



Comments on UC Debt

Presented by Peter Taylor

Executive Vice President, CFO

University of California, Office of the President

March 30, 2010

Introduction

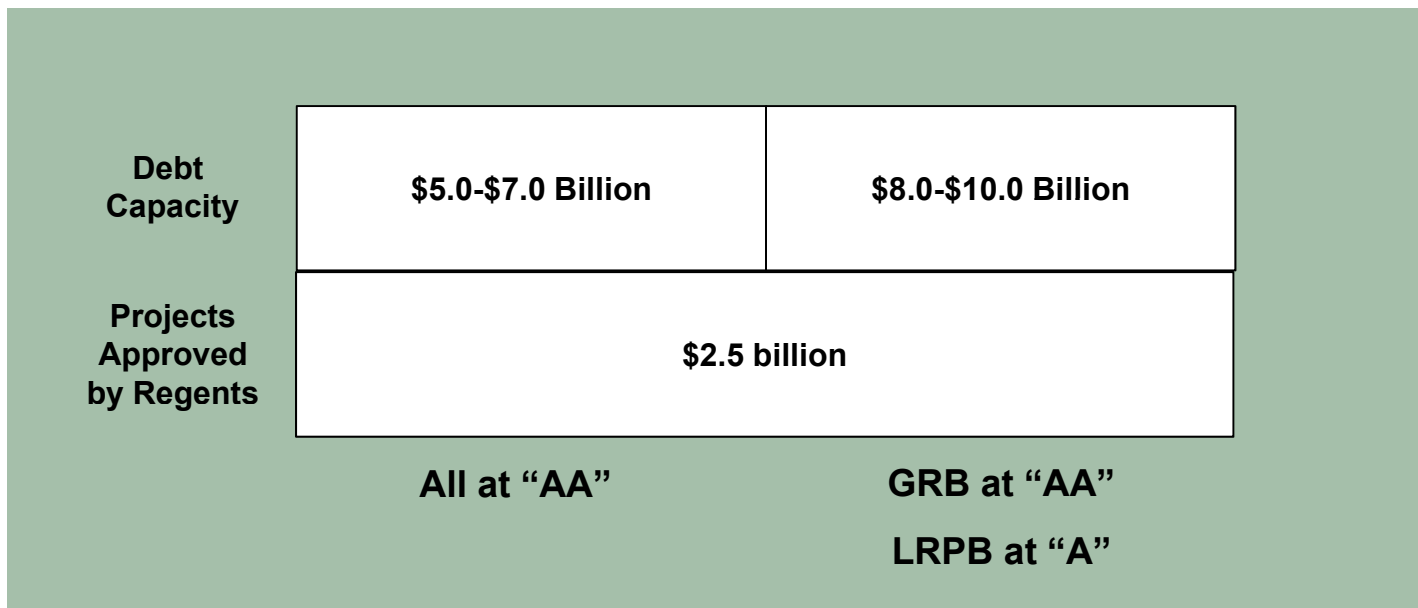
- The University's general revenue debt is secured by a general revenue basket which includes, but is not limited to indirect cost recoveries, auxiliary revenue, student tuition and fees, and other operating and non-operating revenues
 - State appropriations are excluded from this pledge as they are legally restricted in the State Budget Act
 - In addition, the education fee, while included in the general revenue basket, is restricted via internal policy for capital expenditures. The University has not used education fee for debt service on its revenue debt.

UC Debt Capacity

Debt Capacity

Measure of the amount of debt that can be incurred at a particular credit rating level and of the capital markets' assessment of an institution's financial strength

- The following chart is an illustration of the University's debt capacity under two scenarios



* The University's GRB credit ratings are currently Aa1/AA

General Revenue Bonds - Pledged Revenue Basket

Major Pledged External Revenue Sources

Example Internal Repayment Sources

- Indirect Cost Recovery
- Sales and Service Auxiliary Rev.
- Other Revenues
- Non-operating Revenues
- Student Tuition & Fees

- Opportunity Fund
- Housing, Parking, Athletic, Facility Revenue
- Lease Income
- Student Approved Fees, Section 28 Funding
- Registration Fees, Extension Fees

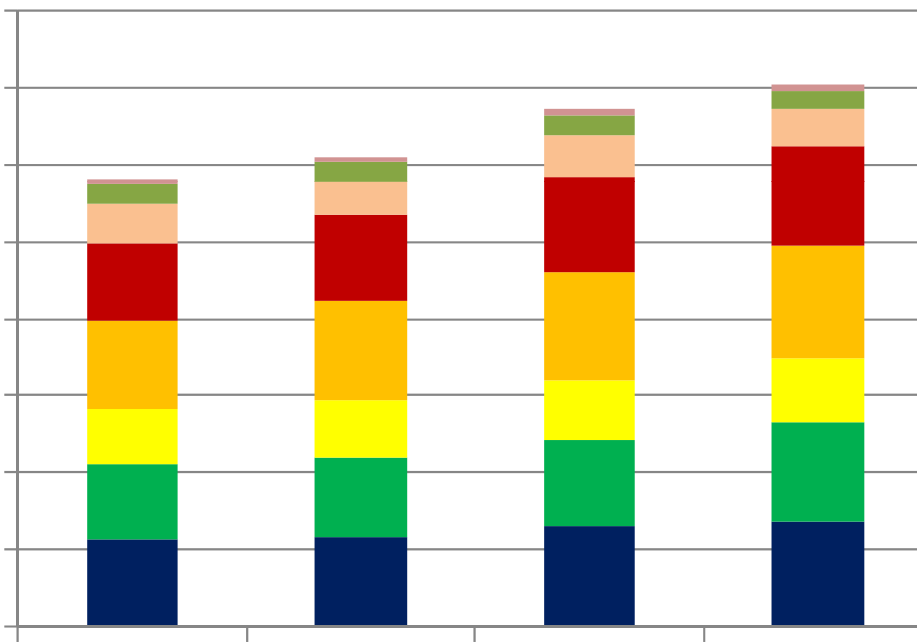
***Education Fees are not included
in Repayment Sources***

Growth in UC General Revenues categories has remained fairly consistent over the last 4 years

University of California General Revenues FYE2006-2009

Millions

\$8,000
\$7,000
\$6,000
\$5,000
\$4,000
\$3,000
\$2,000
\$1,000
\$-

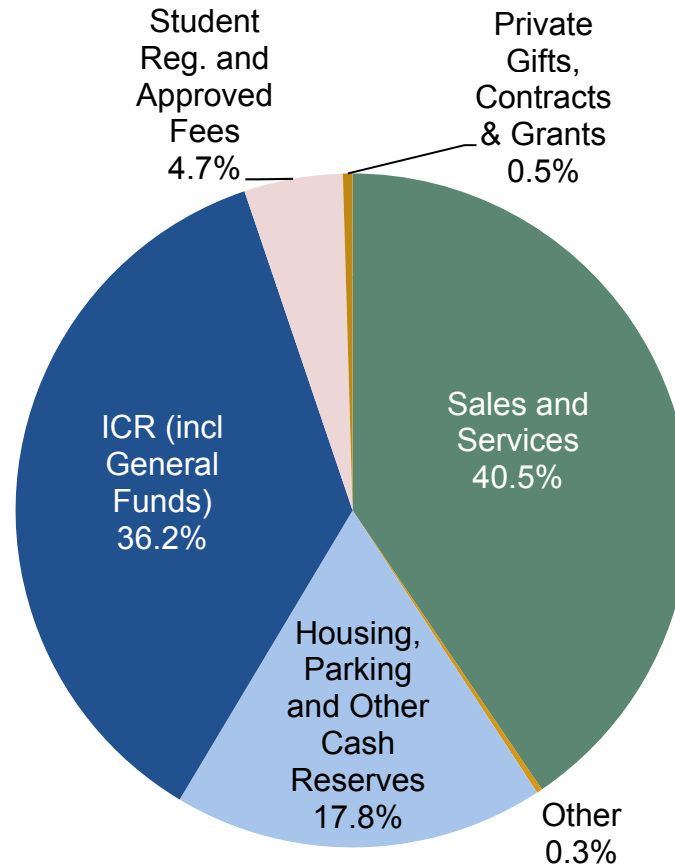


FYE 6/30/06 FYE 6/30/07 FYE 6/30/08 FYE 6/30/09

- Certain Other Nonoperating Revenues
- Unrestricted Investment Income
- Other Operating Revenues
- Sales and Services - Auxiliary Enterprises
- Sales and Services - Educational Activities
- Facilities and Admin Cost Recovery from Contract and Grants
- Other Student Fees
- Education Fee

University of California Debt: Pledge and Payment Sources

Debt Service Payment Sources FY 08-09

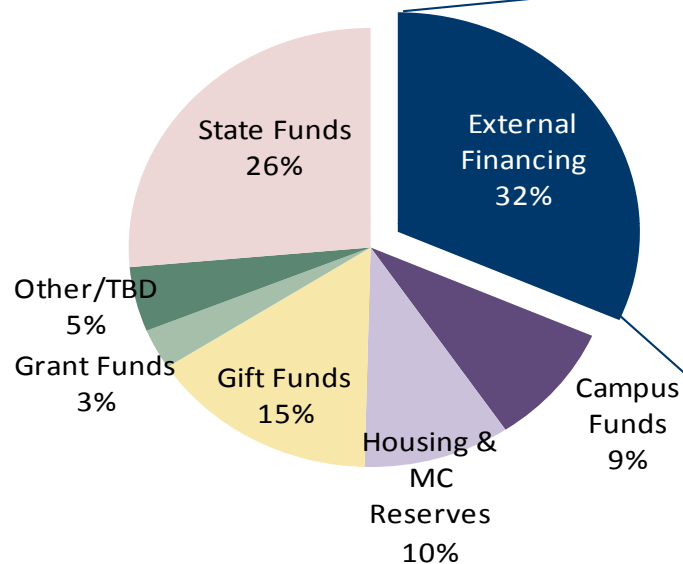


Education Fees are not a part of the Student Tuition and Fees used to repay the University's debt obligations

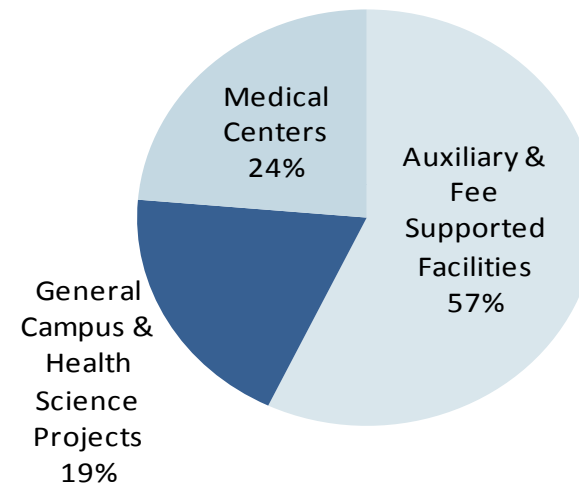
*Sales and Services does not include medical center debt

University of California Capital Improvement Program (CIP) Plan Pro-Forma FY2009-10 to FY2014-15

**Projected CIP by Fund Source
\$9.9 Billion**



**Projected Externally Financed CIP by Fund Source
\$3.1 Billion**

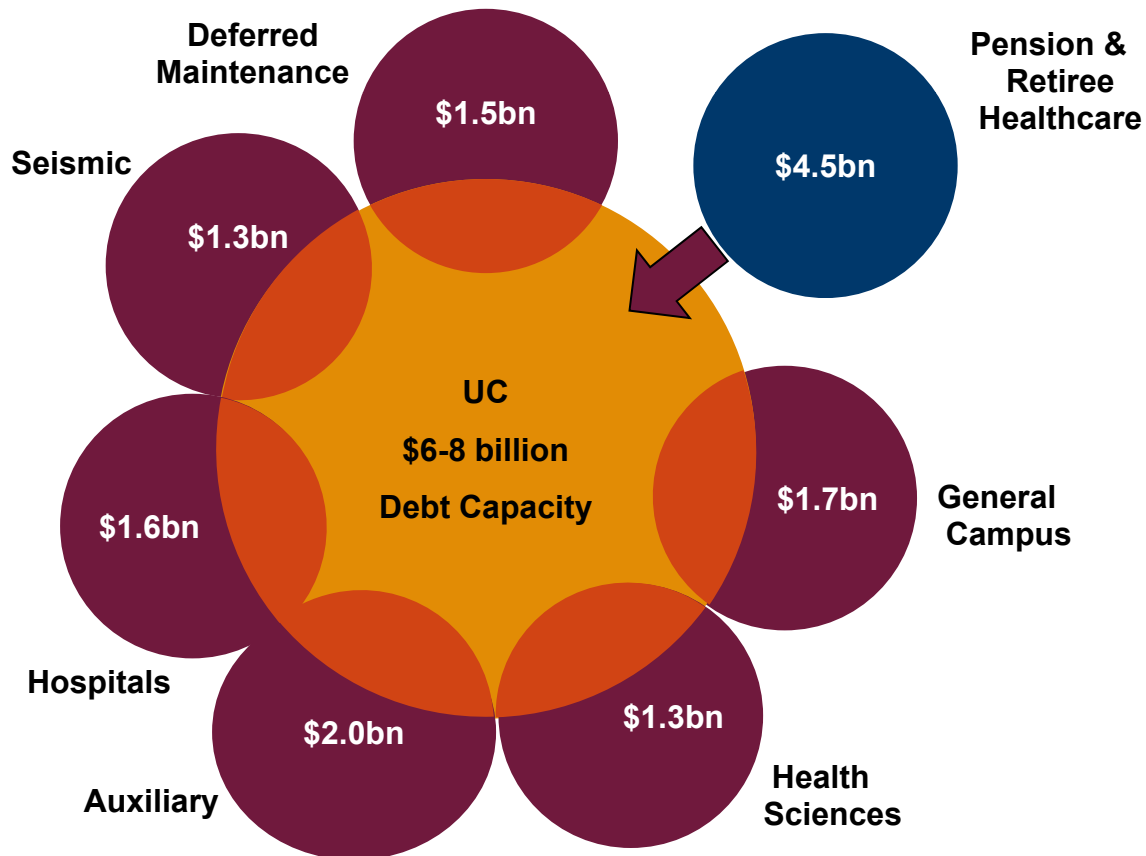


- 100% of the \$961 million of Reserves projected to be used for CIP relates to the Medical Centers and Auxiliary & Fee Supported Facilities
- Only 5.4% of all projects are expected to be externally financed general campus and health science projects

Debt Capacity Trade-offs

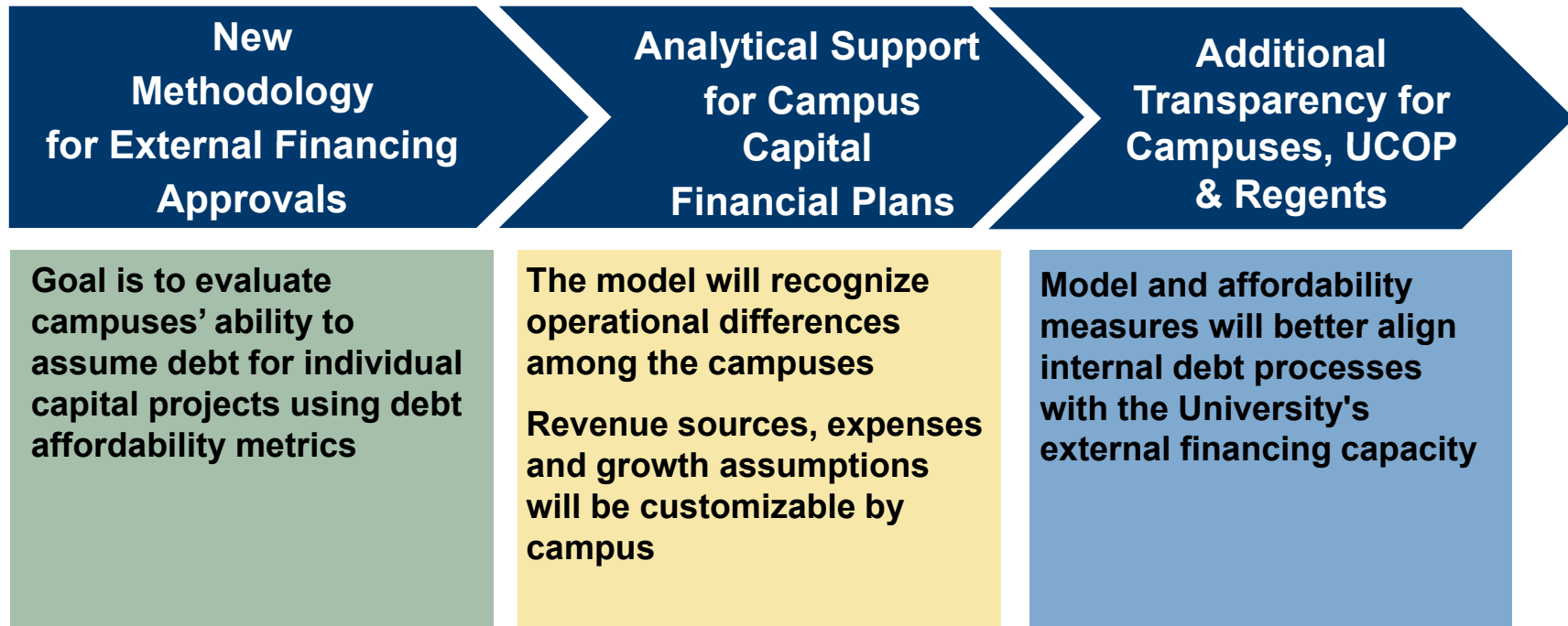
- The University can issue approximately \$6 to 8 billion in debt over the next five years –down by \$2 billion since 2008.
- This decline is due to reduced financial resources, the State’s fiscal struggles making \$2.1 billion of SPWB debt more heavily weighted on the University’s capacity and an increase in total University debt levels.

UC POTENTIAL DEBT FINANCING NEEDS



- Currently the University has approximately \$8 billion in capital financing needs, not including \$1.9 billion slated to come from State funds or \$1.5 billion in deferred maintenance needs
- A portion of State capital requests might also have to be funded by the University depending on funding availability
- Any Pension and Retiree Healthcare bonds must be considered in the context of the University’s total financing needs

Debt Affordability Model



- Initial campus comment period completed
- Will be implemented in 3 cohorts of 3-4 campuses each
- 3-4 weeks dedicated to each

Initial Rollout to all campuses should be completed by April 30