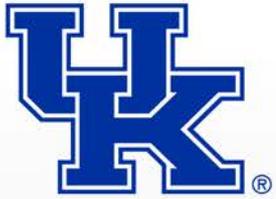




EVPFA Report

February 2017

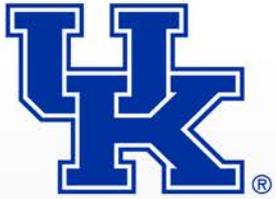


EVPFA Report Discussion Items

- Rupp Arena
- January Bond Refunding
- Debt Capacity Study
- Questions / Discussion



Rupp Arena



Rupp Arena

- **Four Principles**

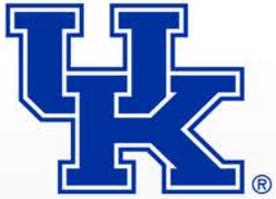
- Any adjustment to basketball ticket prices or donations would continue to be used to develop and sustain Athletics
- Increase “outside the bowl” opportunities
- Enhance the fan experience
- Maintain the name “Rupp Arena”

- **Outcomes**

- New 15-year agreement begins 2018 and expires 2033
- New club and premium services will be created
- Management of multimedia rights, souvenir sales, and parking will be transferred to the University
- No name change



January Bond Refunding

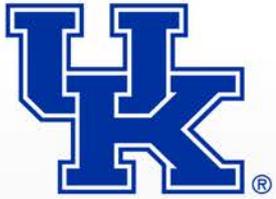


January Bond Refunding

- UK sold approximately \$37 million of refunding bonds on January 18
- Twelve underwriters submitted bids for one or both series and the result was a total interest cost of 1.7% on the 6-8 year refunding bonds
- These lower rates will produce net present value savings of approximately \$2.8 million or 7%; over 80% of the savings will accrue to Housing and Dining
- The demand and price were very positive news, particularly on top of S&P and Moody's both affirming their previous ratings of AA Stable and Aa2 Stable, respectively

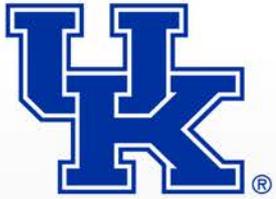


Debt Capacity Study



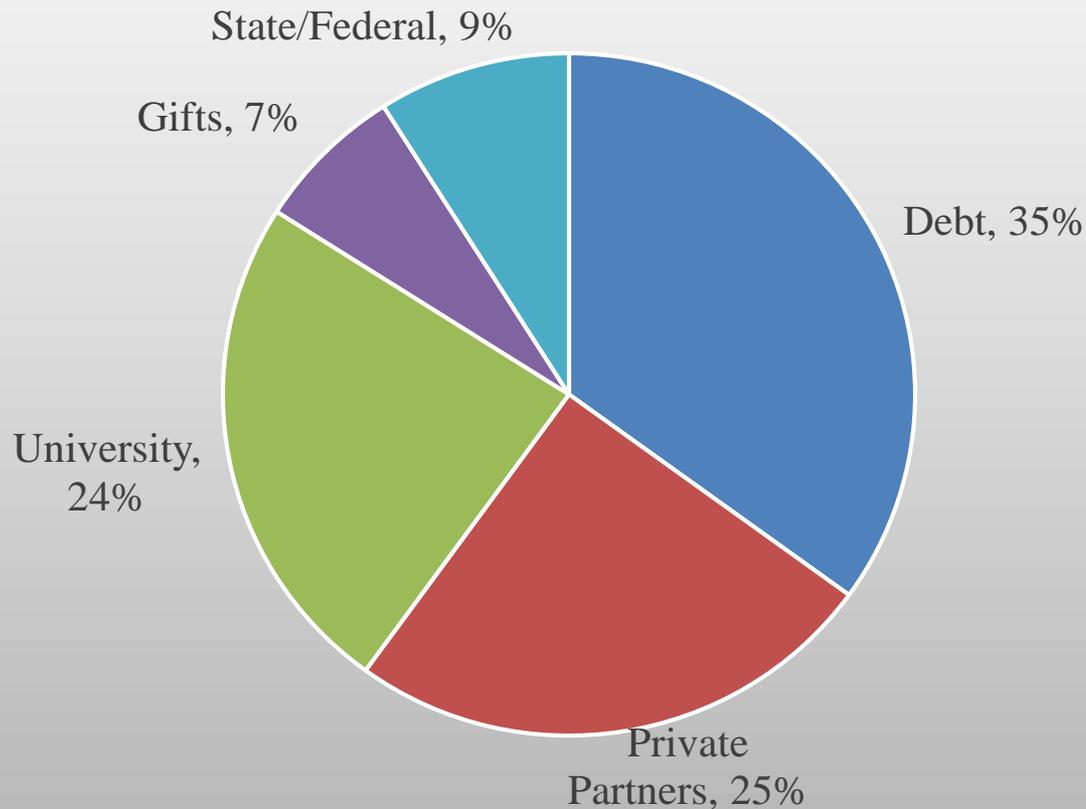
Debt Capacity Study

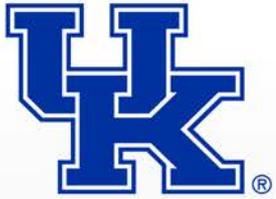
- Prager & Co., LLC performed a debt capacity study in 2012
- Study estimated additional debt capacity of \$450 million to \$650 million at 2012 rating level:
 - Moody's Aa2/Stable
 - S&P AA-/Stable



Campus Transformation

\$2.2 billion invested since July 2011 from the following sources:

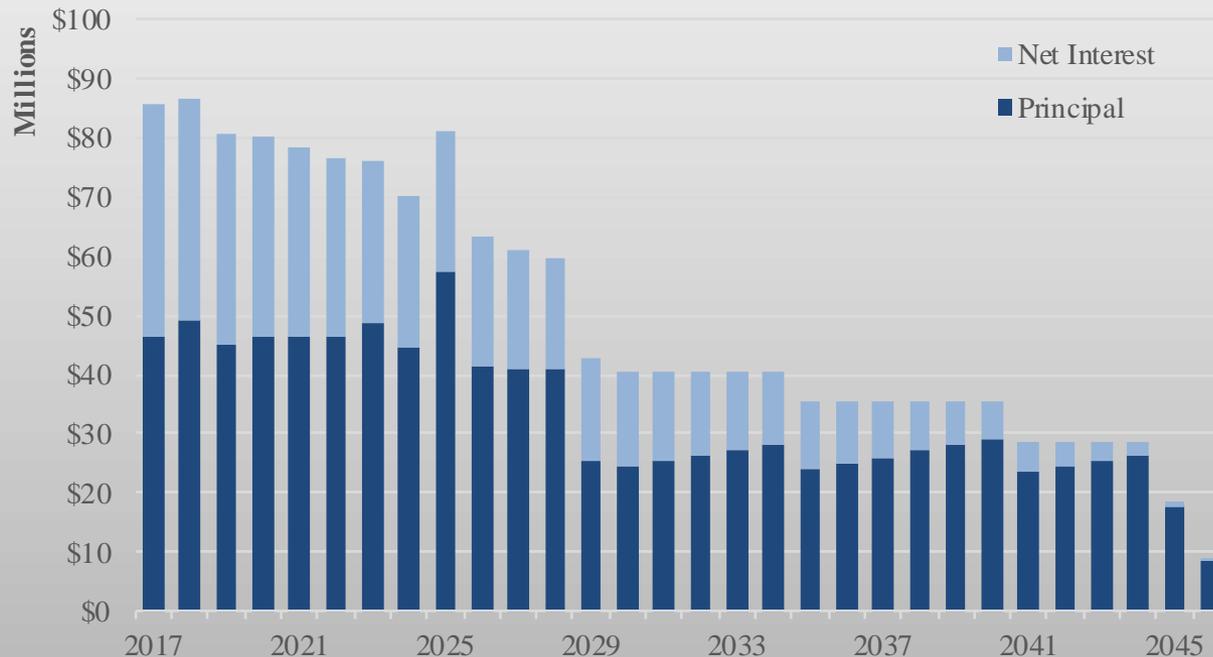


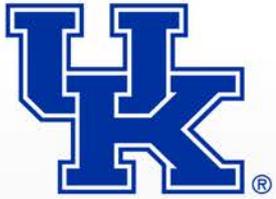


Current Debt Outstanding

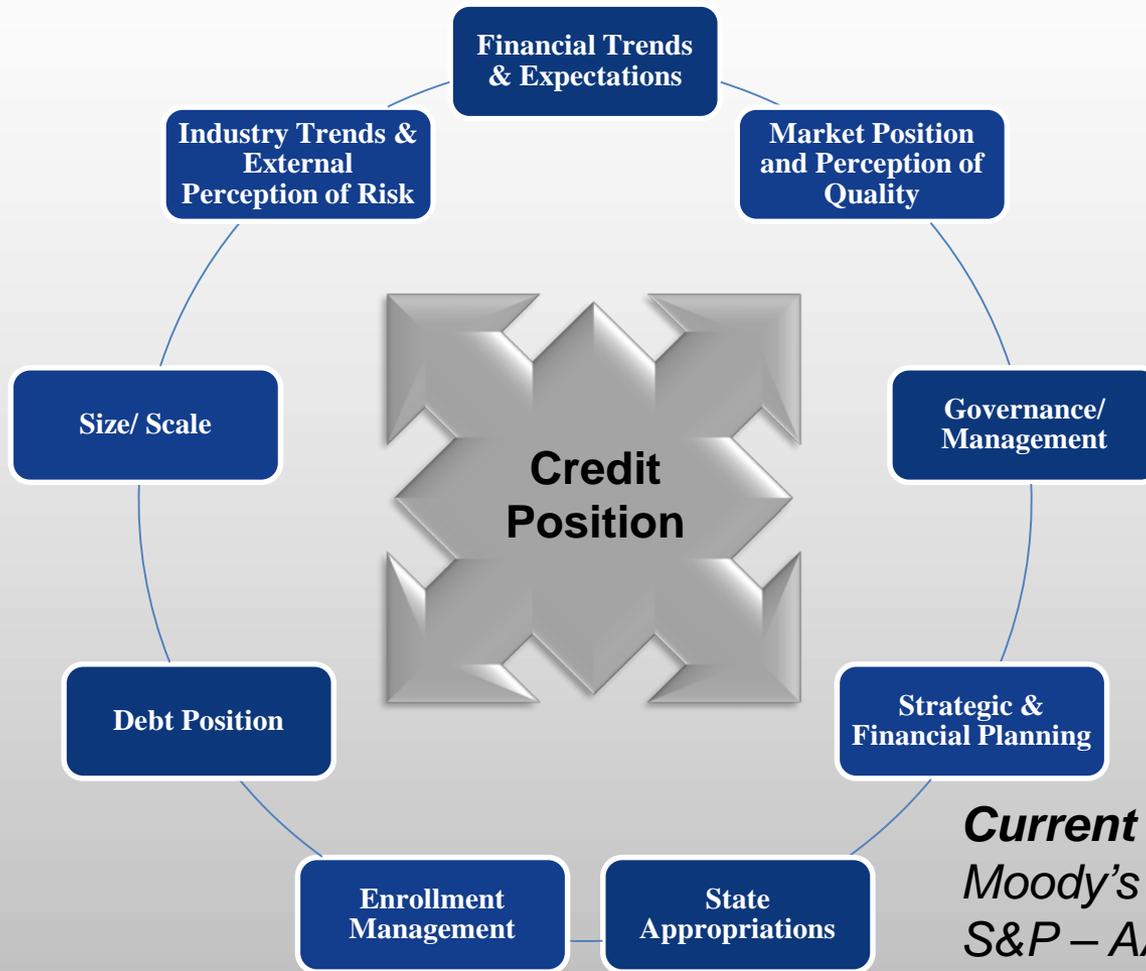
- \$965 million outstanding as of December 2016
- One-third or \$326 million will amortize over the next 7 years

Projected Debt Service (By Principal and Net Interest)



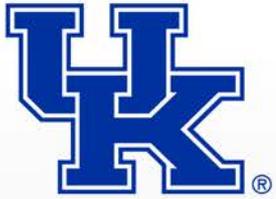


Credit Position is Largely a Function of...



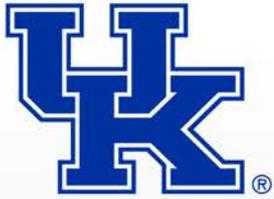
Current Ratings:
Moody's – Aa2/Stable
S&P – AA/Stable

Credit position is a function of both quantitative and qualitative metrics



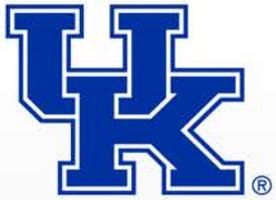
Updated Debt Capacity Study

- Kaufman Hall performed debt capacity study in 2016 as part of consolidated financial planning engagement
- Study estimates additional debt capacity of approximately \$350 million to \$450 million at the current rating level:
 - Moody's Aa2/Stable
 - S&P AA/Stable



Debt and Internal Loan Policies

- Revisions to policies:
 - Minimum liquidity targets will be set annually
 - Internal loans will be structured to allow the University to recover forgone interest earnings
 - Process for reviewing new projects has been improved
- Debt Management Committee Members
 - EVPFA
 - Provost
 - Treasurer
 - Vice President for Facilities Management & Chief Facilities Officer
 - Vice President for Financial Planning & Chief Budget Officer
 - Vice President for Health Affairs & Chief Financial Officer



Best Practices in Financial Planning



1 Understand your current credit position within capital markets expectations



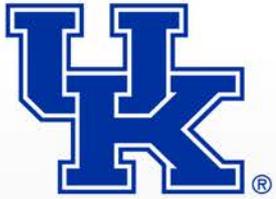
2 Quantify your current capital position relative to strategic requirements



3 Develop a realistic financial plan that supports execution of the institution's strategy



4 Communicate and direct the plan's implementation



Financial Planning Model Development in Process

Base Case

Given current trends, what is our financial outlook for the next 3-10 years?

Scenario	Financials	Revenue	Expenses	Net Income	Total
Base Case (Conservative)	\$4,848	\$3,742	\$1,106	\$1,106	\$1,106

Initiatives

As we prioritize growth and/or cost containment initiatives, what is the incremental impact?

Scenarios

What is the impact on our projections of the set of initiatives we have proposed?

Key Projection Assumptions Include:

- Fundraising goals
- Enrollment and tuition forecasting
- Expense growth
- State appropriation
- Capital expenditures
- Debt issuance
- Endowment return and spending

Examples:

- Online offerings
- Enrollment targets
- Faculty recruitment
- New research building
- Athletic investments
- Facility reinvestments
- New instructional facilities

Analysis Contains:

- Income statement
- Balance sheet
- Cash flow
- Key ratios



Questions / Discussion



EVPFA Report

February 2017