



## 2015 DEBT CAPACITY

### PURPOSE

To demonstrate The University of Arizona’s ability to finance additional capital investment through debt instruments and to fund the related debt service (principal and interest).

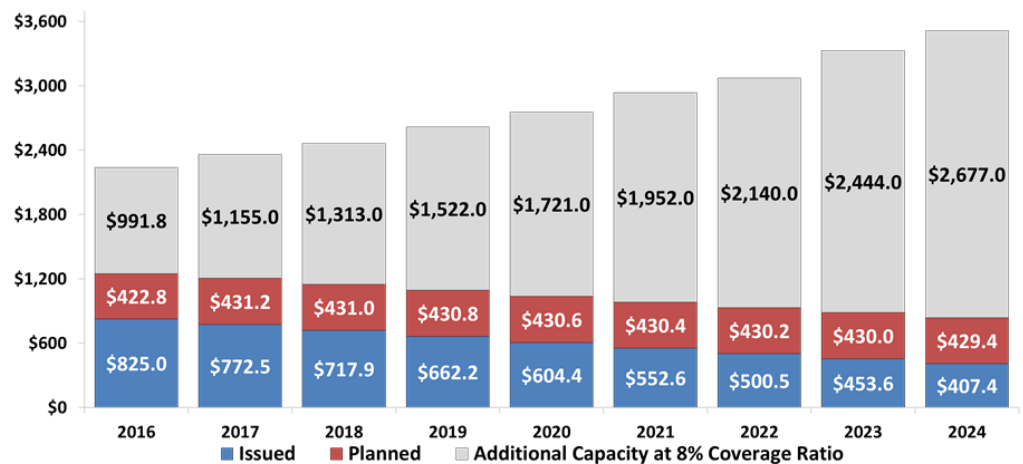
### PROJECTED DEBT CAPACITY

<i>Maximum Projected Debt Service to Total Expenditures Excluding/Including SPEED debt</i>
4.9% / 5.9%

Based upon planned future debt issuance for the South Stadium Parking Garage, which was previously approved in the Revised FY 2013 Capital Development Plan (CDP) for \$8.5 million, the highest debt ratio is 4.9 percent in FY 2016, relative to the statutory debt limit of 8 percent. Outstanding debt in FY 2016 is projected to be \$1.43 billion, with total annual debt service of \$91.3 million. The 4.9 percent ratio is within the range used by bond rating firms to judge an institution’s creditworthiness to service debt and is below the 8 percent statutory limit.

(Dollars in Millions)

Currently outstanding (issued) debt declines from \$825.0 million in FY 2016 to \$407.4 million in FY 2024 as debt is retired. The projected planned debt includes future financing of the South Stadium Parking Garage, which was approved in the CDP and CIP. Additional debt capacity represents debt that can be issued in any given year based on the statutory 8 percent debt ratio limit.



### CREDIT RATINGS

UA’s current credit rating is Aa2 (Moody’s) and AA- (S&P)

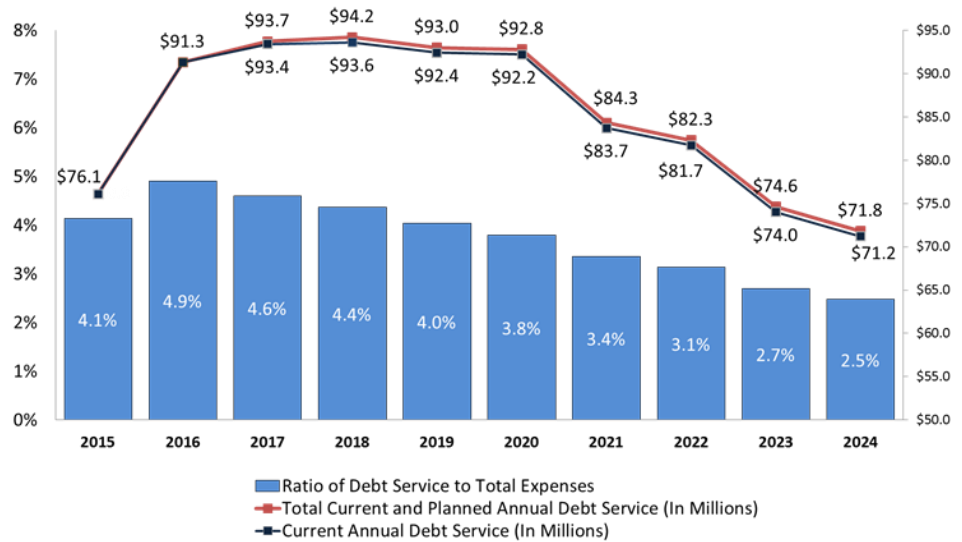
Positive rating factors include the UA as the flagship and land-grant institution, as well as its important role in the provision of medical education for the State of Arizona. Healthy student demands providing tuition revenue growth, significant sponsored research funding with diverse sources, good philanthropic support and enhanced financial modeling and strategic planning.

Offsetting factors include thin reserves and liquidity relative to debt and operations, increased competition for research funding due to federal government budget reduction, and significant decrease in state appropriations.

Fiscal Year	Moody's		Standard & Poor's (S&P)	
	Rating	Outlook	Rating	Outlook
2010	Aa2	Stable	AA	Stable
2011	Aa2	Negative	AA	Stable
2012	Aa2	Negative	AA	Stable
2013	Aa2	Negative	AA	Negative
2014	Aa2	Negative	AA-	Stable
2015	Aa2	Stable	AA-	Stable

**RATIO OF DEBT SERVICE TO TOTAL EXPENSES**

Annual debt service on System Revenue Bonds (SRBs) and Certificates of Participation (COPs) is projected to increase from \$76.1 million in FY 2015 to a maximum of \$94.2 million in FY 2018. The ratio of debt service to total expenses is projected to peak in FY 2016 at 4.9 percent relative to the 8 percent statutory limit. Planned debt service includes the South Stadium Parking Garage project listed in the FY2016 CDP that has received ABOR approval.



The Stimulus Plan for Economic and Educational Development (SPEED) bonds are funded up to 80 percent by state lottery revenues, with the balance funded by the University. SPEED debt service is excluded from the statutory debt ratio. If SPEED debt were included, the year with the highest debt ratio would be FY 2017 with total annual debt service of \$120.2 million or 5.9 percent of total projected expenditures.

**FUTURE PROJECTS**

There are four future debt financed projects in the FY 2016 CDP that has ABOR approval. These planned debt financing projects are currently on hold for additional assessment with the exception of the South Stadium Parking Garage. The Garage is included in the future Debt Capacity assumptions.

	Project Budget	Amount to be Financed
South Stadium Parking Garage	\$ 18,500,000	\$ 8,500,000
Total	\$ 18,500,000	\$ 8,500,000

**REVENUE ASSUMPTIONS**

The Financial Services Office projects revenues and expenditures through FY 2024 using historical data from the audited financial statements and financial information from various internal sources. FY 2016 projections are based on the University's approved budget.

	Revenue Growth Assumptions									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Revenues</b>										
State Appropriations (General Fund)	-10.7%	4.7%	3.3%	3.8%	4.3%	4.1%	3.0%	3.0%	3.0%	
Tuition and Fees	9.8%	7.7%	7.8%	7.6%	7.6%	5.3%	3.5%	3.5%	3.5%	
Grants and Contracts	-6.9%	8.2%	9.0%	9.1%	9.1%	8.4%	8.0%	8.0%	8.0%	
Financial Aid Grants	-27.1%	2.7%	2.5%	2.4%	2.2%	2.7%	2.5%	2.5%	2.5%	
Private Gifts	-28.1%	2.1%	2.2%	2.2%	2.3%	-40.1%	2.0%	2.0%	2.0%	
Technology and Research Initiative	-9.2%	3.5%	3.5%	3.5%	3.5%	3.5%	-100.0%	0.0%	0.0%	
Auxiliary Enterprises	-2.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Other Sources	175.0%	22.0%	2.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	