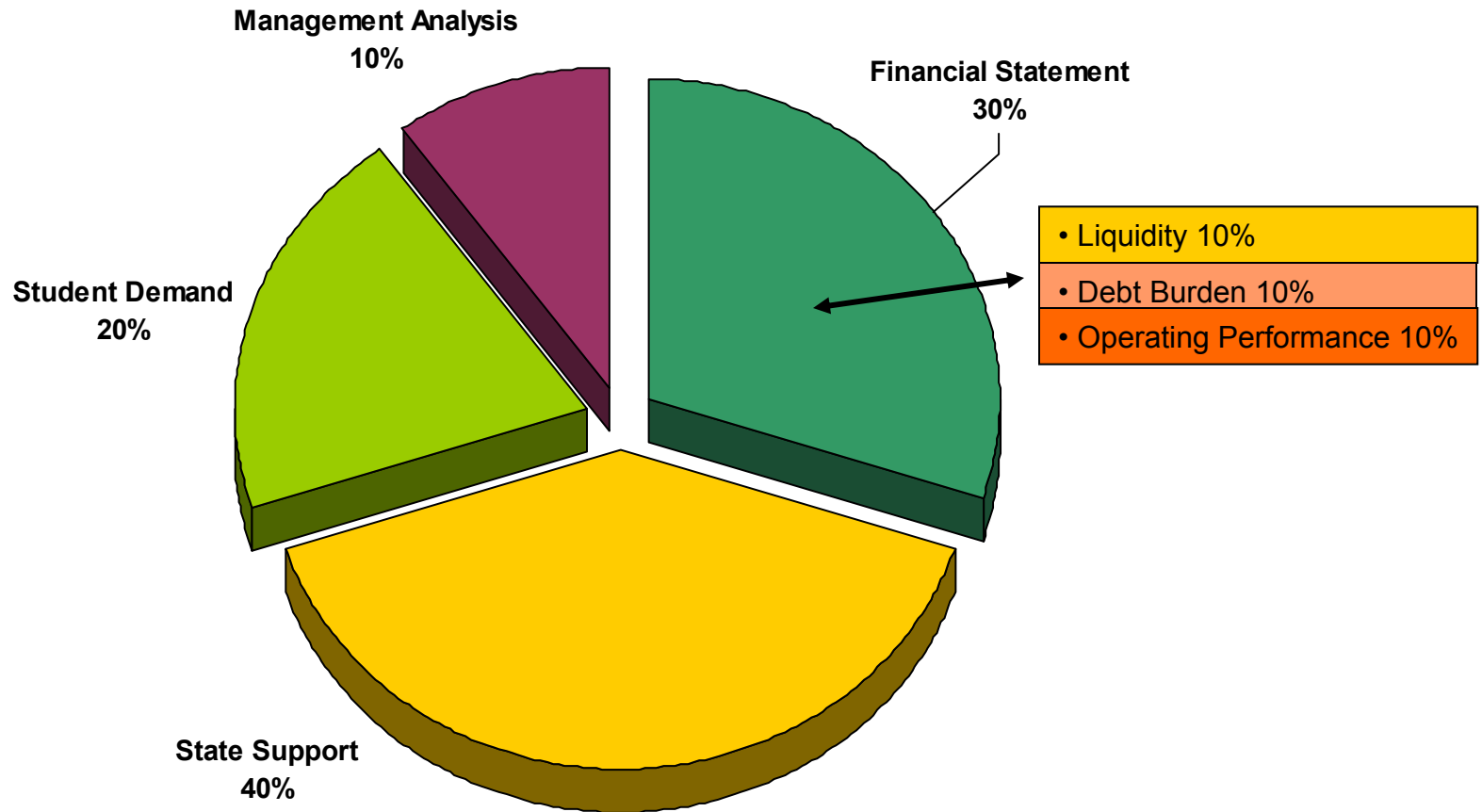


Issues Related to:
Six-Year Capital Improvement Plan/
Debt Capacity Update

*Finance & Operations Committee
December 13, 2007*

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



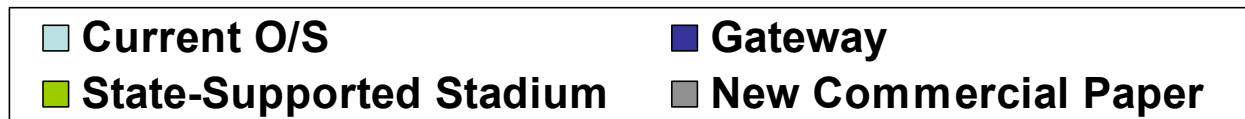
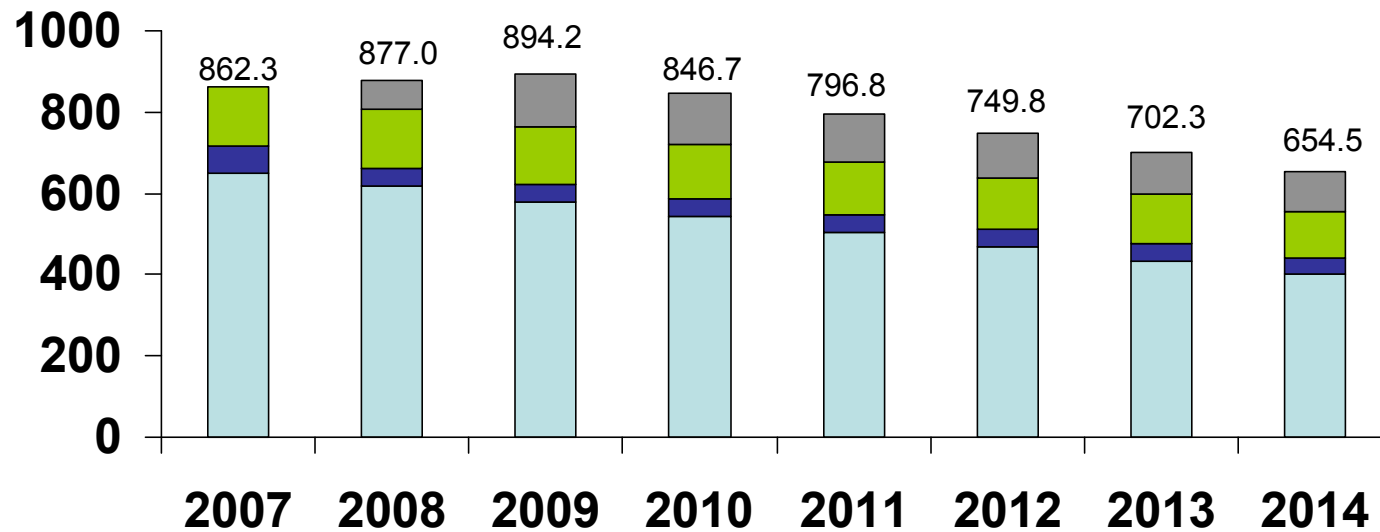
An analysis of student demand, market position and financial indicators places the University of Minnesota in the strong “Aa” category.

Summary of Outstanding Debt

Board-Authorized Debt

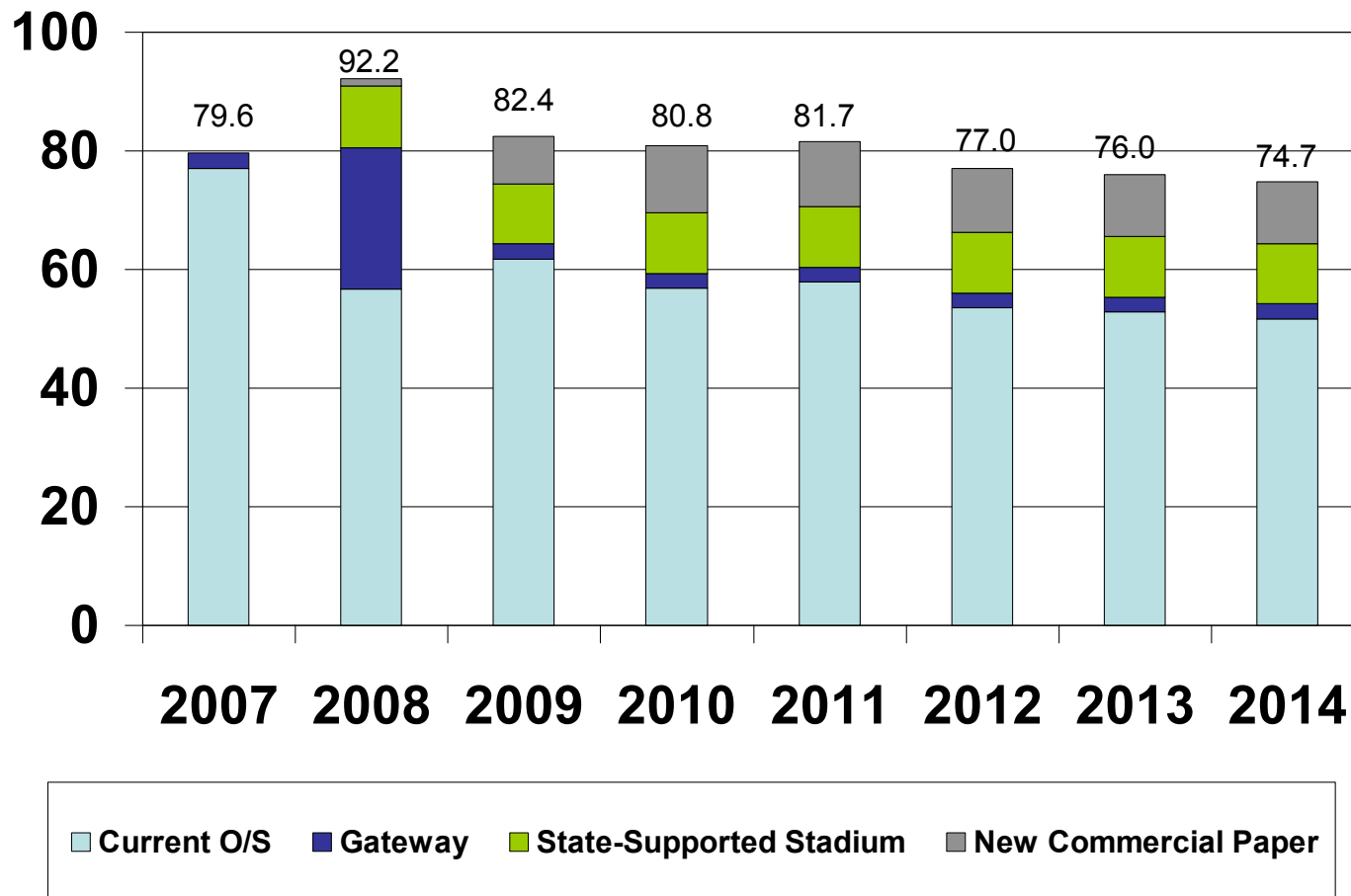
Projected June 30 Balances

(in millions)



Summary of Annual Debt Service

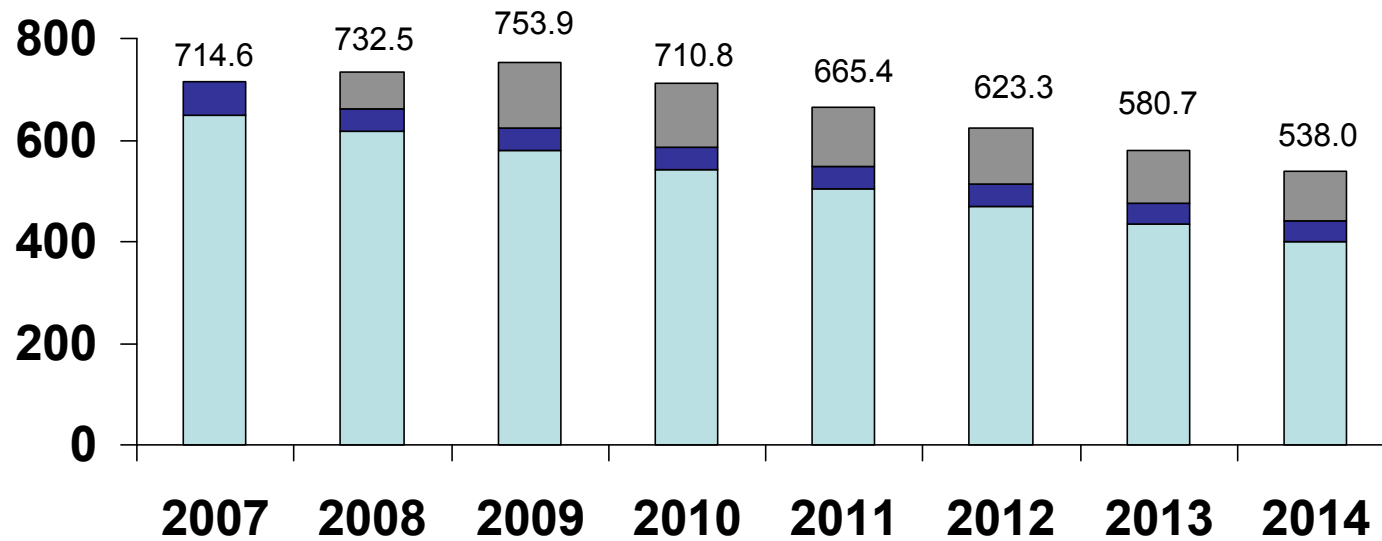
Board-Authorized Debt
Projected Fiscal Year Amounts
(in millions)



Summary of Outstanding Debt

Baseline – Excludes State-Supported Stadium Debt

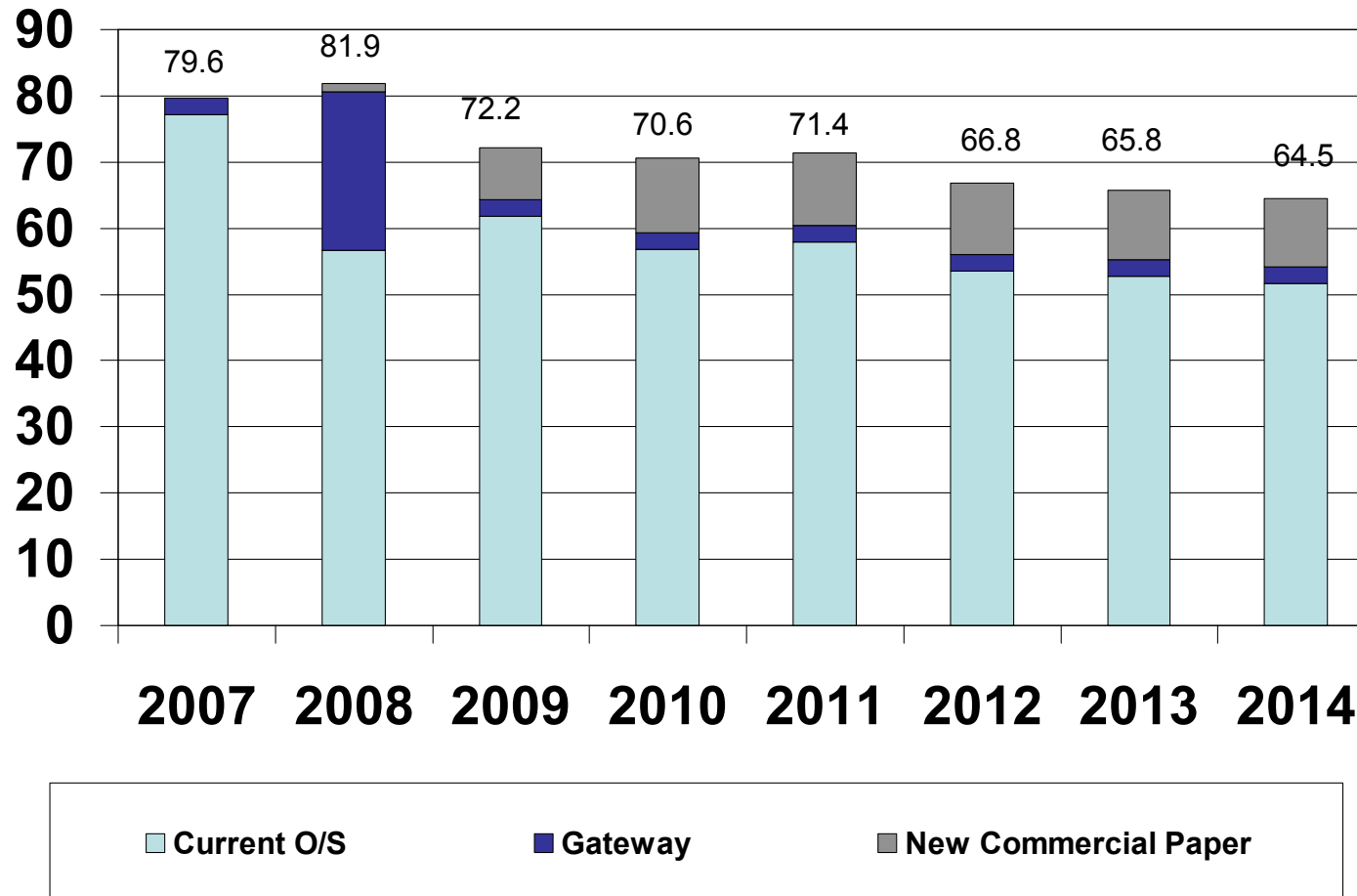
Projected June 30 Balances
(in millions)



■ Current O/S ■ Gateway ■ New Commercial Paper

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
- 2006 State Supported Stadium Bonds excluded from slides following
- \$158.4 million in additional debt issued through FY2011 for Board-authorized projects:
 - Approved 2008 State Capital Request of \$62.7 million
 - Football Stadium of \$95.7 million – partially supported by revenues from TCF Naming Agreement, Other Sponsorships, Student Fee, and Parking Revenue
- Estimates for new Six-Year Capital Plan - 2010, 2012, and 2014 - not built into calculations
- New debt to be issued:
 - Stadium - TCF Naming Rights - taxable – 5%, 25 years
 - Stadium - Student Fee - tax-exempt – 4.5%, 20 years
 - Stadium - Parking Revenue – tax-exempt – 4.5%, 20 years
 - Stadium – Other – tax-exempt – 4.5%, 20 years
 - 2008 Capital Request – 4.5%, 20 years
- Annual principal and interest payments each December 1
- Capital financing plan based on debt ratio forecasts:
 - Debt Service Ratio: $\frac{\text{Annual Debt Service}}{\text{Total Operating Expenses}}$
 - Leverage Ratio 1: $\frac{\text{Total Resources}}{\text{Total Comprehensive Long Term Debt}}$
 - Leverage Ratio 2: $\frac{\text{Expendable Financial Resources}}{\text{Total Direct Long-Term Debt}}$

Projected Debt Issuance

FY2009 thru FY2011- \$158.4

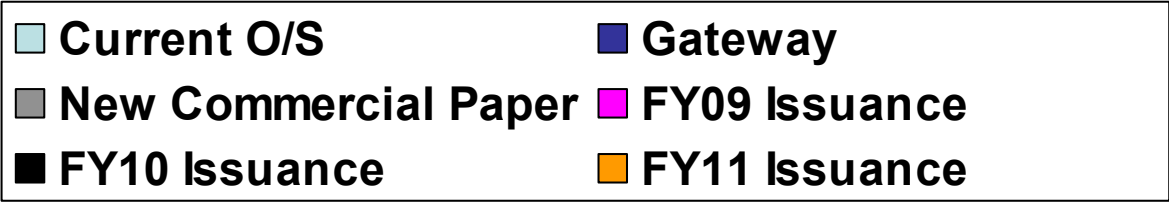
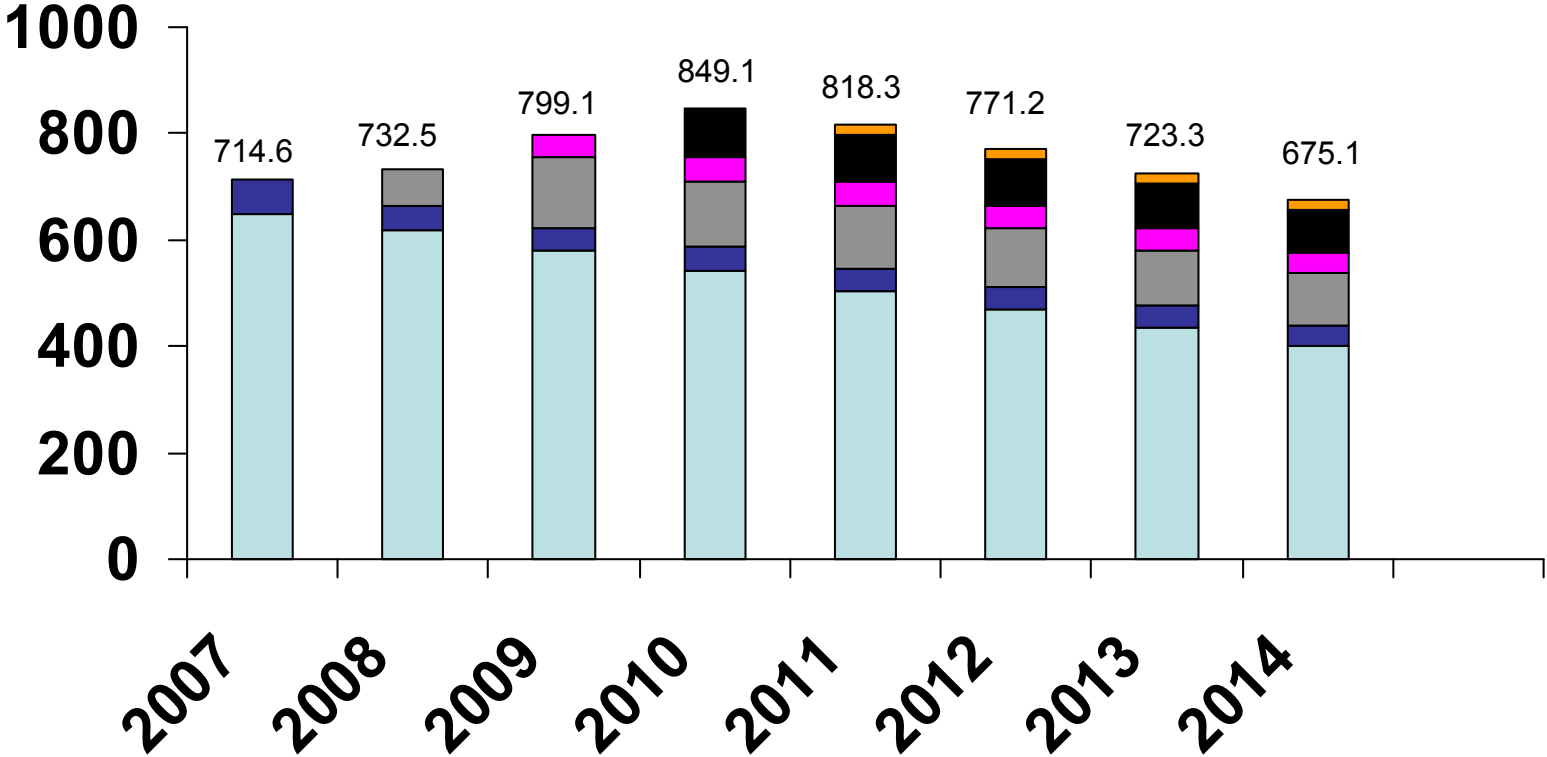
(in millions)

• FY2009	45.3	
– Football Stadium – taxable		19.5
– Football Stadium – tax-exempt – Student Fee		13.2
– 2008 State Capital Request – 20%		12.6
• FY2010	94.3	
– Football Stadium – tax-exempt – Parking Revenue		13.0
– Football Stadium/Sponsorship/Gift Bridging		50.0
– 2008 State Capital Request – 50%		31.3
• FY2011	18.8	
– 2008 State Capital Request – 30%		18.8

Summary of Outstanding Debt - Approved

Projected June 30 Balances

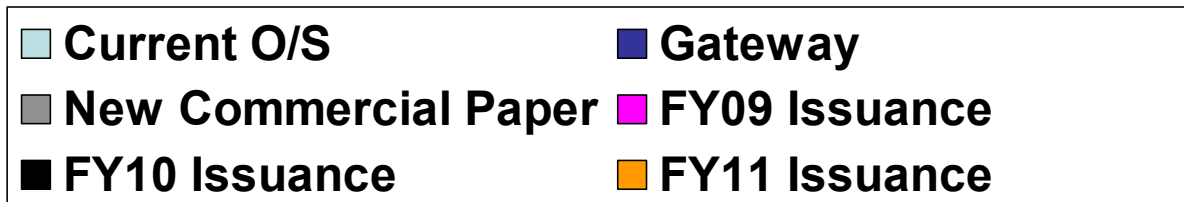
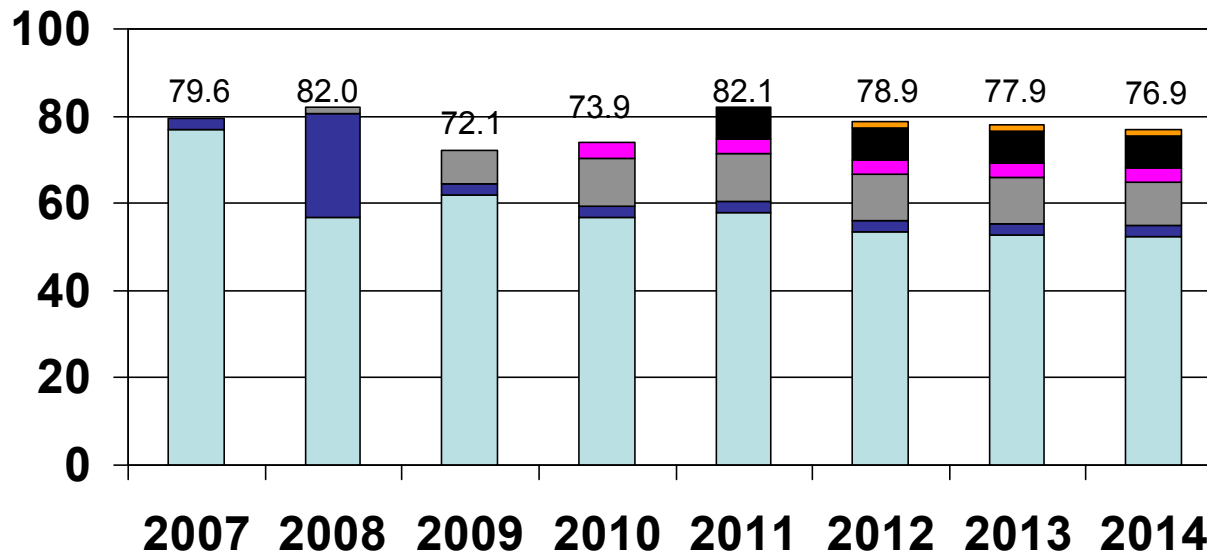
(in millions)



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

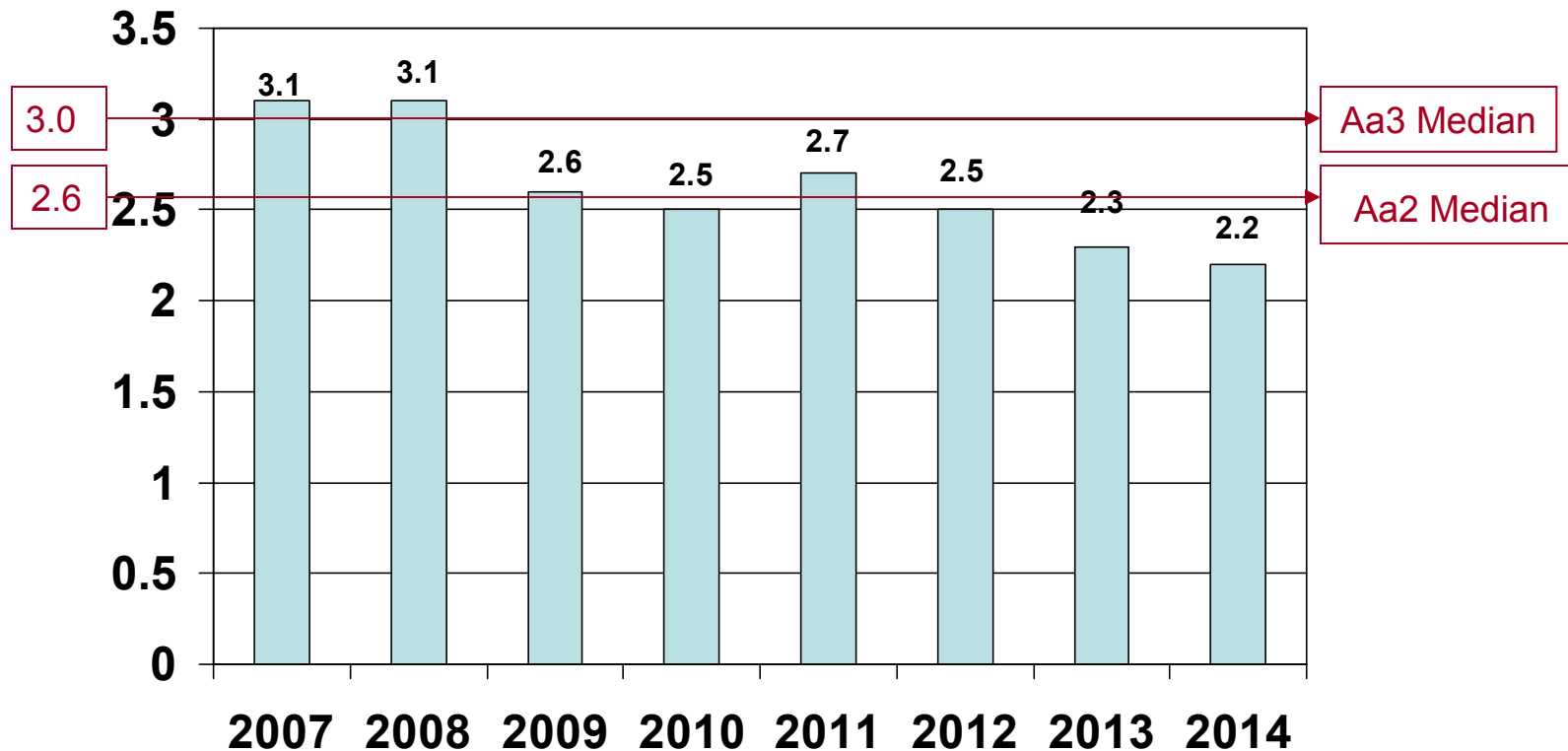
Debt Service Ratio

- 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

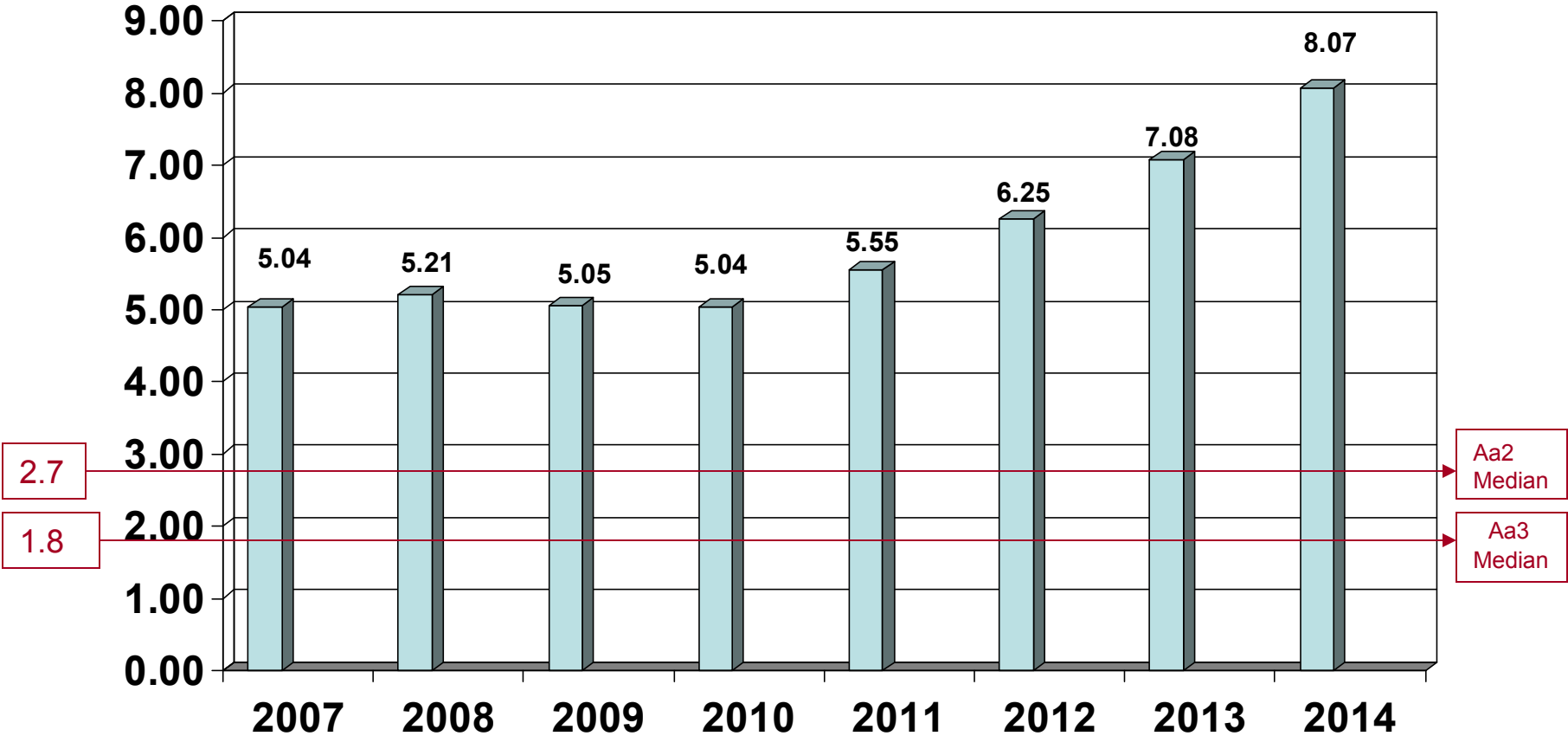
Leverage Ratio #1

- 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

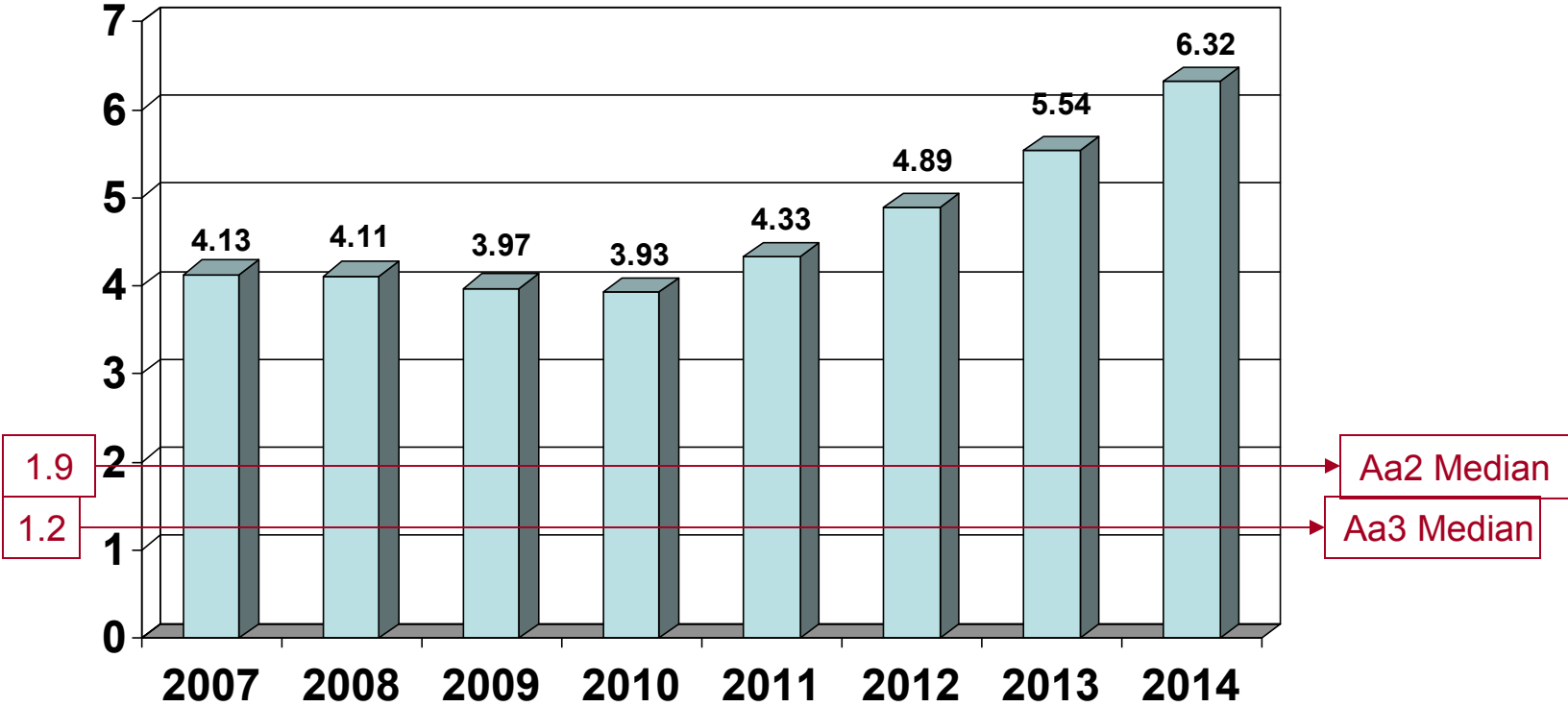
Leverage Ratio #2

- 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 = ↑

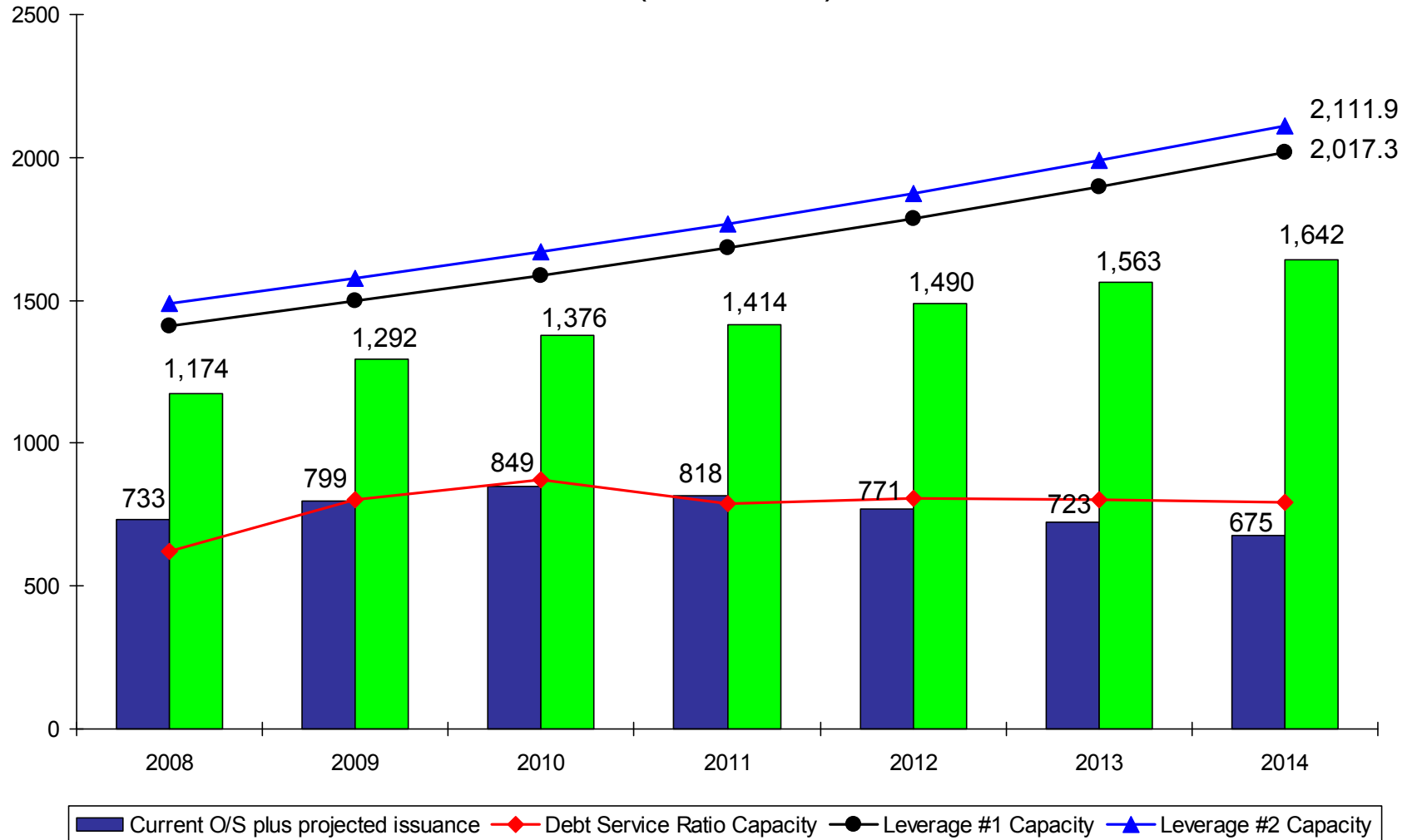


Current debt levels plus projected issuance thru FY2011

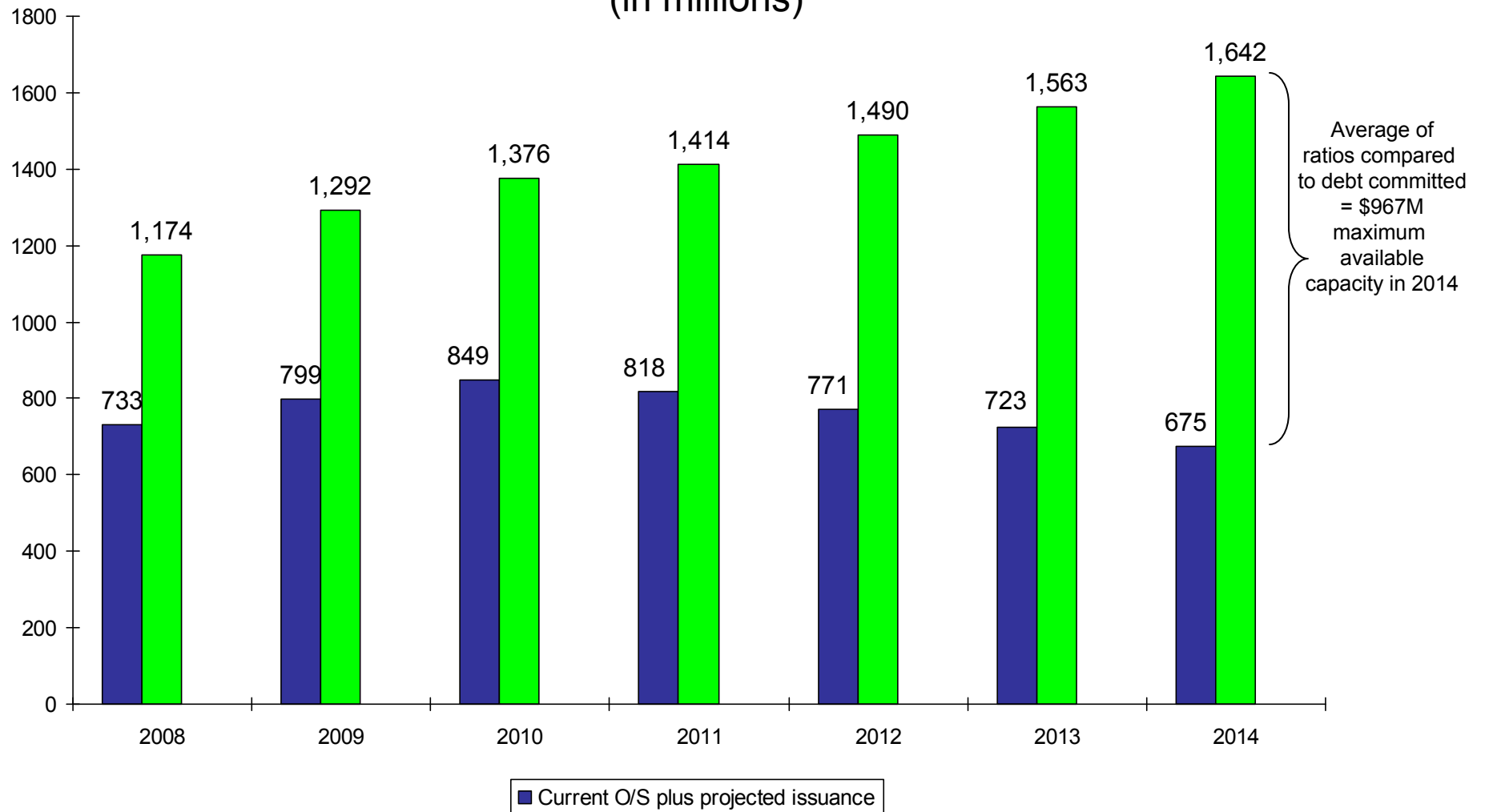
Theoretical Projected Debt Capacity

Based on Aa2 Medians

(in millions)



Theoretical Projected Debt Capacity Based on Aa2 Medians (in millions)

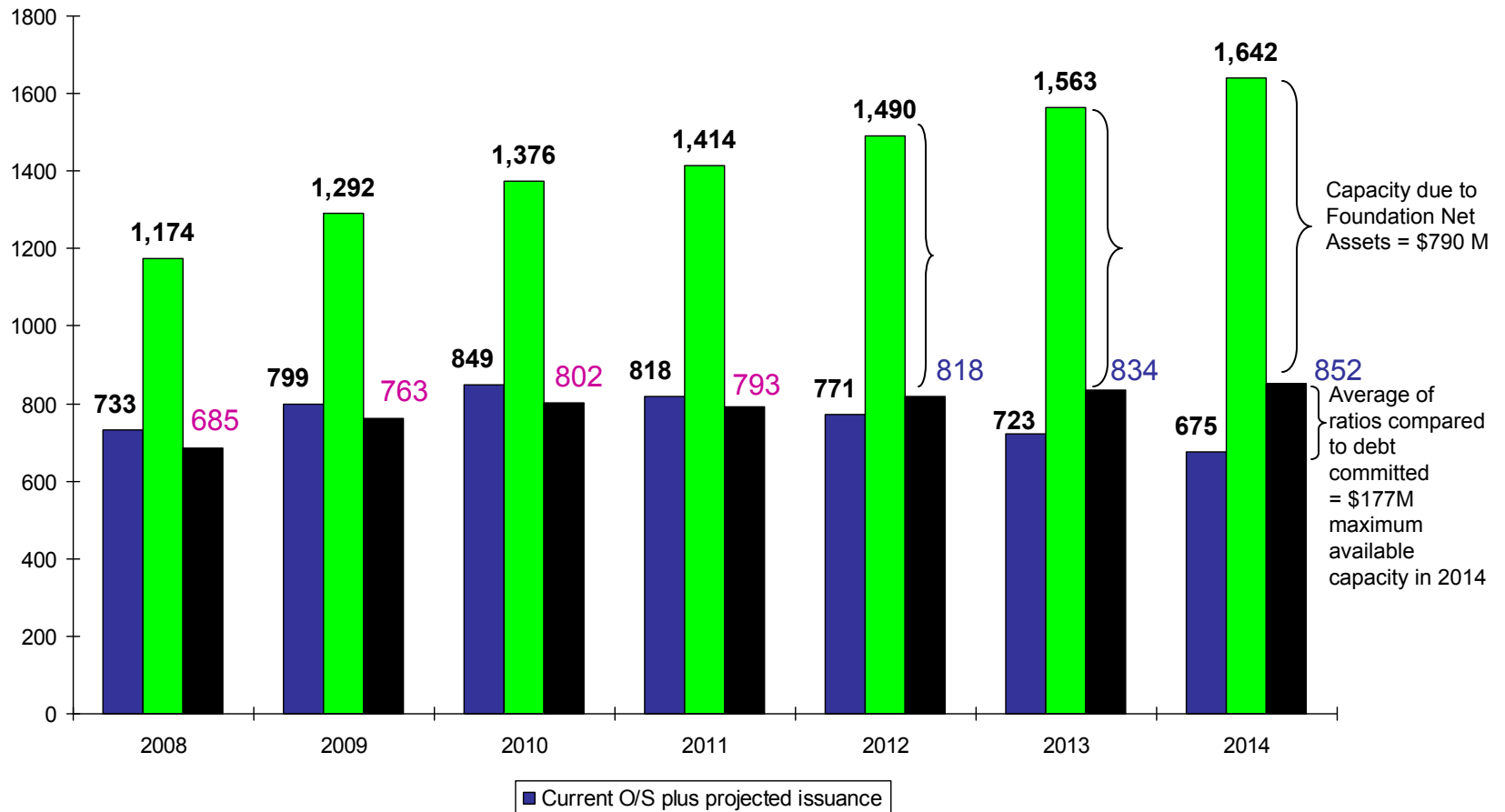


Theoretical Projected Debt Capacity

Impact of Foundations' Net Assets

Based on Aa2 Medians

(in millions)



Spectrum of Financing Alternatives

