

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee**Asset Liability Management Semi-Annual Borrower Reports (SABRe)INFORMATION

This presentation will introduce the Board of Regents to the Semi-Annual Borrowers Reports (SABRe) for major borrowing units: Intercollegiate Athletics, Housing and Food Services, UW Medical Center and South Lake Union (School of Medicine). This presentation is for information only.

BACKGROUND

As part of an effort to increase transparency and provide ongoing on major borrowers, SABRe Reports will be shared with the Regents twice each year. The goal of these reports is to provide the Board with up-to-date information on the financial health of major borrowers and present proforma vs. actual performance for key financial indicators.

Intercollegiate Athletics, Housing and Food Services, and the UW Medical Center will present a debt metric, a cash flow metric and a reserves measure. Where available, these measures will be from audited financial statements and benchmarked against the most recent Regent-approved proforma or current financial plan.

The research campus at South Lake Union will look at actual and projected School of Medicine support, five year growth in reserves and five year growth in grants.

The debt from these entities represents over half of UW's total outstanding debt and developing leading indicators showing changes in financial performance will allow the Regents to see how the entities are responding to a dynamic business and funding environment.

Attachments

1. Intercollegiate Athletics Semi-Annual Borrower's Report-October 2012
2. Housing and Food Services Semi-Annual Borrower's Report-October 2012
3. UW Medical Center Semi-Annual Borrower's Report-October 2012
4. South Lake Union Semi-Annual Borrower's Report-October 2012

Intercollegiate Athletics

Semi-Annual Borrower's Report - October 2012

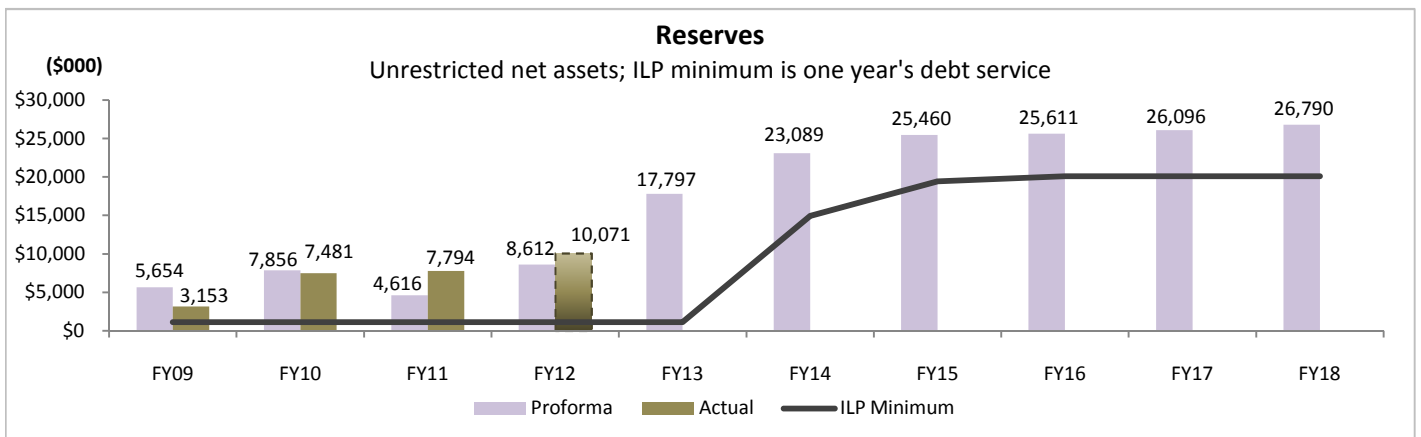
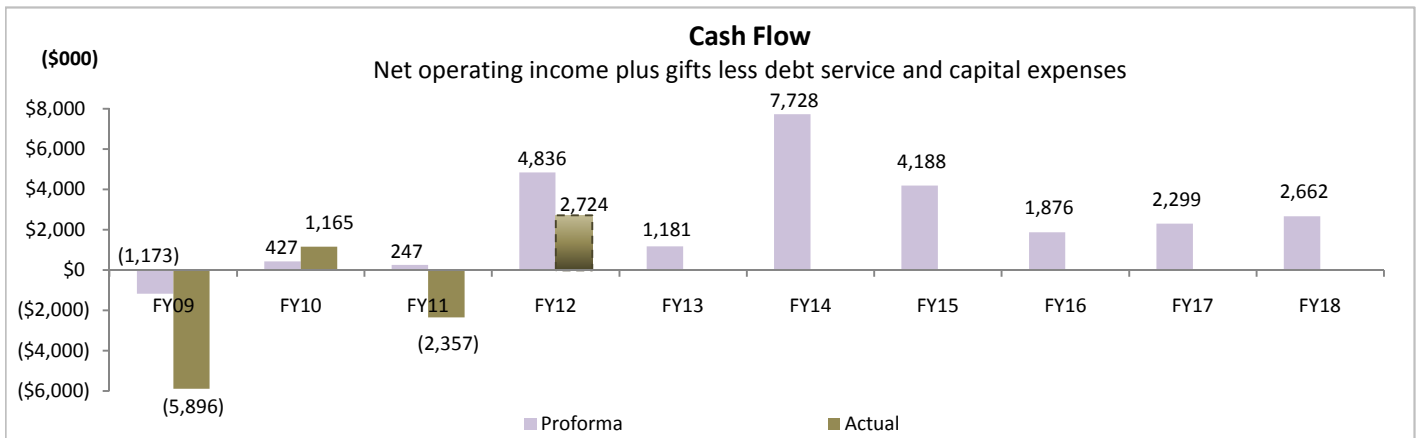
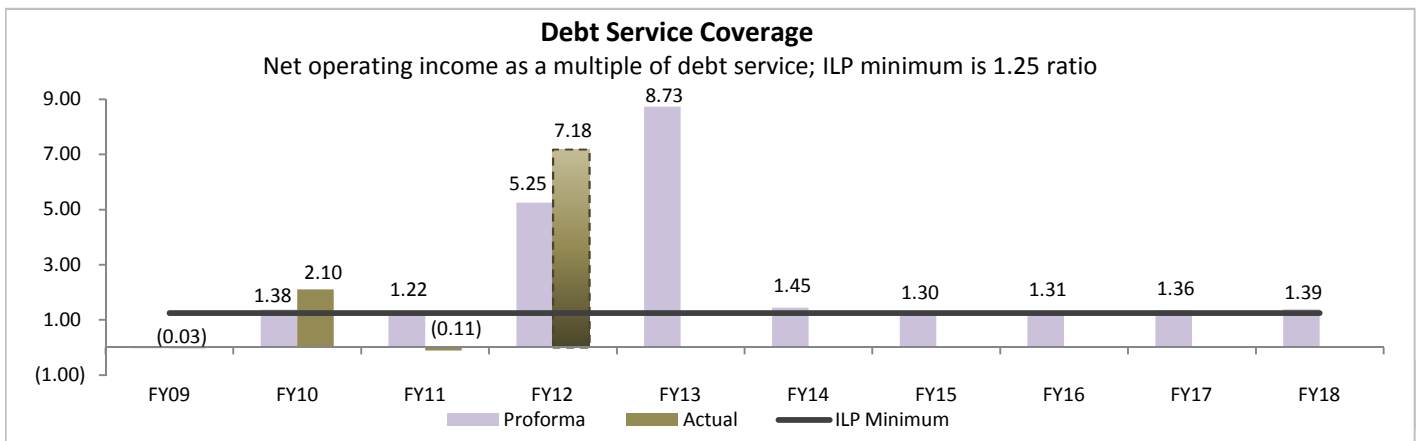
Summary

New debt service starting in fiscal year 2014 lowers debt service coverage to projected low of 1.30 in 2015. New planned debt, capital expenditures, and loan prepayments reduce future operating reserves below previous projections. Current revenue forecasts exceed previous proforma in the areas of conference TV rights and premium seating contributions in the renovated Husky Stadium.

Risks and Mitigations

- Lower than projected ticket sales, seat-related contributions, and premium seating revenues would stress system resources.
- Projected debt service coverage near minimum requirement allows little room for revenue shortfalls or unexpected expenses.
- Scaling back capital plan, reducing operating expenditures, and eliminating loan prepayments would help mitigate these risks.

Preliminary actuals for fiscal year 2012. Proforma numbers reflect most recent Regents' action as of that fiscal year end.



Housing and Food Services

Semi-Annual Borrower's Report - October 2012

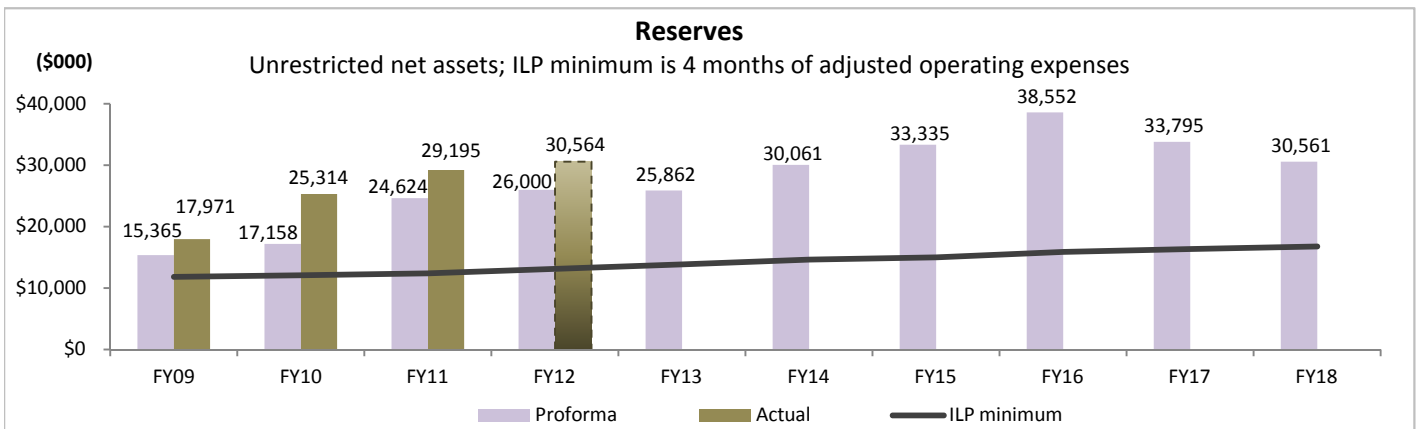
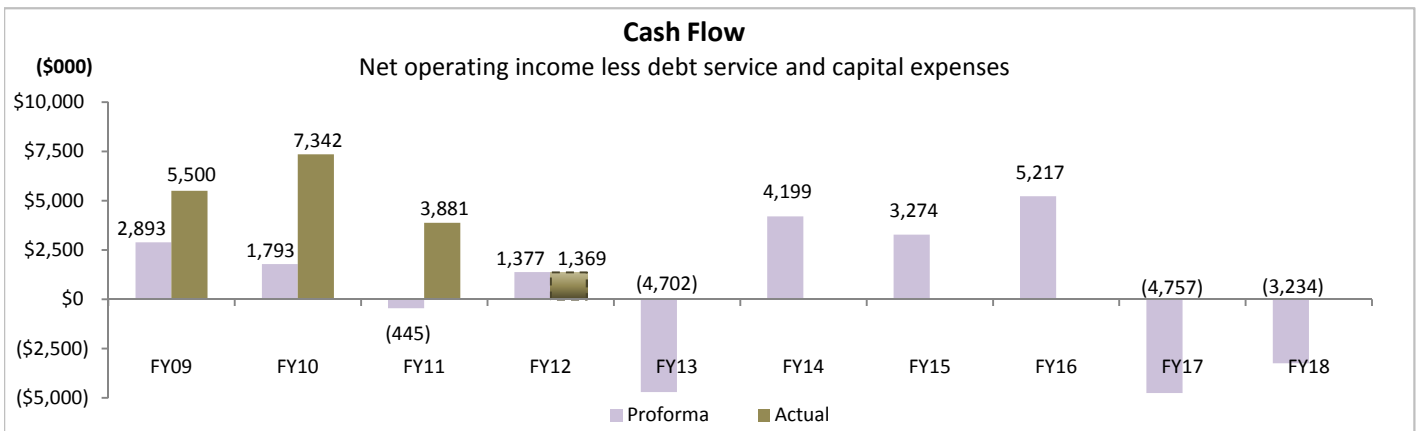
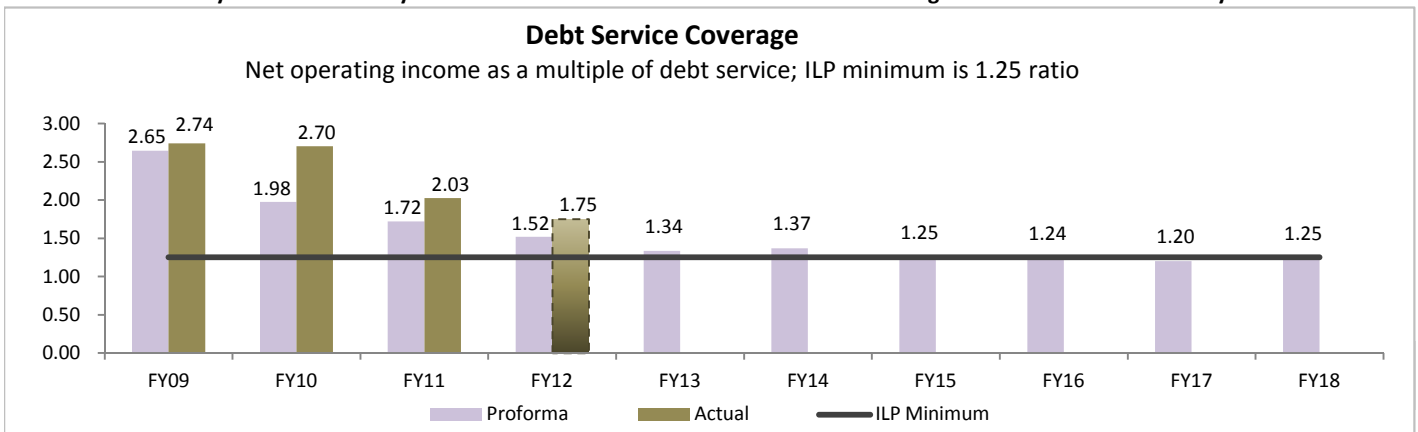
Summary

There is strong demand for new Phase 1 units. Mercer apartment complex (Phase 2) is scheduled for opening in Autumn 2013. HFS is projected to be at debt capacity through fiscal year 2020 with Housing Master Plan Phases 1-3. Planned Phase 4 will require 1.25 debt service coverage to maintain minimum requirement. To date, financial results have exceeded proforma expectations.

Risks and Mitigations

- Lower student occupancy levels due to a variety of potential issues such as private market competition, price sensitivity, or a change in UW enrollment plan. However, ongoing monitoring of private market conditions and a phased approach for Mercer occupancy plan will help balance apartment and residence hall space availability across the system.
- Projected negative cash flows in fiscal years 2017 to 2018 for capital expenses assumed in lieu of Phase 4. This risk is mitigated by strong cash reserves in excess of requirement available to offset cash flow deficiencies.

Preliminary actuals for fiscal year 2012. Proforma numbers reflect most recent Regents' action as of that fiscal year end.



University of Washington Medical Center

Semi-Annual Borrower's Report - October 2012

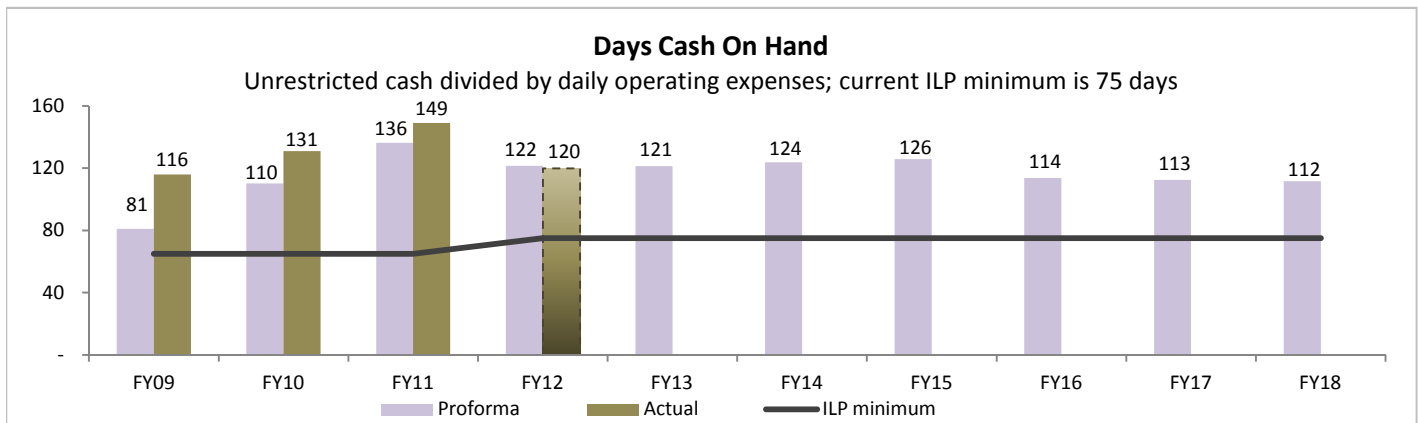
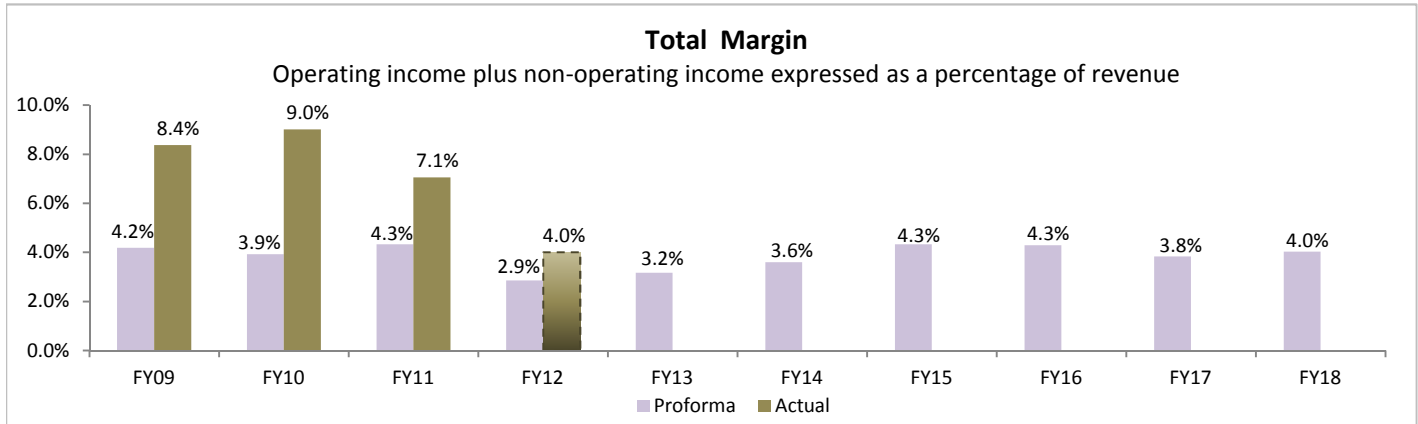
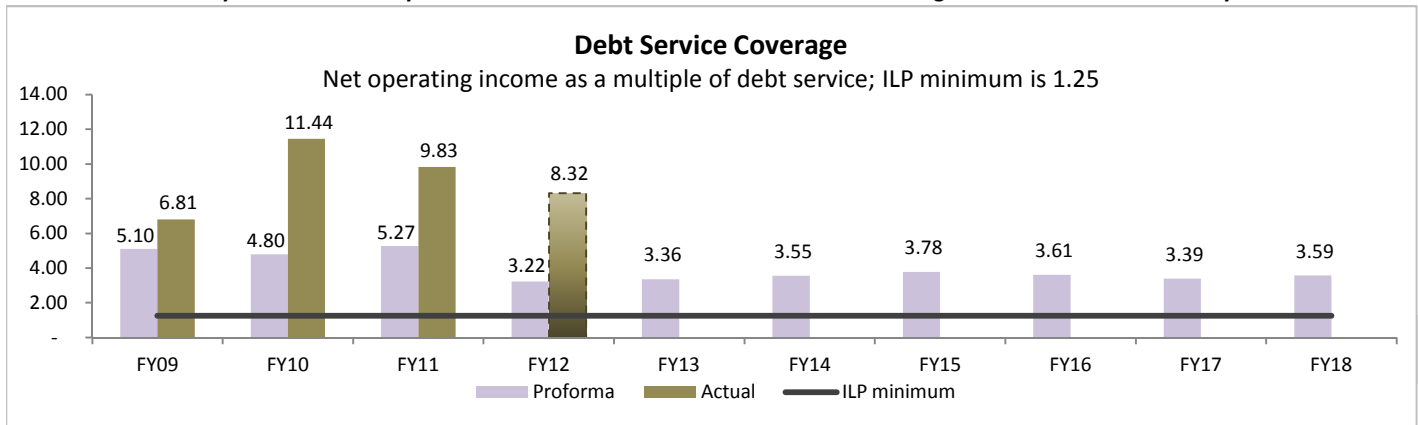
Summary

- UW Medical Center is exceeding proforma projections in all categories. To-date financial results are consistent with A-rated medical centers.
- Debt service coverage exceeds the 1.25 minimum by a significant margin. With the addition of approved Phase 2 debt, debt service coverage remains well above the minimum.
- Days cash on hand exceeds the current Internal Lending Program (ILP) minimum of 75 days.

Risks and Mitigations

- Impacts on net revenue from health care reform and State and Federal budget issues. UW Medicine is working with State and Federal officials to identify alternative funding sources and allocation methodologies to mitigate potential reductions.
- Continued success in executing performance improvement initiatives. Standardized infrastructure has been developed and implemented across the system and is supported by leadership, faculty and staff.
- Payer mix and ability to drive elective volumes. Strategic outreach activities are focused on achieving growth in specific areas. Additional payer contracts are being negotiated in the market.

Preliminary actuals for fiscal year 2012. Proforma numbers reflect most recent Regents' action as of that fiscal year end.



South Lake Union

Semi-Annual Borrower's Report - October 2012

Summary

- Required School of Medicine (SoM) support for South Lake Union Phases 1 and 2 is higher than proforma projections in fiscal years 2010 to 2012 due to research density lagging proforma projections.
- SoM had sufficient reserves and overall operating budget to fund additional required support in fiscal year 2012. The SoM required support is \$1.75M over the FY12 proforma budget which represents 0.15% of SoM FY12 revenue base and .6% of SoM UW reserves at the end of FY12.
- Federal research was projected at 90% of total research, actual results as of FY11 was 88% federal research as non-federal research was higher than projected at South Lake Union.
- SoM has opportunity to increase research density at South Lake Union with ongoing recruitments.
- Expanded research space capacity at SLU has allowed SoM to successfully expand research activity
- At the same time SoM has also grown its research activity at all other locations as well.

Risks and Mitigations

- Potential federal research funding cutbacks from debt reduction efforts. UW remains highly competitive for reallocated federal research funding.
- Potential shift from federal research to non-federal research at South Lake Union which could result in lower indirect cost recovery. UW highly competitive for recruiting faculty with federal research funding.

