

STANDING COMMITTEES

Finance and Asset Management Committee

Semi-Annual Debt Report

INFORMATION

This item is for information only.

BACKGROUND

This semi-annual item was presented monthly until September 2019 and focuses on the University's external debt portfolio. It was last distributed to the Board in December 2019.

Attachment

Semi-Annual Debt Report – June 2020

Semi-Annual Debt Report

June 2020

Recent Events

- As of May 27th, the University's borrowing cost was 3.00%⁽¹⁾. This is 14 basis point decrease from May 12th. The market is anticipating that the Fed will retain a federal funds target of 0.00% to 0.25% through 2020.
- During the initial stages of COVID-19, investor uncertainty led to money market liquidation in favor of cash. This caused scarcity in the commercial paper market and short-term rates to spike. The University was not able to access the market for three weeks. There is currently no commercial paper outstanding.
- The projected impact of the COVID-19 pandemic on University financials has reduced future debt capacity estimates. This is a deviation from the Long-term Capital Strategy presented in January 2020.
- The University has secured two lines of credit totaling \$200 million to provide additional access to liquidity and is seeking approval from the Board in June 2020.
- Pending Board approval in June, the University will extend the short-term equipment financing agreement with JP Morgan to provide \$40 million in short-lived asset financing. Short-term equipment financing has minimal impact on debt capacity.

Estimated Future Funding

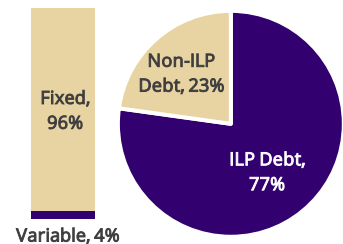
FY 2021-2025 (\$ in millions)	
New Debt Needed for Board Approved Projects ^(A)	\$ 248
Remaining Debt Capacity (FY 2021-2025)	\$ 227
Total Debt Funding	\$ 475

(A) Authorized projects include Destination One (\$129M), Kincaid Hall (\$31M), and NWH Childbirth Center (\$25M), Finance Transformation (\$180M) and Health Science Education Building (\$30M).

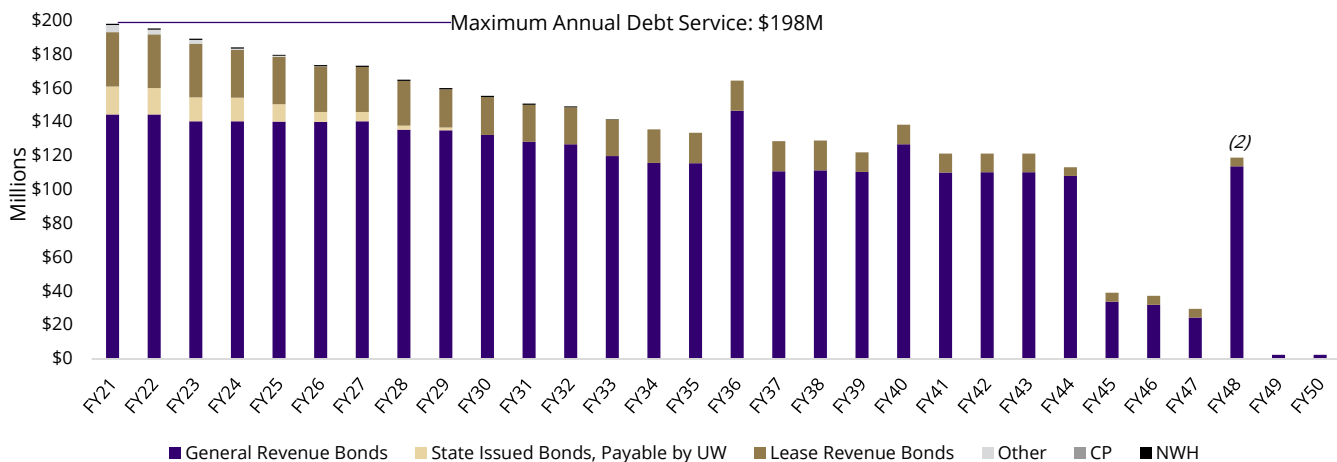
- A revised debt capacity estimate was presented to the Board in June 2020. This analysis indicated \$475 million in available debt capacity through FY25.
- Additional capacity from the Capital Assets Pool is recalculated quarterly as the value of the Invested Funds (IF) changes and principal owed to the CAP is repaid. As of 3/31/2020, the available capacity was \$122 million.
- Use of CAP reduces the University's institutional liquidity.

External Debt Portfolio (as of 04/30/2020)

- The University has **\$2,381 million** of external debt outstanding. This is higher than December's outstanding balance due to a \$102 million bond issuance and \$74 million in retired principal.
- The weighted average cost of debt is 3.62%.
- Between 2009 and 2015 outstanding debt grew by 13% annually. From 2015 through 2018, the annual growth rate slowed to 5%. Debt has not materially grown since 2017. Based on current debt capacity estimates, outstanding debt is projected to remain level through 2025.
- \$132 million of internal funding from the CAP is excluded from the external debt portfolio.



Annual Debt Service



(1) 80/20 weighting between tax-exempt (assumes 5% coupons and a 10-year par call) and taxable 30-year interest rates to illustrate the University's portfolio
 (2) Estimated maturity for 2019A bonds. The University maintains flexibility to amortize principal

Semi-Annual Debt Report June 2020

Outstanding External Debt

(in millions)

Project	Purpose	Balance ⁽¹⁾	Final Maturity	% by Purpose	
Life Sciences Building	Instruction and Research	\$111.2	2049	Instruction and Research, 17.8%	
Animal Research and Care Facilities	Instruction and Research	86.9	2047		
Molecular Engineering Building	Instruction and Research	68.9	2043		
Dempsey Hall	Instruction and Research	34.9	2041		
Foege Building	Instruction and Research	23.6	2031		
UW Bothell Phase 3	Instruction and Research	23.4	2043		
William H. Gates Law School	Instruction and Research	8.3	2028		
AAALAC	Instruction and Research	19.1	2035		
Ben Hall	Instruction and Research	14.0	2037		
Denny Hall	Instruction and Research	14.0	2046		
Kincaid Hall	Instruction and Research	0.0	2046		
Health Science Education Building	Instruction and Research	0.0	2042		
Other Instruction and Research	Instruction and Research	19.9	various		
Subtotal Instruction and Research		\$424.2			
South Lake Union (Ph I, II, 3.1, & 3.2)	UW Medicine	327.6	2048	UW Medicine, 27.7%	
UWMC Expansion	UW Medicine	192.3	2046		
NW Hospital	UW Medicine	59.9	2033		
UWMC Surgery Pavilion	UW Medicine	26.9	2028		
NWH Childbirth Center	UW Medicine	5.4	2041		
Destination One	UW Medicine	31.5	2035		
Other UW Medicine	UW Medicine	15.9	various		
Subtotal UW Medicine		\$659.5			
HFS Expansion	Student Life	542.1	2045	Student Life, 32.1%	
Husky Union Building	Student Life	94.4	2043		
IMA Building	Student Life	25.1	2030		
Radford Court Apartments	Student Life	25.9	2032		
Nordheim Court	Student Life	17.1	2033		
Bothell Student Center	Student Life	15.9	2046		
Ethnic Cultural Center	Student Life	11.8	2043		
UW Tacoma YMCA	Student Life	10.9	2046		
Other Student Life	Student Life	23.8	various		
Subtotal Student Life		\$767.0			
UW Tower	Academic Support	90.0	2037	Academic Support, 9.3%	
HR Payroll Modernization	Academic Support	25.4	2027		
UW Finance Transformation	Academic Support	0.0	2038		
Cobb Building	Academic Support	29.8	2045		
West Campus Utility Plant	Academic Support	25.1	2047		
4225 Roosevelt	Academic Support	12.6	2029		
4545 Building	Academic Support	11.6	2024		
Other Academic Support	Academic Support	27.6	various		
Subtotal Academic Support		\$222.1			
Husky Stadium	Athletics	211.3	2045		Athletics, 9.5%
Husky Ballpark	Athletics	11.0	2045		
Other Athletics	Athletics	3.0	various		
Subtotal Athletics		\$225.3			
Available Proceeds	Unallocated	83.2	TBD	Unallocated, 3.5%	
Total University Outstanding Debt		\$2,381.3		100%	

⁽¹⁾ Estimated allocation. Will not exactly match ILP balances reflected in the Semi-Annual ILP report due to bond premium and use of the CAP and FAST programs
Projects still drawing on ILP loans