(in millions)

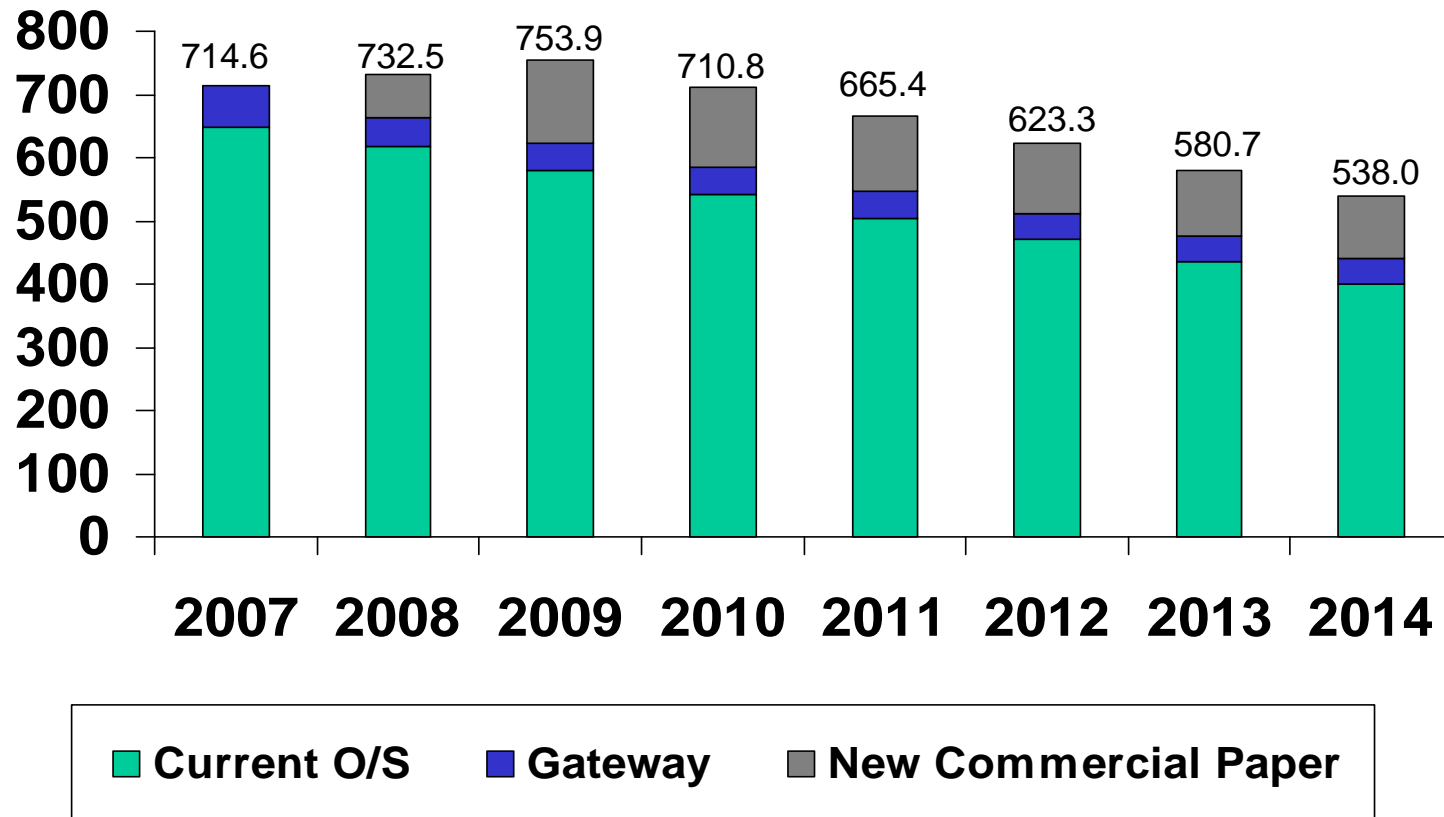


Summary of Outstanding Debt

Baseline – Excludes State-Supported Stadium Debt

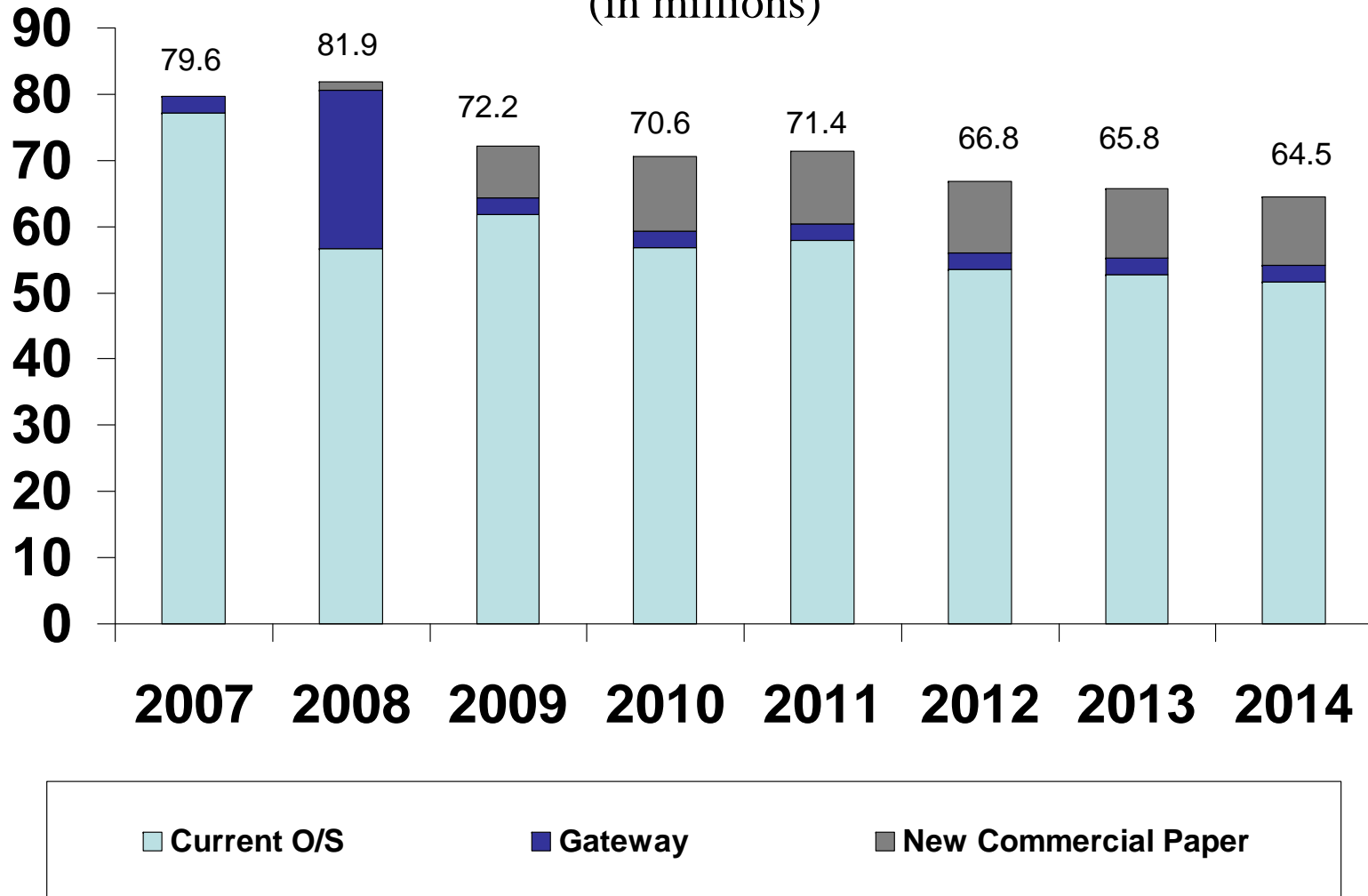
Projected June 30 Balances

(in millions)



Summary of Annual Debt Service

Baseline – Excludes State-Supported Stadium Debt
 Projected Fiscal Year Amounts
 (in millions)



Debt Service Assumptions

- Maintain current Aa2 debt rating
- Baseline Debt = Current University outstanding debt as of 6/30/07 plus Gateway Debt plus \$135 million Commercial Paper authorized by the Board in October 2007 less 2006 State-Supported Stadium Bonds
- 6/30/07 outstanding debt of \$715 million follows existing amortization schedules
- Commercial Paper issuance of \$70 million on 11/28/07; \$65 million on 7/31/08
 - Equal annual principal payments over 20 years at 3.6% monthly interest payments
- Annual principal and interest payments each December 1
- Capital financing plan based on debt ratio forecasts:
 - Debt Service Ratio: Annual Debt Service/Total Operating Expenses
 - Leverage Ratio 1: Total Resources/Total Comprehensive Long Term Debt
 - Leverage Ratio 2: Expendable Financial Resources /Total Direct Long-Term Debt

Projected Debt Issuance

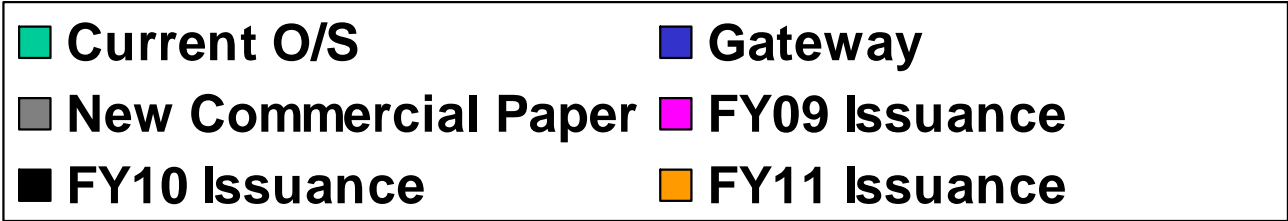
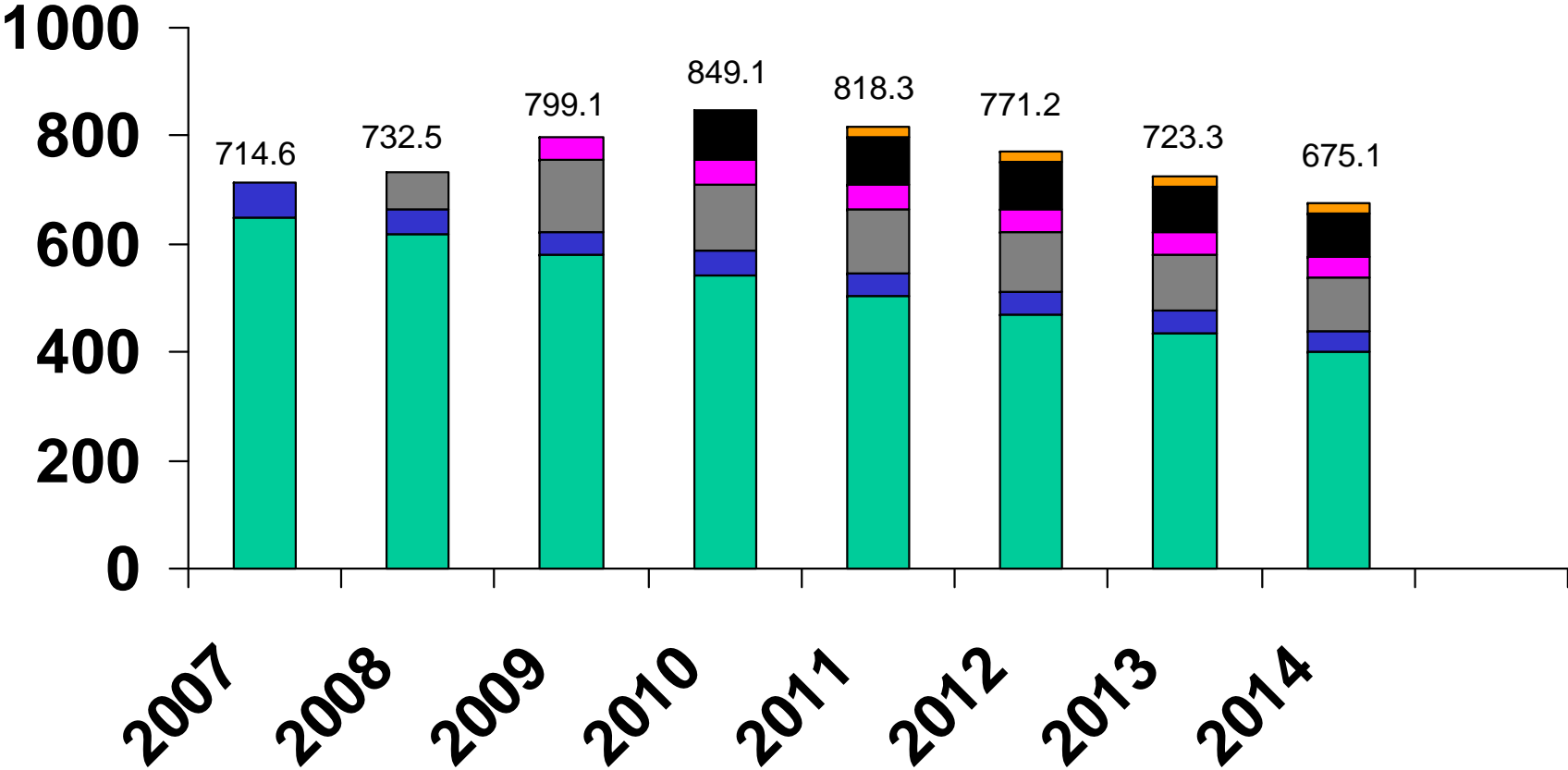
FY2009 thru FY2014

\$xxx,xxx,xxx

Summary of Outstanding Debt - Approved

Projected June 30 Balances

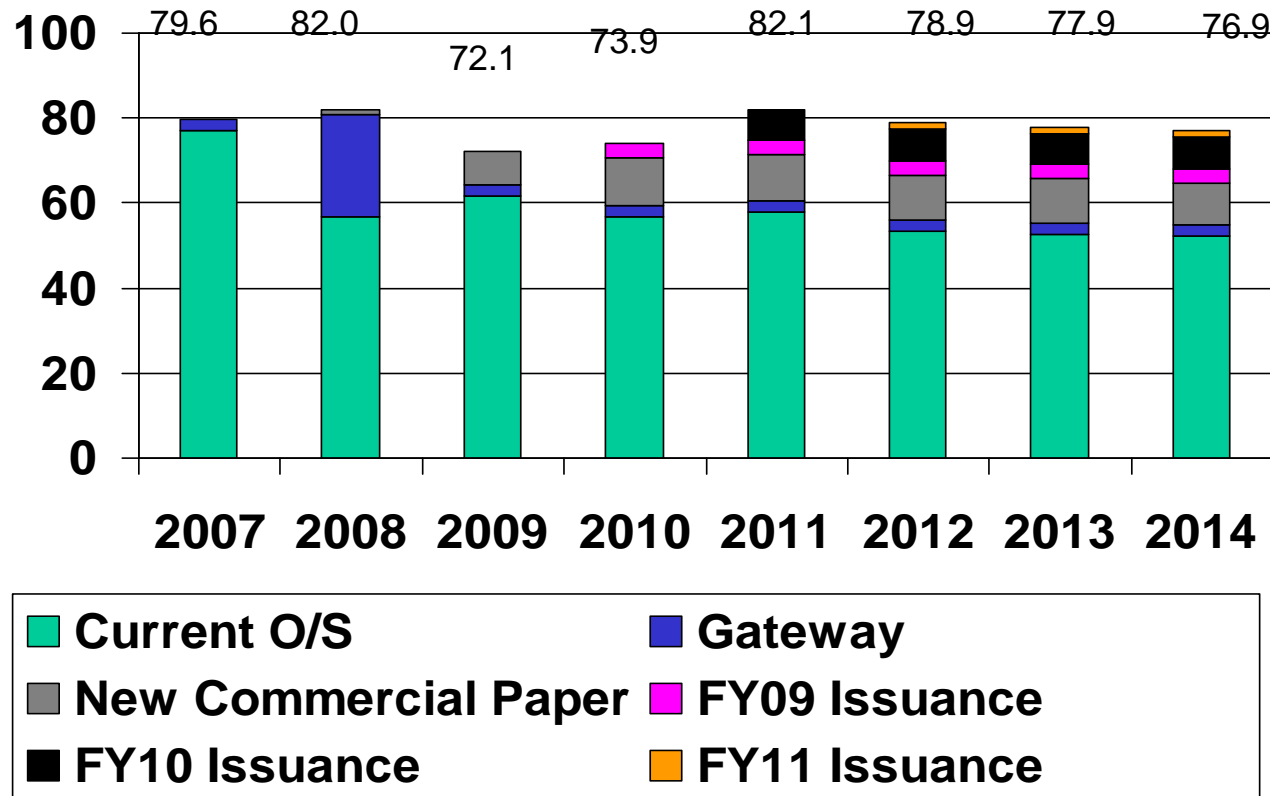
(in millions)



Summary of Annual Debt Service - Approved

Projected Fiscal Year Amounts

(in millions)



Financial Resources

Annual Growth Assumptions

(FY07 Actual as base year)

- Annual debt service – based on existing and projected debt outstanding
- Interest expense – based on existing and projected debt outstanding
- Operating expenses – 4.5% increase
- Unrestricted net assets – 2% increase
- Restricted expendable net assets – 4% increase
- Restricted nonexpendable net assets – 2% increase
- Foundations' total net assets
 - University of Minnesota Foundation – 9% increase
 - Minnesota Medical Foundation – 5% increase
 - Others – 1% increase

Debt Service Ratio

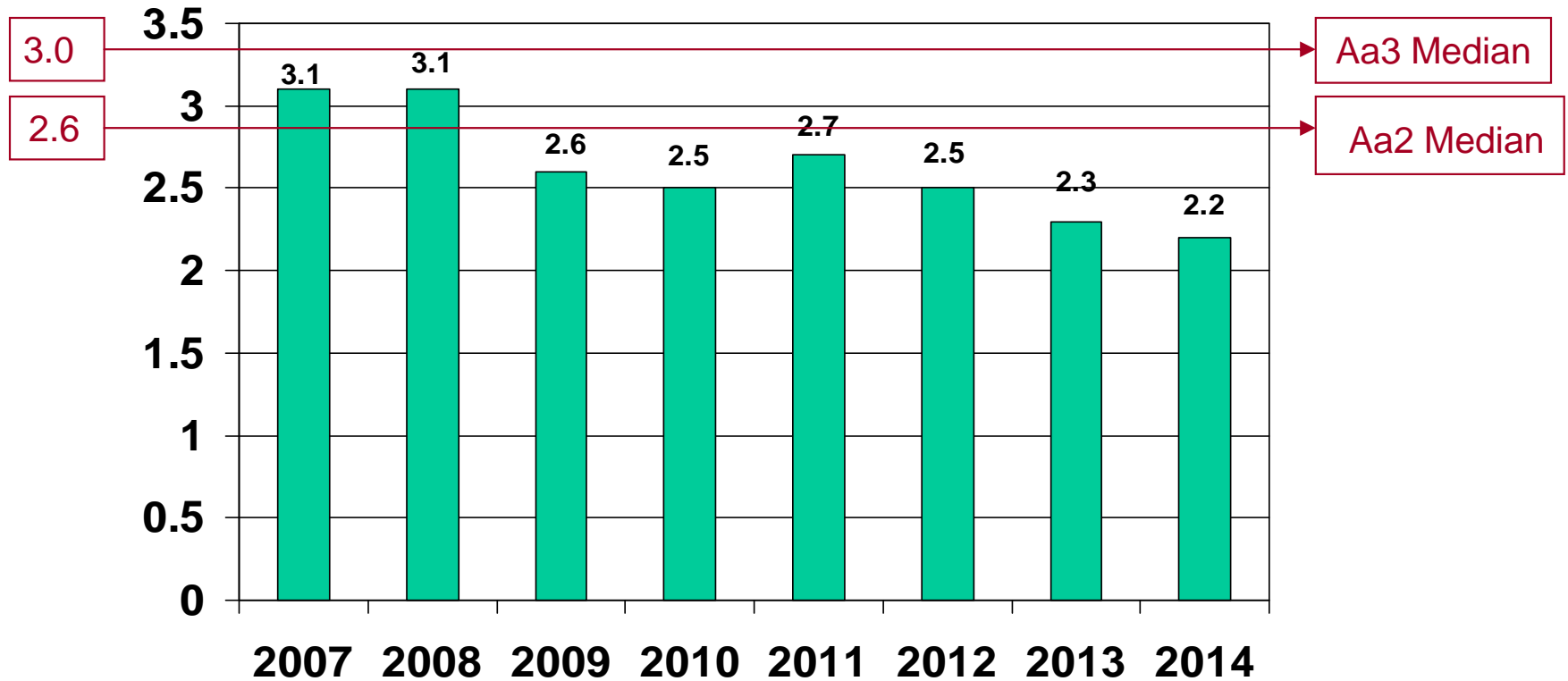
- Measures the University's ability to service debt and the impact of debt financing on the University's operations
- Annual Debt Service divided by Total Operating Expenses
- 2007 Moody's Aa2 Median = 2.6%
- 2007 Moody's Aa3 Median = 3.0%
- Desired trend = downward

Debt Service Ratio

[Annual Debt Service/Total Operating Expenses]



Desired Trend =



Current debt levels plus projected issuance thru FY2011

Leverage Ratio #1

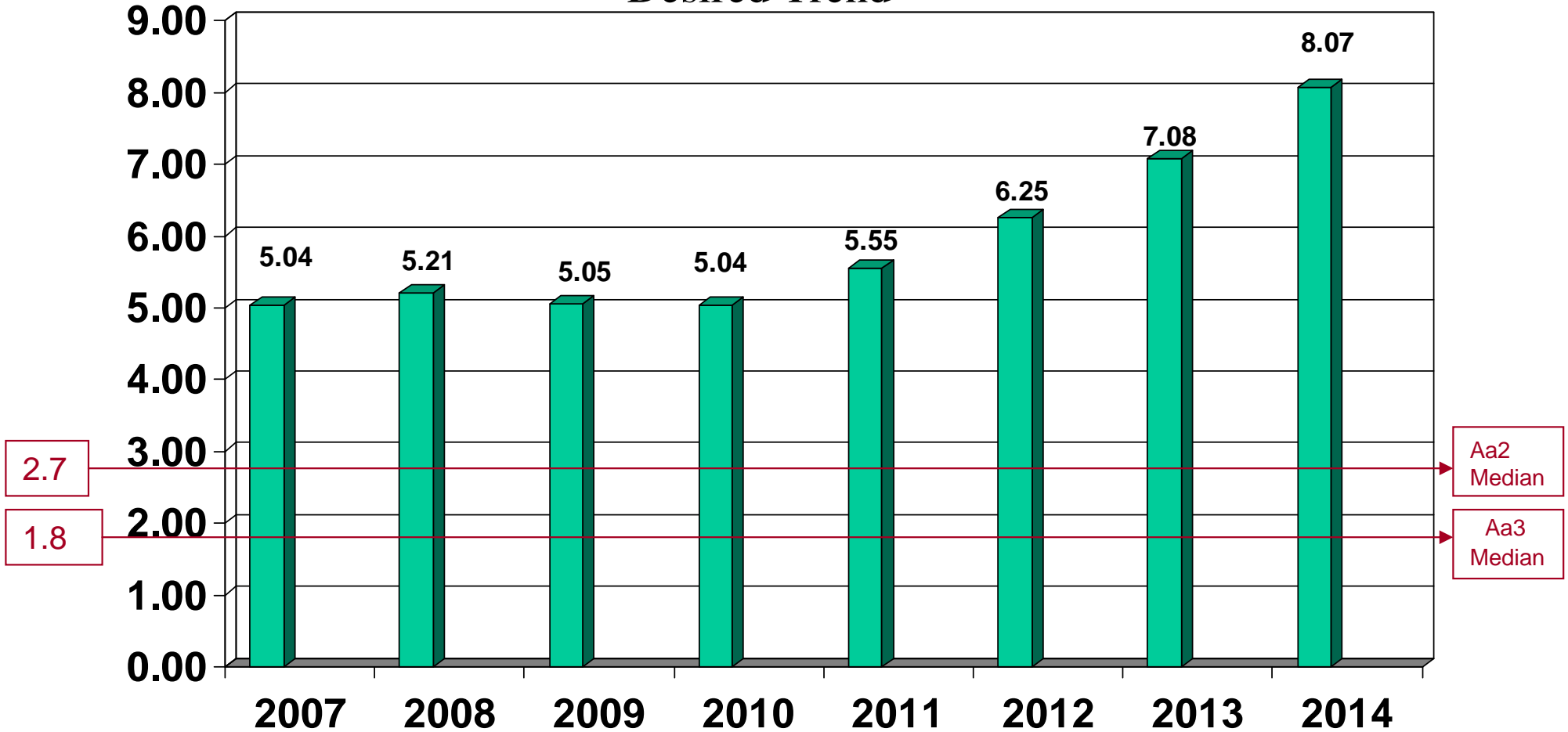
- Measures the University's ability to retire debt with assets
- Total Financial Resources divided by Total Comprehensive Long-Term Debt Outstanding
- 2007 Moody's Aa2 Median = 2.70
- 2007 Moody's Aa3 Median = 1.80
- Desired trend = upward

Leverage Ratio #1

[Total Financial Resources/Total Comprehensive Long-term Debt]



Desired Trend =



Current debt levels plus projected issuance thru FY2011

Leverage Ratio #2

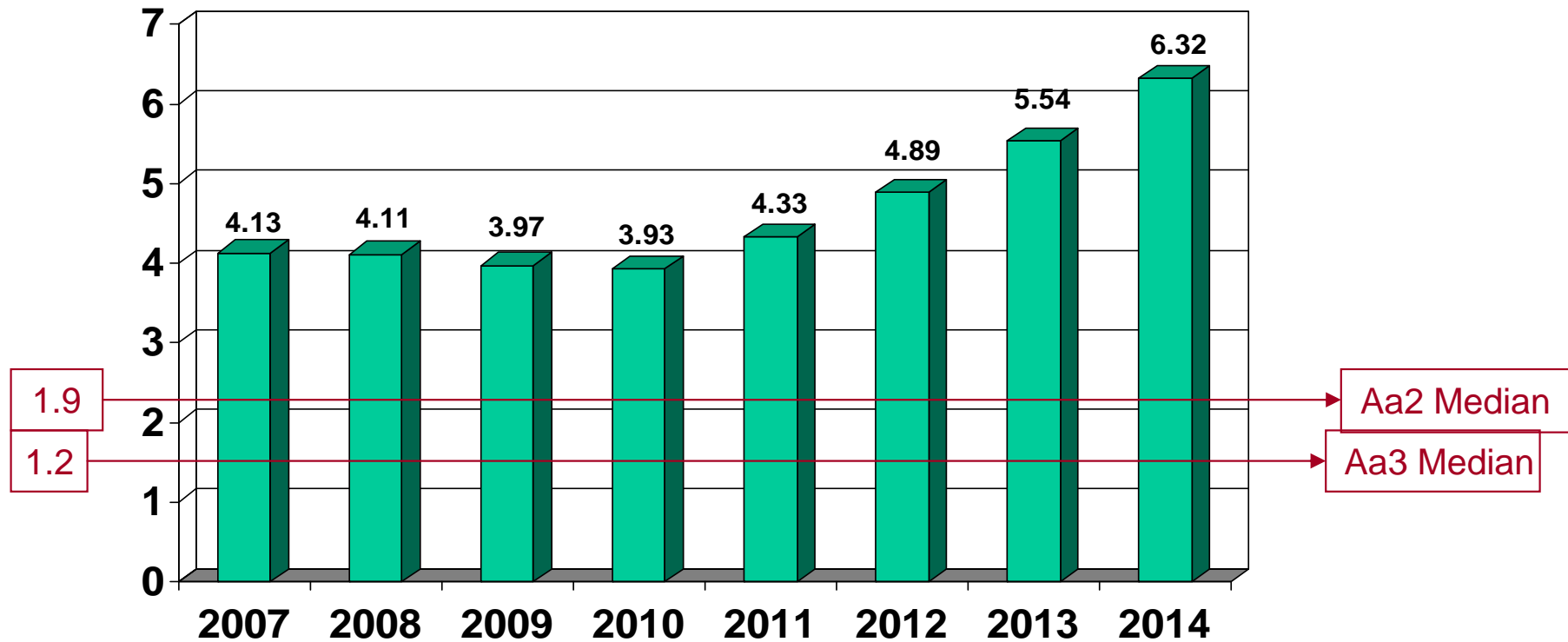
- Measures the University's ability to retire debt with assets
- Expendable Financial Resources divided by Total Direct Long-Term Debt Outstanding
- 2007 Moody's Aa2 Median = 1.9
- 2007 Moody's Aa3 Median = 1.2
- Desired trend = upward

Leverage Ratio #2

[Expendable Financial Resources/Total Direct Long-term Debt]



Desired Trend =

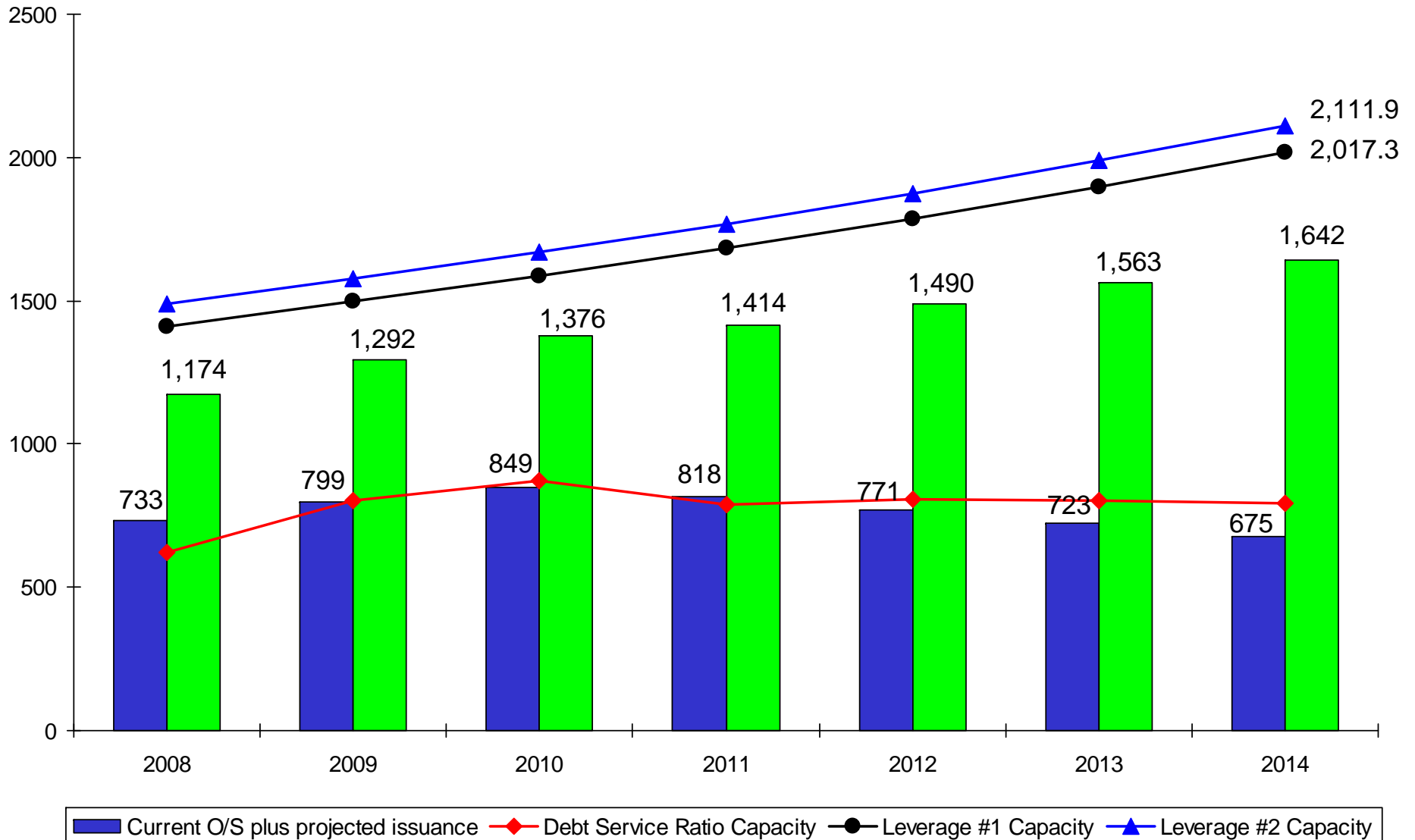


Current debt levels plus projected issuance thru FY2011

Theoretical Projected Debt Capacity

Based on Aa2 Medians

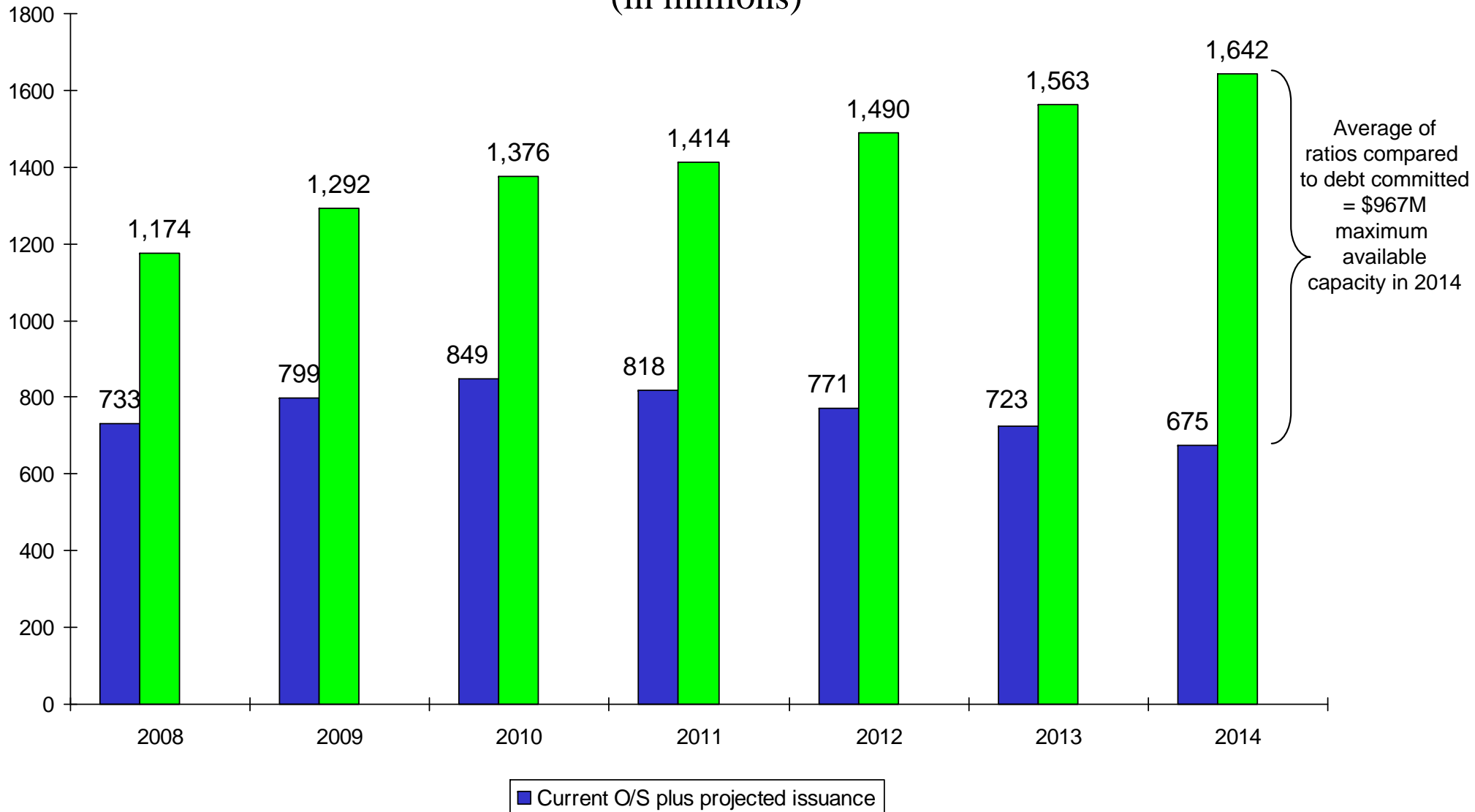
(in millions)



Theoretical Projected Debt Capacity

Based on Aa2 Medians

(in millions)

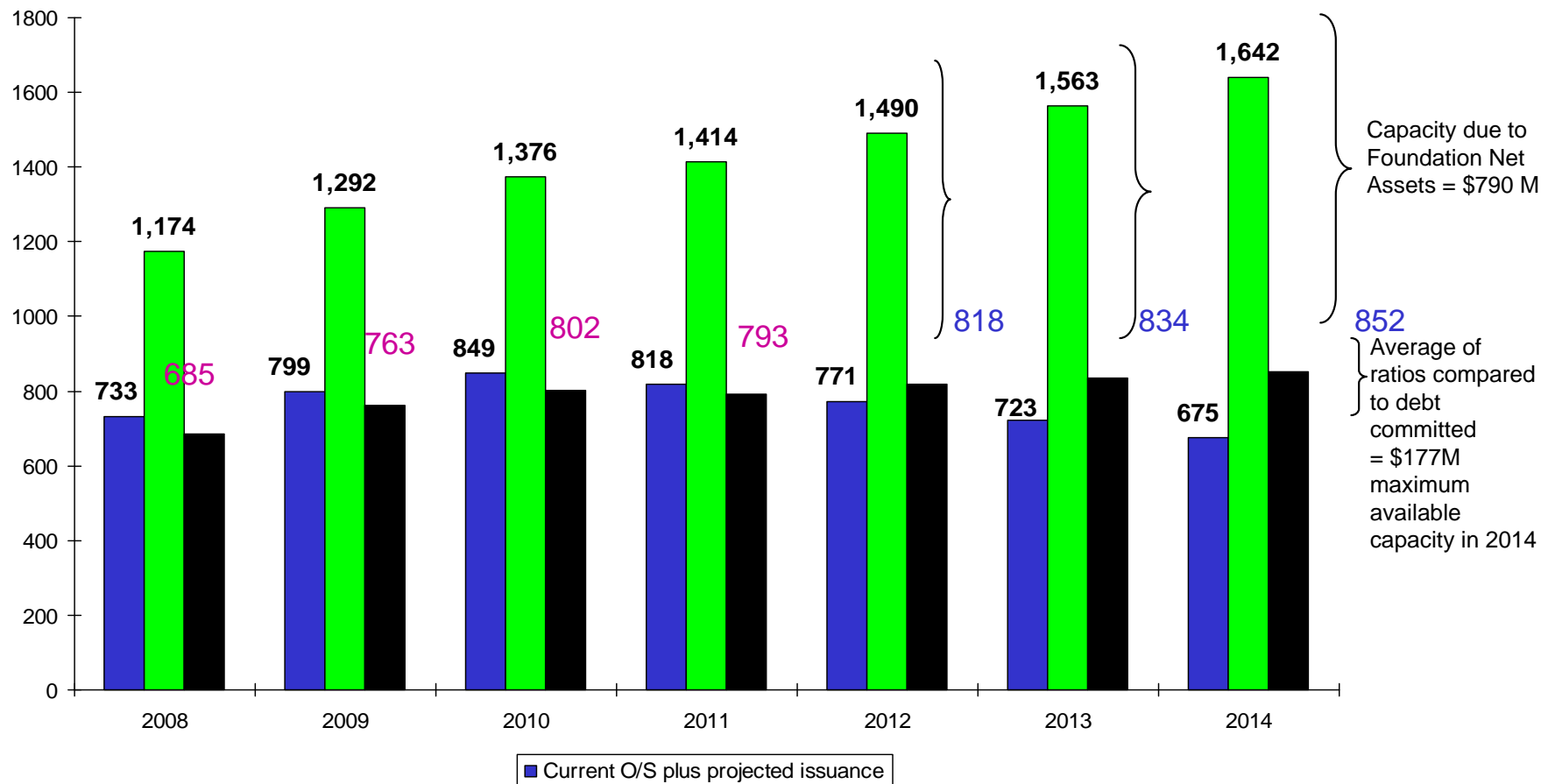


Theoretical Projected Debt Capacity

Impact of Foundations' Net Assets

Based on Aa2 Medians

(in millions)



2008-09 Capital Improvement Budget

\$289,376,000

State Debt	\$	145,033,000*	50.1%
University Debt	\$	91,067,000	31.5%
Local Funds	\$	6,635,000	2.3%
Self Support	\$	22,223,000	7.7%
Grants & Gifts	\$	3,100,000	1.1%
University Funds	\$	21,318,000	7.4%
Total	\$	<u>289,376,000</u>	



* Includes state supported debt for biomedical facilities program

2008 – 2013 Six Year Capital Plan

Financial Framework Working Principles

- Maintain Aa2 Bond Rating
- Preserve ‘general obligation’ (lower cost/higher rated) debt for academic projects
- Utilize ‘special purpose debt’ capacity through project specific debt financing structures (pledge of auxiliary revenues [i.e., parking, housing], stand alone revenue bonds, or project specific bonds)
- Limit number of new projects requiring debt issuance in 2008 & 2009 due to volume of approved projects already in pipeline for debt financing [range of \$250.0M to \$275.0M]
 - \$ 65.0M Fall 2008 for projects already underway (non-stadium projects). First \$70M issued Nov 2007.
 - \$100.0M Fall 2008/2009 for stadium project
 - \$85M to \$110.0M Fall2008/2009 for current commitments
 - \$ 30.0M to \$40M for Northside/Shriners/CREB Bonds
 - \$ 30.0M to \$50.0M for 2008 State Capital Request
 - \$ 20.0M for ACC Infrastructure Project
 - ACC Project Credit Implications
- Maintain aggressive State of Minnesota capital bonding request
 - Request roughly \$300M state bonding for both 2010 and 2012 including \$100M for HEAPR projects in each request
 - Continue 1/3 cost participation on state projects (exclusive of HEAPR)
 - Advance \$233.6M Biomedical Sciences Research Facilities Program with 20%(\$58.4M cost participation)