

Institutional Indebtedness

Board of Trustees Retreat
July 2010



Institutional Indebtedness

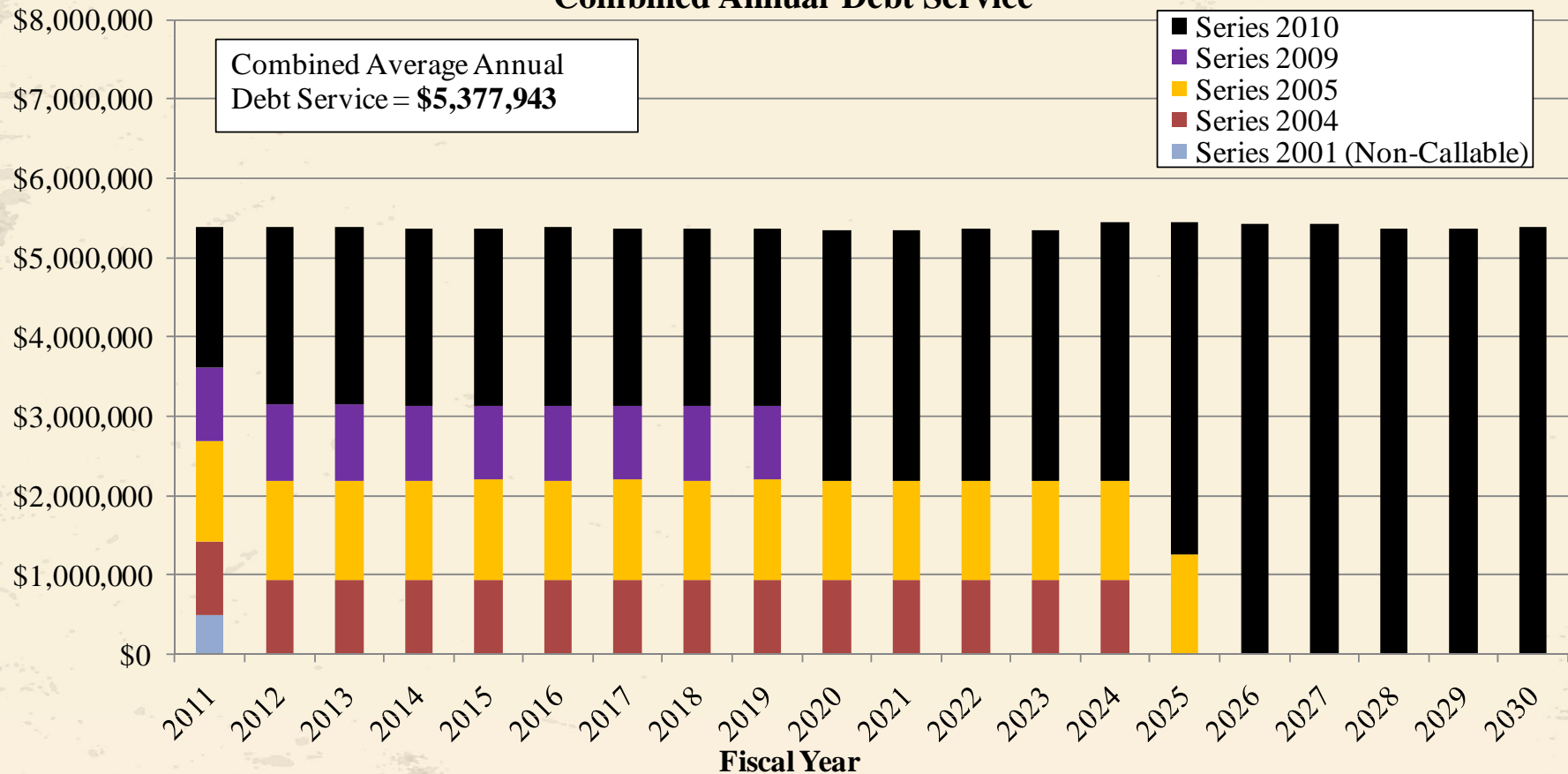
- *How much is too much debt?*
- *How much additional capacity does UW have for internally financed projects?*

Current Total Debt Outstanding

<u>Issue</u>	<u>Balance 07/01/10</u>	<u>Notes</u>
Series 2001	\$ 470,000	Final payment due 6/1/11 – remaining amounts refunded with 2010A issue
Series 2004	9,315,000	Final payment 6/1/24
Series 2005	13,180,000	Final payment 6/1/25
Series 2009	7,100,000	Final payment 6/1/19
Series 2010	44,315,000	Final payment 6/1/30
Totals	<u>\$ 74,380,000</u>	

Combined (All Bond Issues) Annual Debt Service FY 2011-FY 2030

University of Wyoming
Combined Annual Debt Service



FY 2011

Sources of Pledged Revenue to Cover Debt

	\$s in Millions	%
Auxiliary Revenue:		
Dining Services	\$ 1.93	9.3%
Residence Life	\$ 1.64	7.9%
Sales and Fees	\$ 1.12	5.4%
University Bookstore	\$ 0.21	1.0%
Telecommunications	\$ 0.03	0.2%
Wyoming Student Union	\$ 0.02	0.1%
Non-Auxiliary Revenue:		
Federal Mineral Royalties*	\$ 13.37	64.4%
Investment Income	\$ 1.55	7.4%
Indirect Cost Recovery (Section I Support)	\$ 0.90	4.3%
Projected Annual Net Pledged Revenue FY 2011	\$ 20.76	100.0%

* FMRs amount of \$13.37M is committed to Debt Service (\$3.54M), Maintenance and Operation of Physical Plant (\$7.65M), Bond Reserve (\$0.3M), leaving \$1.87M unallocated.

Debt Service Coverage – FY 2011

- Projected Net Pledged Revenue \$ 20.76 M
- Annual Debt Service \$ 5.38 M
- Projected Debt Service Coverage 3.86 X

S&P AA- rating reflects the following:

- Strong demonstrated history of state support
- Only 4-year institution in the state
- Positive financial operations
- Very low debt burden and good capital support from the state
- Strong coverage ratios
- Strong levels of fundraising
- Adequate financial resources

Moody's Aa2 rating reflects the following:

- Dominant market position and key driver of economic development as the sole four-year public education provider in the state
- Extraordinary state support
- History of positive operating performance
- Overall good financial resources

Public University Ratings

Standard & Poor's and Moody's Ratings for UW and other Universities:

- ***University of Wyoming (AA-, Aa2)***
- University of Nebraska (AA, Aa1)
- University of Kansas (AA, Aa1)
- University of Missouri (AA, Aa1)
- University of California (AA, Aa1)
- University of Arizona (AA, Aa2)
- University of New Mexico (AA, Aa2)
- University of Utah (AA, Aa2)
- University of Colorado (AA-, Aa2)
- Colorado State University (A+, Aa3)
- Montana State University (A+, Aa3)
- University of North Dakota (A+, Aa3)
- University of Idaho (A+, Aa3)



Comparator Debt per FTE

University of Wyoming Credit Comparison			
Institution	S&P Rating	Moody's Rating	Debt per FTE
University of Wyoming*	AA-	Aa2	\$7,169
University of Wyoming			
University of Arizona	AA	Aa2	\$31,254
University of Colorado*	AA-	Aa2	\$27,836
University of New Mexico	AA	Aa2	\$27,441
University of Missouri*	AA	Aa1	\$25,490
University of Kansas*	AA	Aa1	\$19,152
University of Nebraska*	AA	Aa1	\$17,654
University of Idaho*	A+	Aa3	\$16,879
Colorado State University*	A+	Aa3	\$16,751
Montana State University*	A+	Aa3	\$7,552
Average Comparator Debt per FTE			\$21,112
UW Debt Less Than Average			\$13,943
*Institution has a split rating, meaning different ratings from the Moody's and S&P.			

Comparator Debt Ratios

University of Wyoming Credit Comparison			
Institution	S&P Rating	Moody's Rating	Debt Service Coverage
University of Wyoming	AA-	Aa2	4.20x ¹
University of Missouri	AA	Aa1	5.40x
University of New Mexico	AA	Aa2	3.20x
University of Kansas	AA	Aa1	2.43x
Montana State University	A+	Aa3	2.20x
University of Idaho	A+	Aa3	2.20x
University of Colorado	AA-	Aa2	2.00x
University of Arizona	AA	Aa2	1.80x
University of Nebraska	AA	Aa1	1.40x
Colorado State University	A+	Aa3	1.00x
Average Comparator Debt Service Coverage			2.40x
UW Coverage in Excess of Average Additional Debt Without Exceeding Average			1.8x \$40 M

¹ Coverage of 4.2x is prior to 2010 bond issue.

Impact of Additional Debt on Debt Service Coverage

Additional Debt	Total Debt	Net Pledged Revenue ¹	Annual Debt Service ^{2,3}	Debt Service Coverage
FY 2011 Debt	\$ 74.4 M	\$ 20.7 M	\$ 5.4 M	3.8X
\$ 10 M	\$ 84.4 M	\$ 20.7 M	\$ 6.2 M	3.3X
\$ 20 M	\$ 94.4 M	\$ 20.7 M	\$ 7.0 M	2.9X
\$ 30 M	\$ 104.4 M	\$ 20.7 M	\$ 7.8 M	2.6X
\$ 40 M	\$ 114.4 M	\$ 20.7 M	\$ 8.6 M	2.4X
\$ 50 M	\$ 124.4 M	\$ 20.7 M	\$ 9.4 M	2.2X
¹ Assumes no increase in net pledged revenue (no student fee increase)				
² Excess net revenue (\$20.7 - \$5.4) committed to other uses (e.g., FMR support for Physical Plant)				
³ Assumes annual debt service increase = to 8% of new debt (subject to market conditions)				

Net Annual Revenue

(\$s in Millions)

	Auxiliary Enterprises						Non-Auxiliary FMRs, Investment Income and Indirect Cost Recovery	Total
	Dining Services	Residence Life	Sales and Fees ¹	University Bookstore	Telecomm.	Wyoming Student Union		
Projected Net Pledged Revenue FY 2011	\$ 1.93	\$ 1.64	\$ 1.12	\$ 0.21	\$ 0.03	\$ 0.02	\$ 15.81	\$ 20.76
<u>Obligations:</u>								
-Existing Debt Service	\$ 0.16	\$ 1.15	\$ -	\$ 0.11	\$ -	\$ 0.42	\$ 3.54	\$ 5.38
-Capital Fund ²	\$ 0.01	\$ 0.15	\$ -	\$ -	\$ -	\$ 0.02	\$ 0.31	\$ 0.50
-Maintenance and Operation of Plant from FMRs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7.65	\$ 7.65
-Auxiliary Enterprises Capital Improvements and Reserves	\$ 1.75	\$ 0.34	\$ 1.12	\$ 0.10	\$ 0.03	\$ -	\$ -	\$ 3.34
-Support for Section I Operations ³	\$ -	\$ -	\$ -	\$ -			\$ 2.45	\$ 2.45
Total-Obligations:	\$ 1.93	\$ 1.64	\$ 1.12	\$ 0.21	\$ 0.03	\$ 0.44	\$ 13.94	\$ 19.31
Unobligated Revenue FY 2011	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.42)	\$ 1.87⁴	\$ 1.45

¹Includes parking fees and fines

²Bond covenants require a capital reserve of \$0.5M per year

³\$1.55M investment income and \$0.9M indirect cost recovery

⁴\$1.6M needed for Casper Facility

Institutional Indebtedness

- *How much is too much debt?*
 - *Determined by UW*
 - *Any action that puts UW at risk of lower credit rating (and the associated increase in borrowing costs)*
 - *UW should not borrow at levels that would lower the debt service coverage ratio below the average of peer institutions*
- *How much additional capacity does UW have for internally financed projects?*
 - *Examination of net revenues suggests limited capacity for debt financing w/o increases in revenue streams if Casper and White Hall projects are approved*
 - *Limited capacity via reallocation and FMRs*
 - *Additional projects would require revenue increases*