
CAPITAL FINANCING AND
DEBT MANAGEMENT REPORT
FY2007



University of Minnesota
Finance & Operations Committee
February 7, 2008

Outline of Presentation

- University's Capital Structure
- Market Update
- Credit Rating
- Key Financial Indicators
- Peer Group Analysis

Guiding Principles

- **Core Debt**
 - Preserve core long-term debt ratings at Aa/AA category and short-term core debt rating of A-1/P-1
 - Ensure access to variable and fixed-rate bonds
 - Minimize borrowing costs at acceptable levels of risk over life of the issue

- **Special Purpose Debt**
 - Receive an investment grade credit rating
 - Ensure acceptable cost of capital
 - Identify a revenue stream to support debt service
 - Consider unique marketing timing or opportunities

Long-Term Debt *As of June 30, 2007*

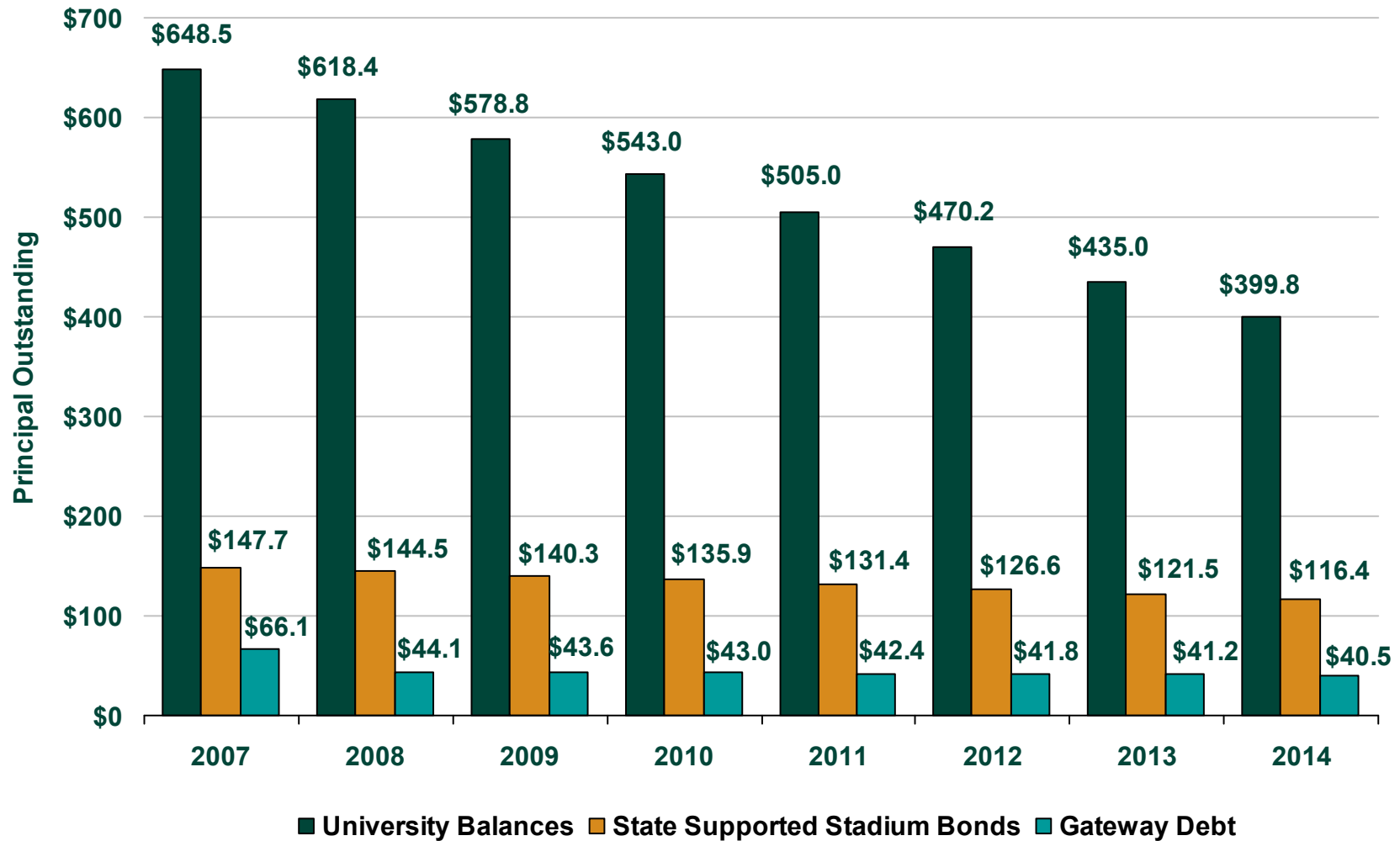
	Interest rate	Due at various dates through	Beginning balance	Additions	Reductions	Ending balance
General obligation bonds						
Series 2004A	4.86%	2010	\$18,807		\$3,474	\$15,333
Series 2003A	4.39%	2031	68,500		1,500	67,000
Series 2001C	4.40%	2008	144,750		5,500	139,250
Series 2001B	4.33%	2008	2,320		340	1,980
Series 2001A	3.08%	2008	7,710		2,470	5,240
Series 1999A	4.16%	2009	156,950		9,800	147,150
Commercial paper notes, Series A	3.15%–3.65%	2008	159,100		12,000	147,100
Commercial paper notes, Series B	3.15%–3.65%	2008		\$61,000	3,000	58,000
Obligations to the State of Minnesota pursuant to infrastructure development bonds						
Auxiliary revenue bonds	3.55%–6.90%	2025	63,208		5,941	57,267
Special purpose revenue bonds	3.00%	2013	7,500		955	6,545
Capital leases and other	4.00%–5.00%	2029		147,971	257	147,714
	1.72%–8.00%	2015	4,102	1,795	2,276	3,621
Total			\$632,947	\$210,766	\$47,513	\$796,200

Long Term Debt Analysis

	<u>6/30/2006</u>	<u>6/30/2007</u>
Total Outstanding	\$632.9 million	\$796.2 million
Fixed Rate / Variable Rate	98% / 2%	92% / 8%
University Issued/ State Issued	90% / 10%	93% / 7%
Weighted Average Fixed Rate	4.32%	4.36%
Weighted Average Variable Rate	3.47%	3.76%
Weighted Average University Issued	4.29%	4.31%
State Issued Fixed Debt	5.04%	5.06%
Total Weighted Average University Debt	4.37%	4.36%
Average Life of Debt	9.5 years	9.8 years

Current Amortization Structure

6/30/07 University Balance Plus Gateway Debt



Projected Long-Term Debt

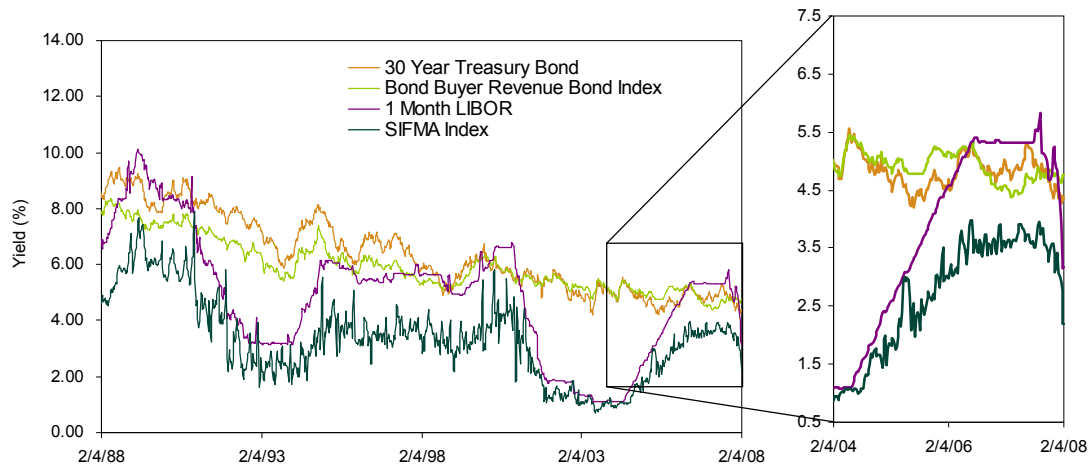
	(in Millions)
Balance at June 30, 2007 *	\$796.2
Scheduled payments	(33.3)
Issuance of authorized commercial paper **	<u>70.0</u>
Projected balance at June 30, 2008	\$832.9

*Includes \$147.7 for Special Purpose Revenue Bonds that will be excluded for debt capacity calculations

** An additional \$65 million of commercial paper is authorized, but all or a portion is projected to be issued in early FY09.

Market Update: Taxable and Tax-Exempt Interest Rates

Historic Taxable and Tax-Exempt Interest Rates: 1988 to Present



Funding Levels for University of Minnesota ("Aa2/AA")

	General Revenue Bonds YTC/YTM ⁽¹⁾	SIFMA Swap ⁽²⁾	67% of LIBOR Swap ⁽²⁾
1-Year	1.90%	2.52%	2.14%
3-Year	2.46%	2.71%	2.33%
5-Year	2.83%	3.04%	2.62%
7-Year	3.12%	3.31%	2.87%
10-Year	3.53%	3.59%	3.12%
15-Year	4.08%/4.32%	3.86%	3.35%
20-Year	4.38%/4.62%	4.01%	3.44%
25-Year	4.47%/4.71%	4.07%	3.47%
30-Year	4.49%/4.74%	4.11%	3.48%

(1) Yield to call/Yield to maturity; includes 10-year call option at 100% of par.

(2) Includes 20 basis points for remarketing and liquidity fees.

Historical Information

30-Year Treasury
Revenue Bond Index
1-Month LIBOR
SIFMA Index

Low Point

4.17% (6/13/03)
4.38% (3/15/07)
1.00% (6/25/03)
0.70% (7/10/03)

Average Since 1988

6.40%
5.97%
4.94%
3.38%

Current Rates (2/4/08)

4.38%
4.76%
3.18%
2.20%

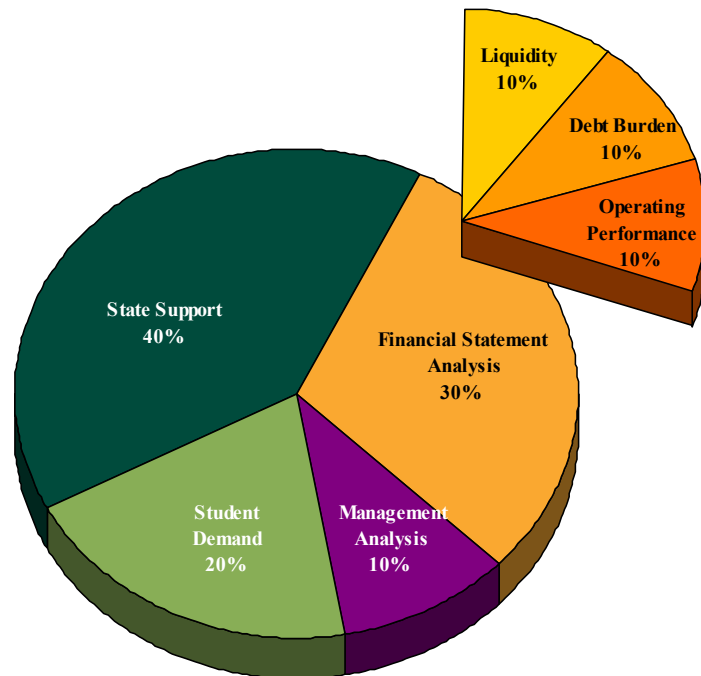
SIFMA Averages

Current 2.20%
1-Year 3.52%
5-Year 2.39%
10-Year 2.66%
15-Year 2.85%
25-Year 3.73%

The 10-Year Treasury Bond is currently yielding 3.64%

Source: Lehman Brothers

Credit Rating and Debt Capacity Determinants



Student Demand- Strong “Aa”

- Solid student market position

Financial Statement Analysis- Strong “Aa”

- Strength of General Obligation pledge
- Superior financial resources—especially Total Resources per student
- Debt per student in line with peers
- Debt service as a percentage of budget is moderate

State Support- State of Minnesota “Aa1/AAA”

- History of strong appropriations, but budget pressures continue

Management Analysis- Strong “Aa”

- Analyst’s assessment of University management strength
- Research position and strategy

An analysis of student demand, market position and financial indicators places the University of Minnesota solidly in the strong “Aa” category. Debt capacity and credit ratings are not a function of ratios alone, but are highly dependent on other factors such as debt strategy, essentiality of debt, future fundraising, revenue producing capability and debt structure.

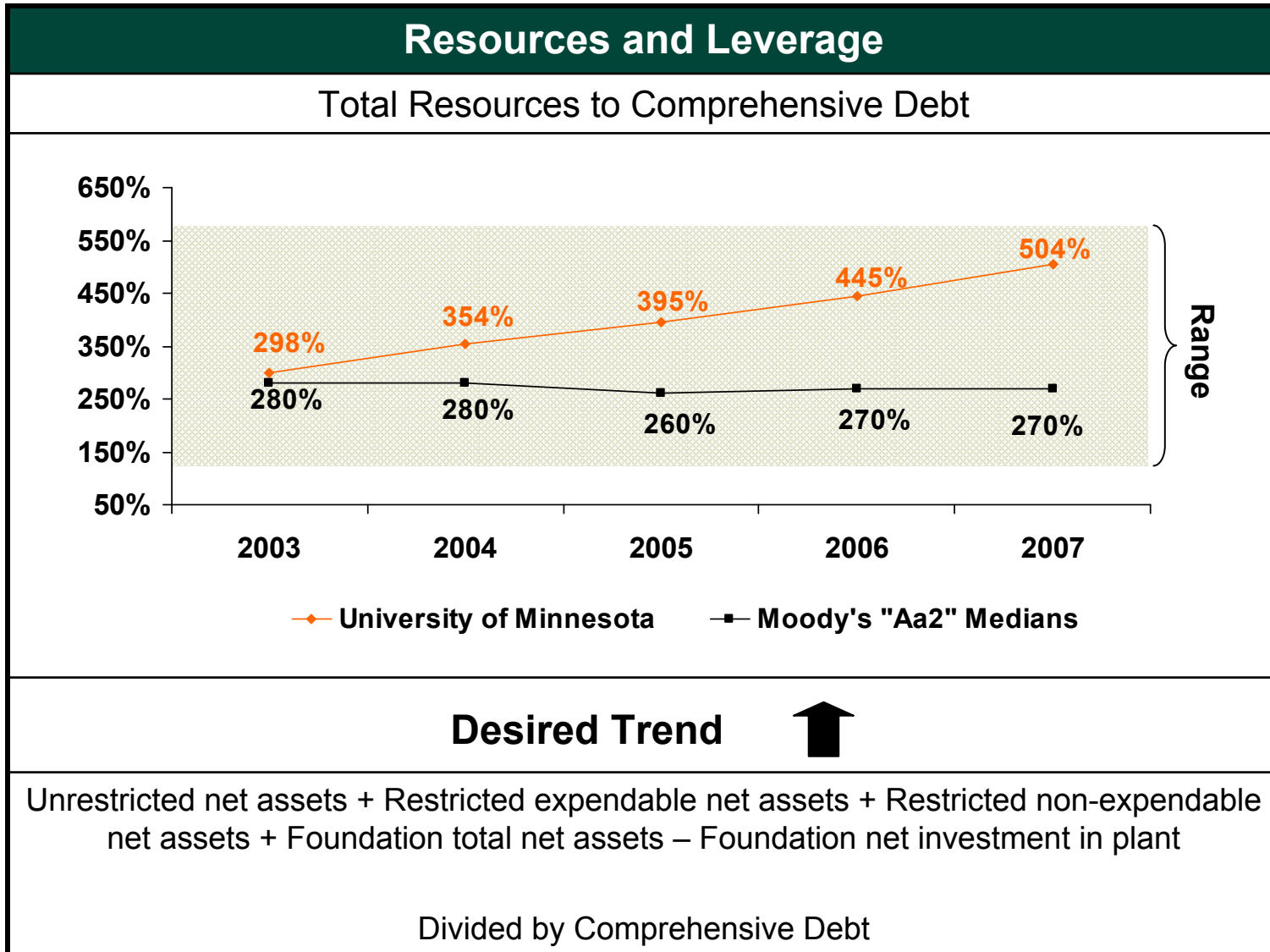
Source: Lehman Brothers

Letter Ratings to Designate University Credit Quality

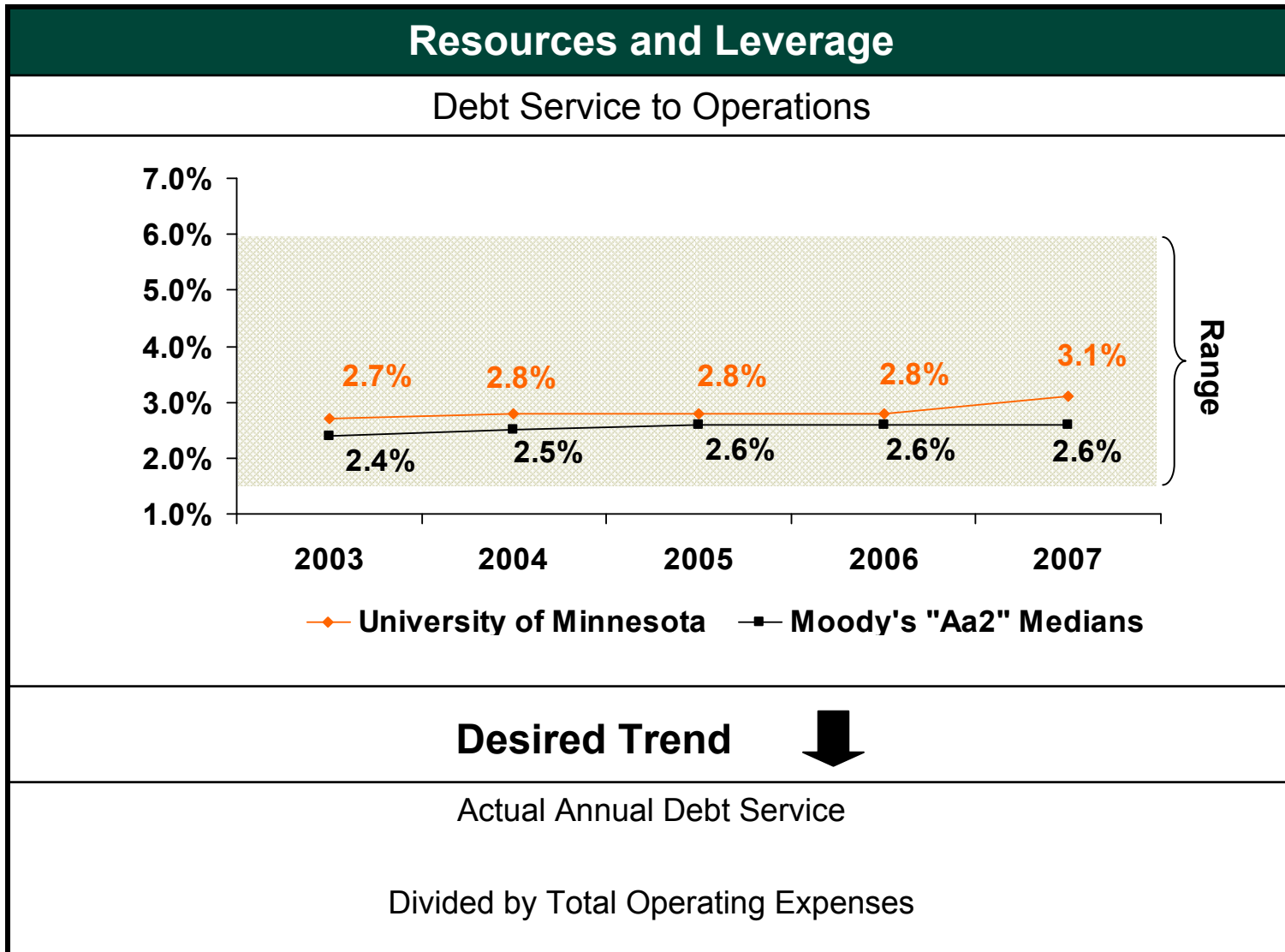
Moody's Investors Service Rating	Financial Security Evaluation	Standard and Poor's Rating
Aaa	Exceptional	AAA
Aa1, Aa2 , Aa3	Excellent	AA+, AA , AA-
A1, A2, A3	Good	A+, A, A-
Baa1, Baa2, Baa3	Adequate	BBB+, BBB, BBB-
Ba1, Ba2, Ba3	Moderate	BB+, BB, BB-
B1, B2, B3	Weak	B+, B, B-
Caa to C	Default	CCC to D

The University of Minnesota is currently rated Aa2 by Moody's, and AA by Standard and Poor's.

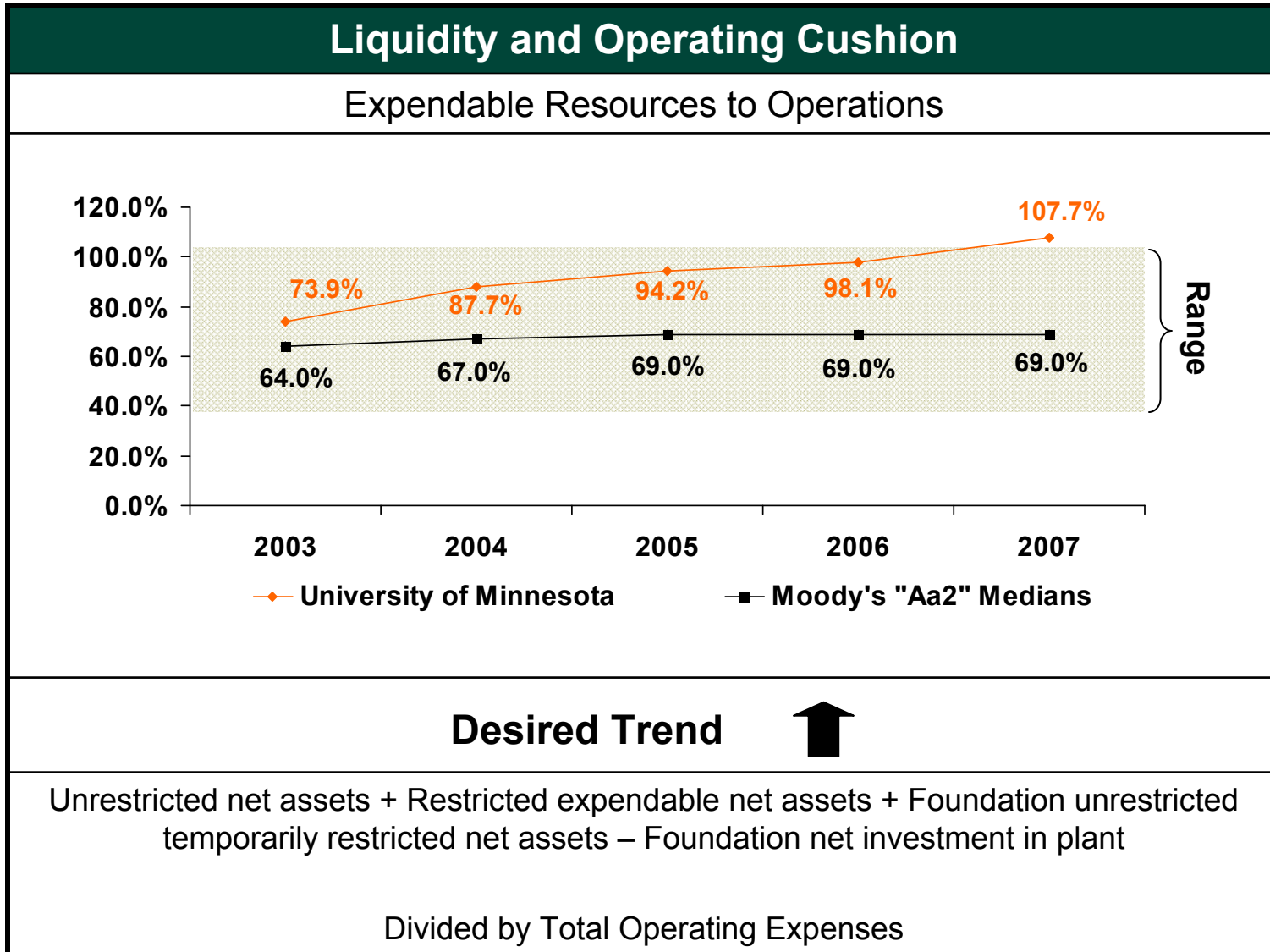
University of Minnesota: Analysis of Key Credit Ratios



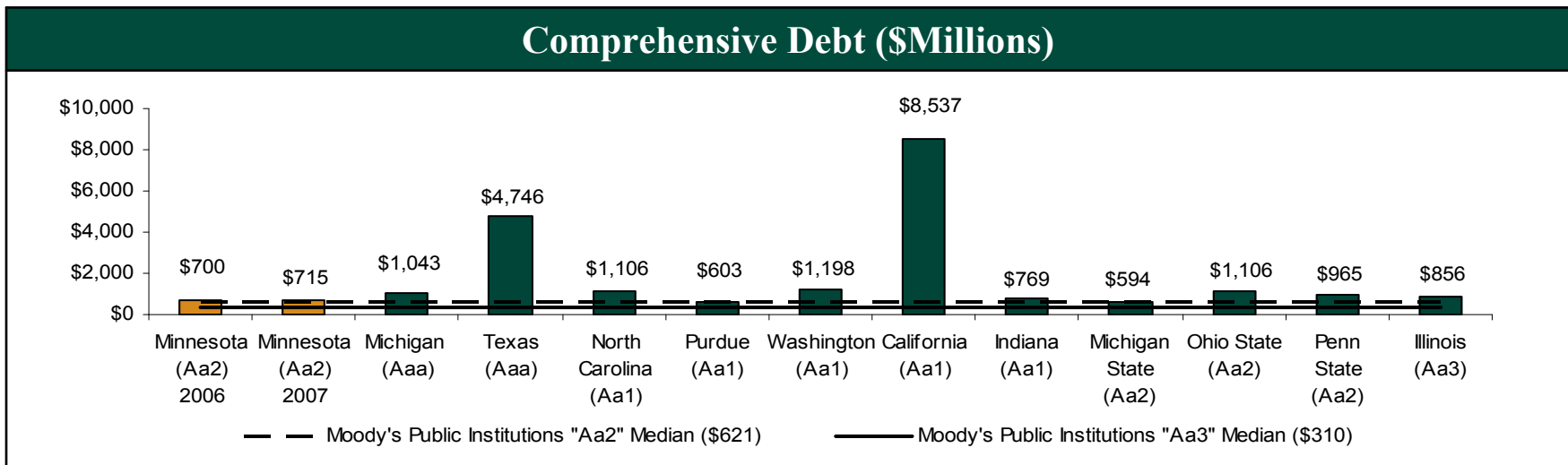
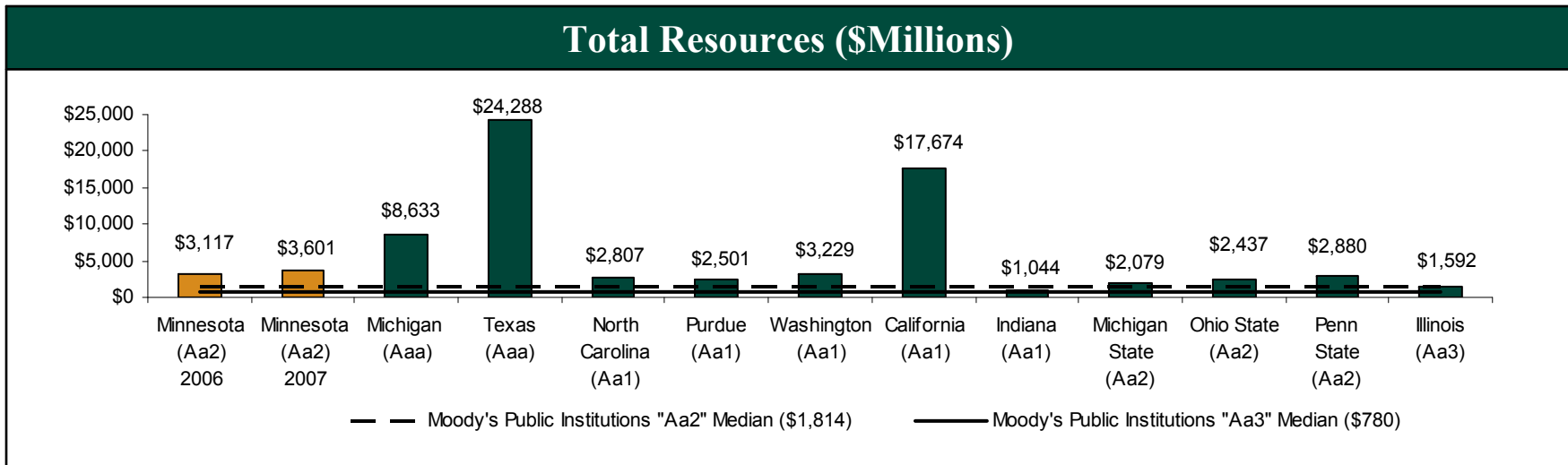
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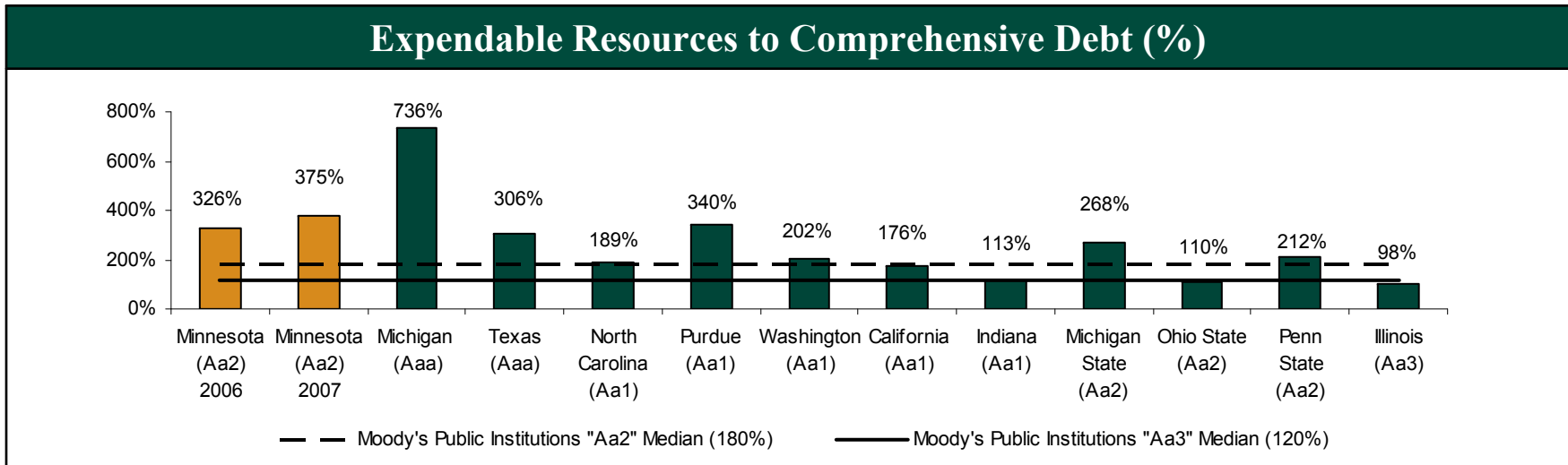
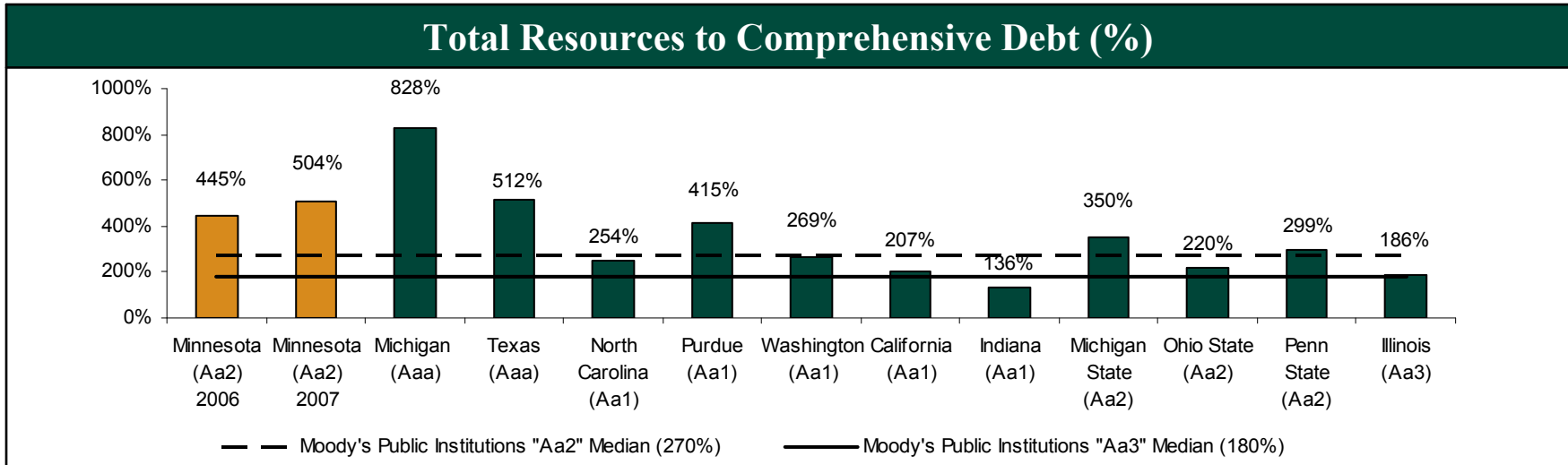
University of Minnesota Peer Group Analysis



Note: Fiscal year 2006 data for Ohio State; fiscal year 2007 data for all other peers.

Source: Lehman Brothers and Moody's Investors Service

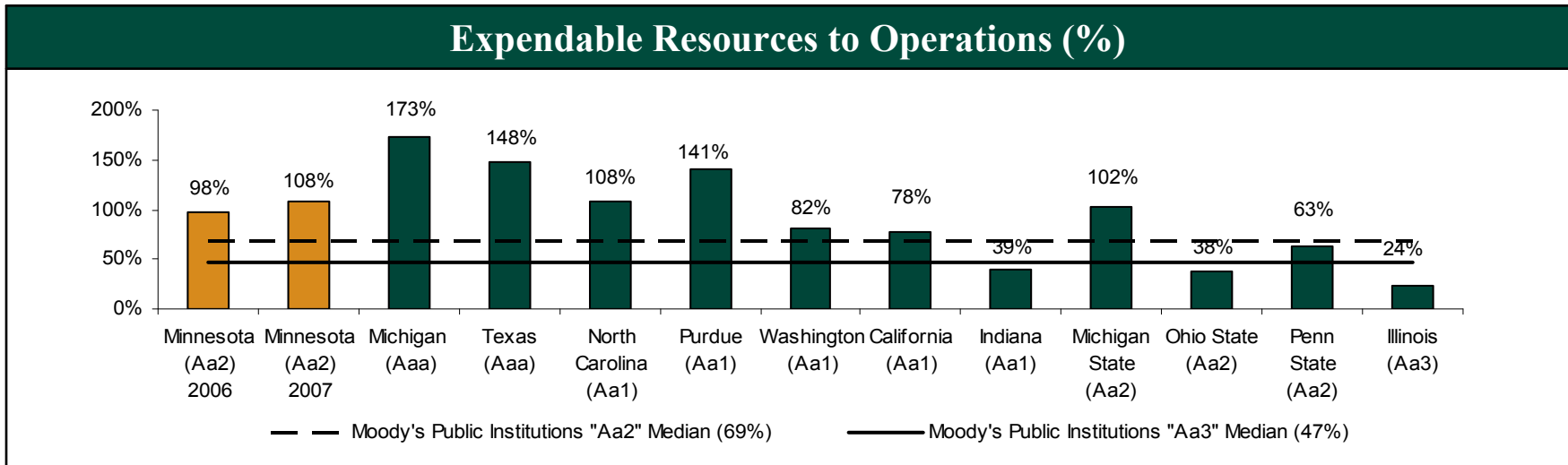
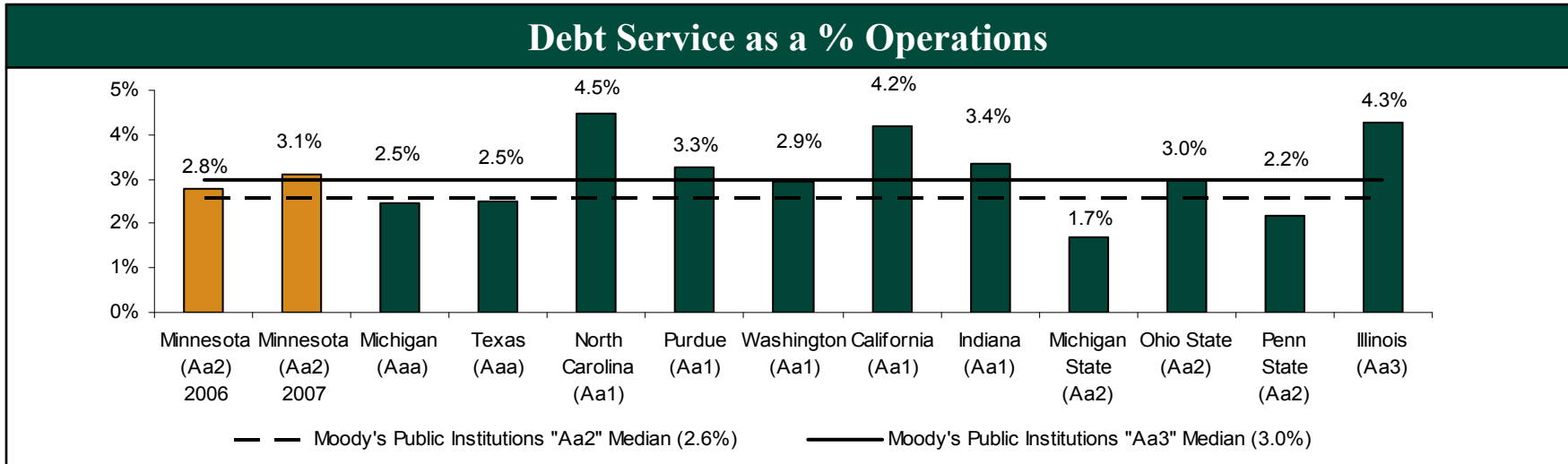
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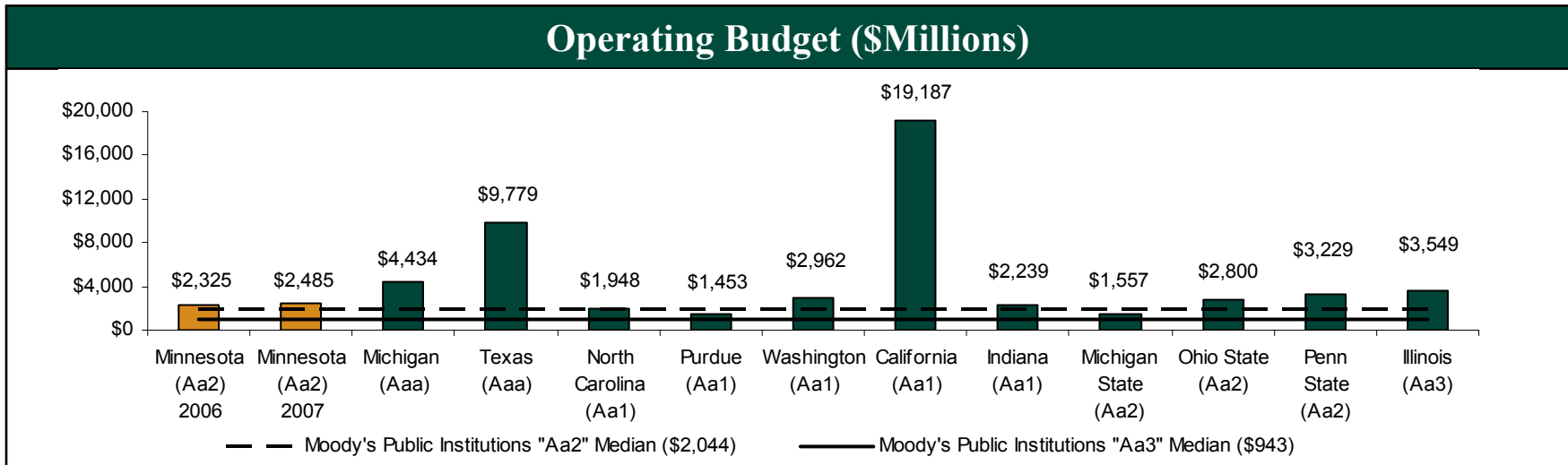
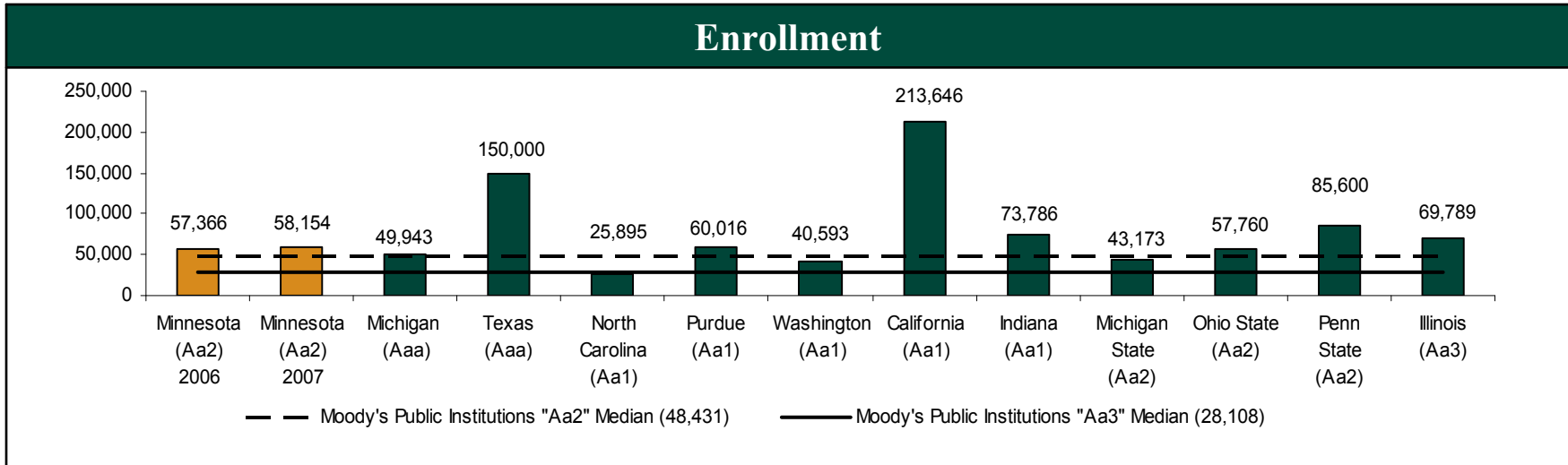
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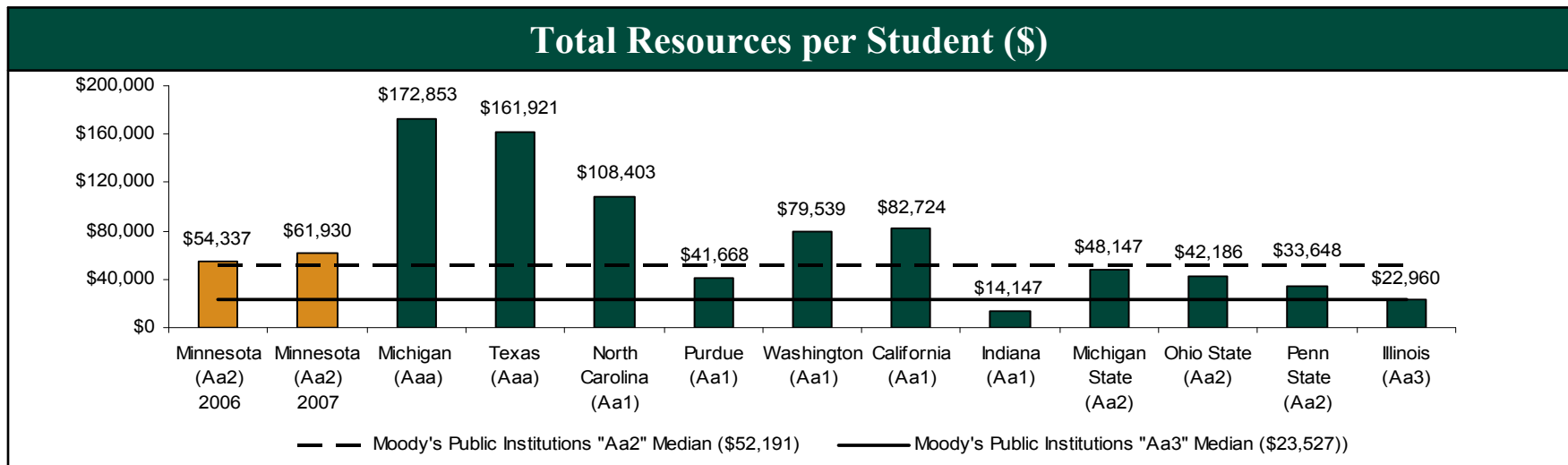
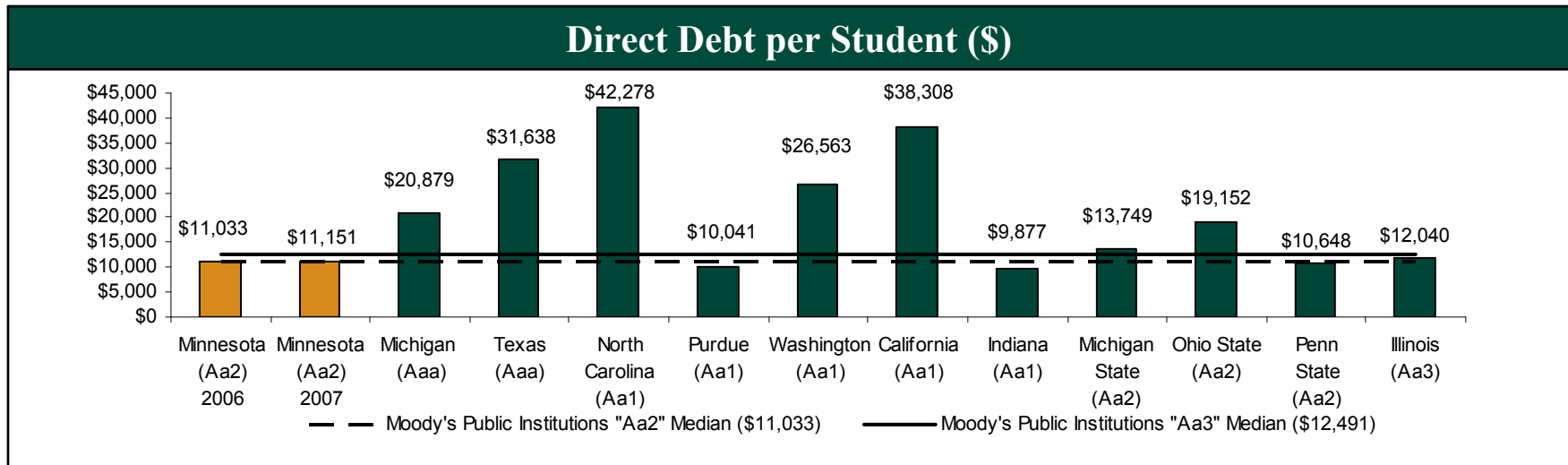
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