

Budget Planning Council

April 29, 2024

Series 2024 Plan of Finance Recommendation

Janney recommends that the University structure its Series 2024 new money bonds as a 30-year term bond with a sinking fund from 12/01/51 to 12/01/54.

ELEMENT	RECOMMENDATION	RATIONALE
<i>Project Fund:</i>	<ul style="list-style-type: none"> ▪ \$75 million 	<ul style="list-style-type: none"> ▪ Funding needs for student housing project
<i>Tax Status:</i>	<ul style="list-style-type: none"> ▪ Tax-Exempt but maintain flexibility for Taxable — Pending market conditions at time of pricing 	<ul style="list-style-type: none"> ▪ Project is expected to be tax-exempt eligible ▪ Tax-exempt rates are more favorable in current market ▪ Flexibility allows OU to adjust plan should taxable rates become more favorable
<i>Coupon Type:</i>	<ul style="list-style-type: none"> ▪ Fixed Rate 	<ul style="list-style-type: none"> ▪ Minimal benefit to issuing short-term debt in current market
<i>Call Feature:</i>	<ul style="list-style-type: none"> ▪ 10-Year Par Call ▪ Will evaluate shorter call features closer to pricing 	<ul style="list-style-type: none"> ▪ Market standard in the tax-exempt market ▪ Provides flexibility to refinance bonds for savings in the future
<i>Pricing:</i>	<ul style="list-style-type: none"> ▪ Premium Bonds with 5% coupons (if tax-exempt) — Evaluate alternative coupons closer to pricing 	<ul style="list-style-type: none"> ▪ Market standard in tax-exempt market ▪ 5% coupons maximizes flexibility for future refinancing
<i>Amortization:</i>	<ul style="list-style-type: none"> ▪ 30-Year term bond due 12/1/54 with sinking fund from 12/1/51 to 12/1/54 	<ul style="list-style-type: none"> ▪ Aligns with internal bank strategy ▪ Minimal benefit to issuing shorter on yield curve ▪ Sinking fund reduces principal due in any single year

Series 2024 Preliminary Issuance Timeline

MONTH	TASKS
April 2024	<ul style="list-style-type: none"> ▪ Authorization and approval of Series 2024 bond issuance by Board of Trustees (04/04 Board Meeting) ▪ Submit Chancellor application
May 2024	<ul style="list-style-type: none"> ▪ Select underwriters and other professionals
June 2024	<ul style="list-style-type: none"> ▪ Update to Board of Trustees on Series 2024 bond issuance (06/13 Board Meeting)
July 2024	<ul style="list-style-type: none"> ▪ Complete Tax Diligence of Projects to be Financed ▪ Receive Chancellor Approval
August 2024	<ul style="list-style-type: none"> ▪ Conduct meetings with rating agencies and receive ratings
September 2024	<ul style="list-style-type: none"> ▪ Due diligence call with underwriters ▪ Finalize bond documents and Appendix A (disclosure portion of offering document) ▪ Mail Preliminary Official Statement ▪ Bond Pricing ▪ Mail Final Official Statement ▪ Closing (actual date will be dependent upon cash flow and market considerations)

Housing 6-Year Budget Projection

- Debt service positions HRL at 18.4% of DTI after securing \$75M of tax-exempt external bond debt
- University priorities continue to be funded as follows:
 - 15.5% towards contribution margin
 - 16.6% towards scholarship allocation
 - 10% towards internal allocations and transfers
- New construction will enable capacities to move forward with renovations as prioritized and outlined in the Housing Master Plan. Future renovations are funded through HRL reserves.
- Reserve is maintained above 10% of prior year revenue target with sufficient reserves to cover one year of debt service, if needed

Housing 6-Year Budget Projection

HOUSING AND RESIDENCE LIFE	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Rate Increase		4,350-4.6% Room	4,350-4.6% Room	4,350-4.6% Room	4,350-4.6% Room	4,350-4.6% Room	4,350-4.6% Room
TOTAL Revenue	69,641,252	70,714,283	71,734,101	74,267,232	76,900,491	79,636,195	82,067,535
Expenses							
Salaries & Benefits	8,149,461	8,231,288	8,359,656	8,597,285	8,656,759	8,902,818	9,159,545
Contribution Margin (15.5% budgeted revenue less scholarships, financial aid, and Staff/River Park Lodging)	7,462,987	7,365,325	7,098,746	7,112,065	9,150,326	9,551,959	9,905,291
River Park Lease Expense	3,815,225	6,717,897	8,389,602	10,478,052			
Residential Custodial Services Support Transfer	4,586,365	4,888,792	5,021,142	5,198,222	5,354,169	5,514,794	5,680,238
Utilities	2,587,756	2,719,682	2,774,076	2,829,557	2,886,148	2,943,871	3,002,749
Debt Service	9,509,650	13,038,348	14,210,459	14,210,350	14,210,912	14,207,734	14,206,609
Operating Expenses	3,433,226	3,376,075	3,376,075	3,376,075	3,376,075	3,376,075	3,376,075
Scholarship Contribution (less UG Student Financial Aid)	11,748,263	13,440,090	14,381,407	14,607,907	14,607,907	14,607,907	14,607,907
Total Operating Expenses & Transfers	54,931,289	63,535,153	67,417,336	70,278,435	62,157,183	63,067,405	63,949,465
Operating Results	14,709,963	7,179,130	4,316,765	3,988,797	14,743,308	16,568,790	18,118,071
Major Capital Renovations	21,650,000	15,250,000	-	15,350,000	16,130,000	18,200,000	19,400,000
Prior YE Fund Balance	51,073,163	44,133,126	44,133,126	48,449,891	37,088,688	35,701,997	34,070,787
New YE Fund Balance	44,133,126	44,133,126	48,449,891	37,088,688	35,701,997	34,070,787	32,788,858
Operating Reserve Target (10% of prior year revenue)	5,973,073	6,964,125	7,071,428	7,173,410	7,426,723	7,690,049	7,963,620
Total Reserves (Fund Balance + Operating Reserve)	38,160,054	37,169,001	41,378,463	29,915,278	28,275,273	26,380,738	24,825,238

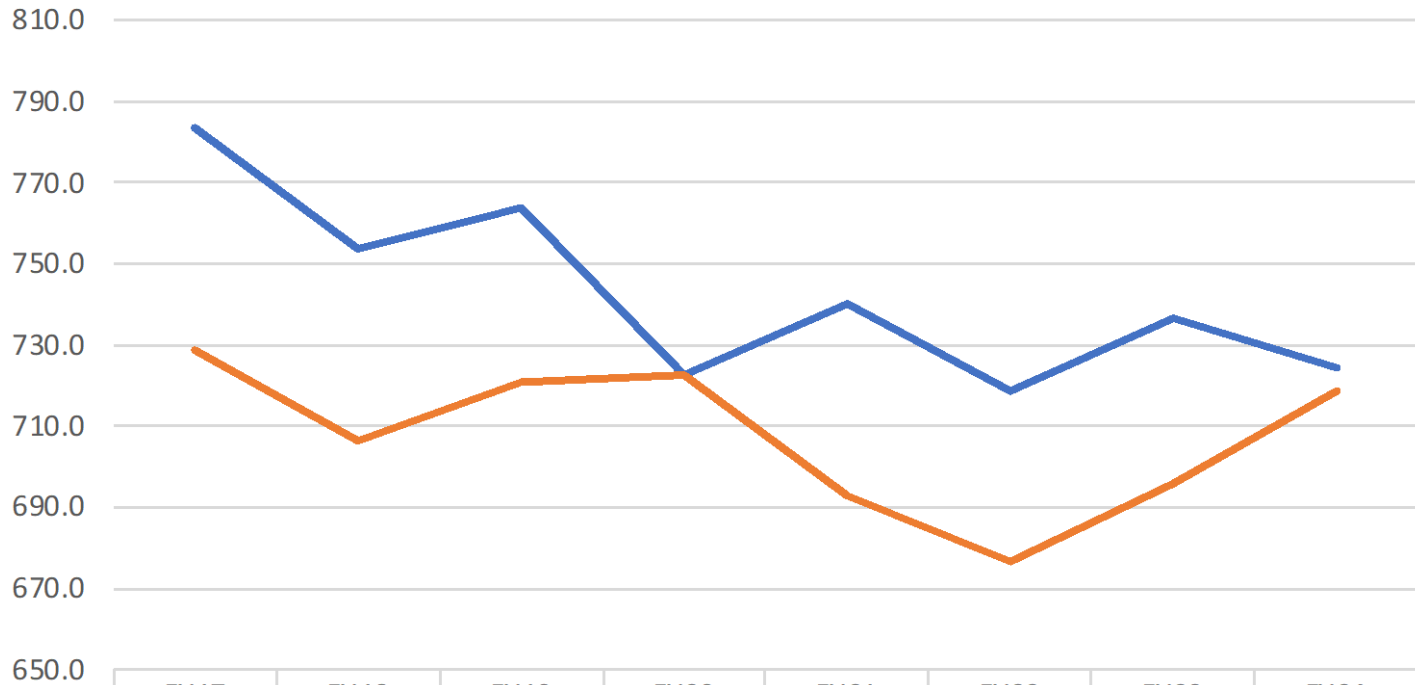
Housing 6-Year Budget Projection

Explanation of Capital Allocations	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Housing Phase II (New Construction)	5,550,000	15,000,000	-				
Residential Mailroom move/Smartlockers		250,000					
Gam Flooring	1,200,000						
Washington flooring/Cabinetry	2,100,000						
South Green - Enabling Projects (Garage/Plynth/Site)	9,300,000						
South Green - Chilled Water	3,500,000						
Pickering				15,350,000			
Mackinnon					16,130,000		
Crawford						18,200,000	
Brown							19,400,000
Major Capital Renovations	21,650,000	15,250,000	-	15,350,000	16,130,000	18,200,000	19,400,000

Planning Assumptions

- OHDE will allow up to 5.6% increases to Housing and Culinary Rates
- We plan on 4.6% for each
- Still considering 5.6% for Culinary but not likely
- Initial Financial Aid packaging will assume 4.6% for each.

Modified Results of Operations

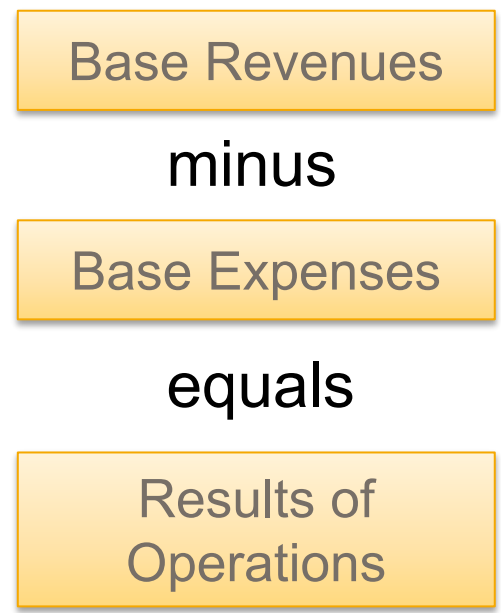


	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Forecast	FY24 Budget
Revenues	783.6	753.9	763.8	722.8	740.0	718.6	736.7	724.3
Expenses	728.7	706.4	720.7	722.5	693.0	676.8	695.8	718.7
Results of Operations	54.9	47.5	43.1	0.3	47.0	41.8	40.9	5.6

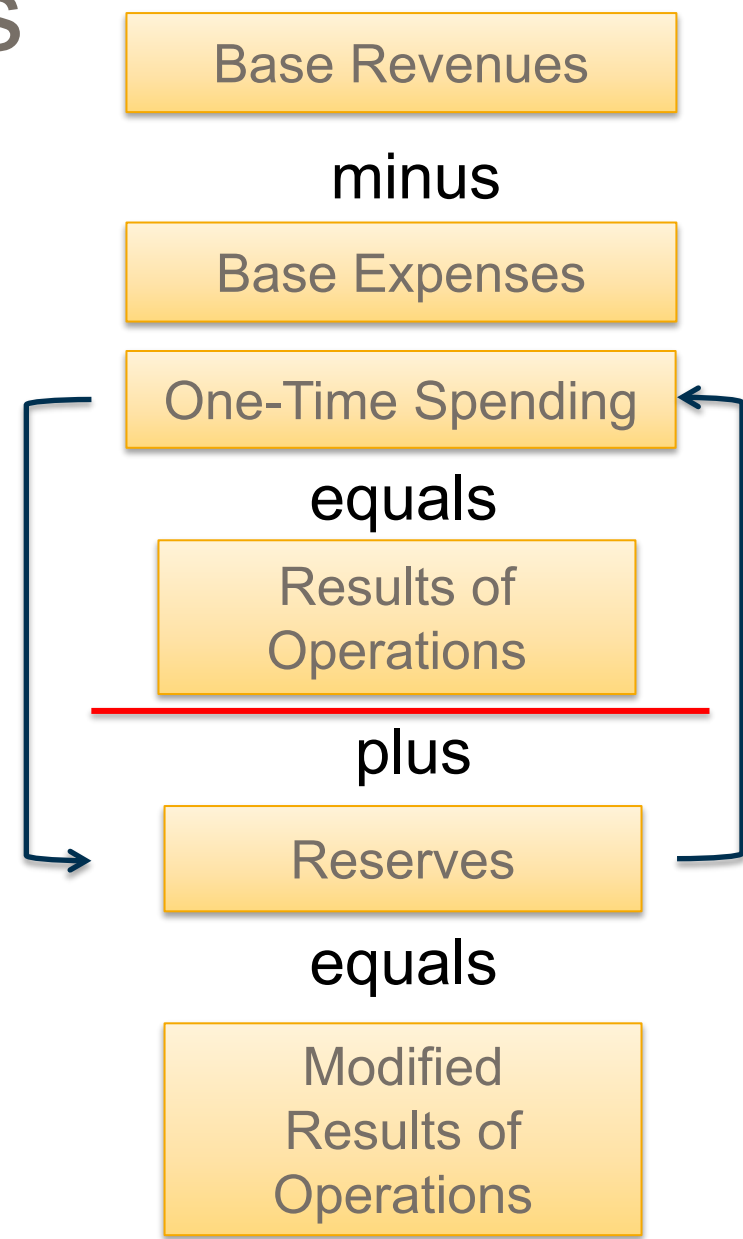
— Revenues — Expenses Results of Operations

- Current focus on Results of Operations – Revenues minus Expenses
- This view includes the ENTIRE university – Athens, HCOM, RHE and Auxiliaries.
- Units like Auxiliaries use revenues to save for future renovations
- So, the blue line needs to be above the red line for certain units.

Role of Reserves



- For a balanced budget, Results of Operations should normally be zero or positive.
- A negative implies a structural deficit



But...

- Some units fund capital investment from reserves.
- To reflect this plan, they include one-time spending in their expenses in addition to base expenses.
- So, stopping at Results of Operations misses the inflow of funds from reserves
- So, we are modifying the way we present the budget to reflect this

Modified Results of Operations

	FY25 Budget
Results of Operations	(11,390,653)
Transfer TO Reserves - Capital Investment	11,309,447
Transfer TO Reserves - Quasi Endowment	1,588,982
Transfer FROM Reserves	21,410,626
Modified Results of Operations	(2,878,456)

Current Results of Operations -\$11M

A combination of unit projections (bottom up) and macro trends (top down)

But some units, primarily auxiliaries, also plan to put \$12M of their revenue into reserve and quasi-endowments (scholarship matching program) so the imbalance is really -\$24M

But there are \$21M in one-time expenditures mixed in with the base expenses. This one-time spending is actually coming from reserves, not current year revenues

So, the current gap we are working on is \$3M which will be addressed through the final round of refining budgets