

Higher Education
New Issue

University of Massachusetts
University of Massachusetts Building Authority

Ratings

New Issues^a	
\$126,335,000 University of Massachusetts Building Authority, Project Revenue Bonds, Senior Series 2010-1	AA
\$438,255,000 University of Massachusetts Building Authority, Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable Build America Bonds – Direct Pay to Issuer)	AA
\$3,020,000 University of Massachusetts Building Authority, Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable)	AA
Outstanding Debt^b	
\$42,215,000 University of Massachusetts Building Authority Project Revenue Bonds (Commonwealth Guaranteed) ^c	AA+
\$1,426,105,000 University of Massachusetts Building Authority Project Revenue Bonds ^d	AA
\$374,885,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, University of Massachusetts Issues and MHEFA Worcester City Campus Corporation Issues (University of Massachusetts Project) ^d	AA

^aPar amount allocation between tax-exempt and Build America Bonds subject to change pending market conditions. ^bAll ratings are unenhanced ratings. ^cRating reflects the guarantee of the Commonwealth of Massachusetts for full debt service support. ^dUpgraded from 'AA-' on Oct. 13, 2010.

Rating Outlook

Stable

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Rating Rationale

- The rating upgrade reflects the University of Massachusetts' (UMass, or the university) multiyear trend of positive to break-even operating performance, sound economic debt service coverage, and slowly increasing balance sheet resources, despite the university's significant debt issuances over the past decade to fund capital projects across its multiple campuses.
- UMass remains the premier public higher education provider in the Commonwealth of Massachusetts (the commonwealth).
- Operating revenues are relatively diverse and continue to grow steadily despite declining support from the commonwealth (general obligation bonds rated 'AA+' with a Stable Rating Outlook by Fitch Ratings), indicating UMass' limited reliance on governmental appropriations compared to many other public colleges and universities.
- Management continues to prudently oversee an extensive capital improvement program meant to enhance teaching and research facilities, and elevate the university's academic standing.

Key Rating Drivers

- Maintenance of positive to break-even operating margin and continued improvement in balance sheet resources.
- Limitations on issuance of additional debt to amounts commensurate with increases in resources available for repayment, and general willingness of management to scale capital plans to fiscal capacity. No additional debt is anticipated in the next two to three years.

Credit Summary

UMass' financial stability drove the rating upgrade to 'AA' from 'AA-', which is the average rating for public colleges and universities covered by Fitch. The university generated a positive operating margin of 1.5% for fiscal years 2003–2009, and preliminary unaudited results for fiscal 2010 indicate another surplus. The stability is especially noteworthy in the face of the university's heavy debt issuance to fund an extensive capital plan and increased volatility in commonwealth appropriations support.

Considerations for Taxable/Build America Bonds Investors

This sector credit profile is provided as background for investors new to the municipal market.

Higher Education Bonds

A general obligation pledge or equivalent pledge of all unencumbered available resources represents the broadest security a private or public college or university can provide. Therefore, it is the best indicator of such an institution's overall credit quality. The average long-term credit rating of the sector is between 'A' and 'A+', with Fitch rating 47.3% of college and university credits 'AA-' or higher and 26.7% 'BBB+' or below. Inherent strengths of the sector include a healthy demand for undergraduate, graduate, and post-doctorate education; strong financial and investment management practices that yield break-even to positive operating margins over time; and significant fund-raising capabilities. Higher education institutions with below-average credit ratings generally have a weak market and competitive position, more concentrated revenue streams, inconsistent operating margins, and adequate, though increasingly pressured, liquidity.

New Issue Details

Sale Information: Series 2010-1, 2010-2, and 2010-3, scheduled to sell on or about Oct. 21 via competitive sale.
Security: Legally available funds.
Purpose: To fund various capital projects on four of the university's five campuses, and to pay costs of issuance.
Final Maturity: May 1, 2041.

Related Research

For information on Build America Bonds, visit www.fitchratings.com/BABS.

Applicable Criteria

- [Revenue-Supported Rating Criteria, Oct. 8, 2010](#)
- [College and University Rating Criteria, Dec. 29, 2009](#)

Other Research

- [Fitch Rates Massachusetts' \\$400MM GO Bonds 'AA+'; Outlook Stable, April 29, 2010](#)

Rating History: Revenue Bonds

Rating	Action	Outlook/Watch	Date
AA	Upgraded	Stable	10/13/10
AA-	Revised	Stable	4/30/10
A+	Affirmed	Stable	3/27/08
A+	Affirmed	Stable	5/10/02
A+	Assigned	—	12/1/00

Rating History: Commonwealth Guaranteed Bonds

Rating	Action	Outlook/Watch	Date
AA+	Affirmed	Stable	4/29/10
AA+	Revised	Stable	4/5/10
AA	Affirmed	Stable	3/27/08
AA	Affirmed	Stable	4/13/06
AA	Upgrade	—	7/8/05
AA-	Assigned	—	12/1/00

With the operating surpluses, the university grew its balance sheet resources nearly 20% over the past five fiscal years, as available funds (unrestricted and non-expendable cash and investments, excluding cash held by trustees) reached \$713.3 million at the end of fiscal 2009. Despite the growth, the cushion remains relatively modest versus expenses, and pro forma debt covering 29% of 2009 operating expenses and 29.3% of pro forma debt.

Enrollment growth allowed UMass to offset commonwealth funding volatility with steadily increasing student-generated revenues (net tuition and fees and auxiliary revenues). These revenues were the most significant source of operating revenues in fiscal 2009 (29.2%), while commonwealth appropriations provided 21.6%. Full-time equivalents (FTEs) increased 16.3% between fall 2005 and fall 2009, reaching 55,740. Growth came at both the undergraduate and graduate levels and across all campuses, reflecting the university's broad appeal and strong overall market position. Grants and contracts, mainly related to research, represented another important revenue source, providing 20.3% of fiscal 2009 operating revenues. This was in line with historical trends for UMass.

The series 2010 issuance represents an acceleration of borrowing originally planned for the next 18–24 months as management attempts to capitalize on favorable interest rate and construction cost environments. While the university's debt burden will increase notably with the series 2010 bonds (pro forma maximum annual debt service would consume a moderately high 6.9% of fiscal 2009 operating revenues), UMass' financial metrics indicate an ability to absorb this additional debt without a negative impact on operating performance. Economic coverage of pro forma maximum annual debt service (MADS) in fiscal 2009 was a sound 1.3x. In addition, since this issuance funds a significant portion of the university's multiyear capital improvement plan, future borrowing over the next two to three years is expected to be minimal. The commonwealth plans to significantly ramp up its capital support for various university projects as a result of legislative bills passed in 2008. Given the commonwealth's strained fiscal environment, Fitch anticipates that the timing of such capital support could be delayed, or that it could be less than anticipated. Management reports that its capital plans remain flexible and could be scaled back or deferred in the event of resource shortfalls. The UMass board of trustees reviews and adopts a rolling five-year capital improvement plan annually, which includes both planned projects and anticipated funding sources.

University of Massachusetts

UMass is a five-campus system encompassing the premier public universities in the commonwealth. The campuses (Amherst, Boston, Dartmouth, Lowell, and Worcester) are spread across the entire state geographically. While Amherst is generally considered the flagship institution, and is by far the largest, each campus grew in enrollment over the past five years. The Worcester campus serves graduate students and specializes in medical education and research, while the other four campuses serve both undergraduates and graduates. The campuses were founded between 1861 and 1970. Lowell and Dartmouth joined the UMass system in 1991, and the university opened the commonwealth's first public law school on the campus of the former Southern New England School of Law in the fall of 2010. In addition, the university manages UMass Online, an online education consortium offering 90 online degrees, certificates, and continuing medical education programs.

Governance and Management

UMass is governed by a board of trustees (the board) which includes the state secretary of education, under the coordinating authority of the Massachusetts' Department of

Higher Education. The board consists of 19 voting and three nonvoting members. The governor appoints 17 voting members, including five who are alumni and one representing organized labor. Two of the voting members are full-time UMass students. Non-student trustees generally serve for five-year staggered terms.

The board delegates day-to-day management to an administrative team led by the president. In the spring of 2010, UMass' president announced his intention to end his tenure at the conclusion of his current term on June 30, 2011. The board formed a search committee and expects to name a replacement well in advance. Surrounding the president, UMass' central administrative team includes professionals with significant experience in various industries, including higher education, politics, and the law. Each campus also has an administrative team, led by a chancellor. Overall, Fitch views the management team positively, given its ability to maintain financial stability and sustainable growth rates at each campus.

Security and Debt Structure

While UMass issues debt through a variety of conduit issuers and under numerous financing programs, all its non-commonwealth-guaranteed obligations are essentially secured by and/or payable from gross unrestricted revenues or legally available funds. As is typical of many colleges and universities rated in the 'AA' category, there is no debt service reserve fund. While the security package also includes a rate covenant and an additional bonds test, the breadth of the broad revenue pledge provides primary bondholder protection. Commonwealth-guaranteed bonds carry the rating of the commonwealth, reflecting the strength of its full faith and credit that supports the guarantee. UMass' funds are expected to cover debt service on commonwealth-guaranteed bonds, and as such, the debt is carried as an obligation of the university.

The series 2010-2 bonds are expected to be designated as Build America Bonds under the American Recovery and Reinvestment Act of 2009 (ARRA), and UMass expects to receive an annual subsidy to offset interest payable on this debt. While from a credit standpoint the receipt of this subsidy is immaterial to the university's financial profile, the failure of the federal government to provide this subsidy would subject the bonds to extraordinary optional redemption.

The series 2010 bonds are fixed rate, and following their issuance, 79.2% of UMass' total bonds outstanding will be fixed rate. This level of variable-rate exposure is not uncommon for highly rated institutions such as UMass. All but 4% of the variable-rate bonds are hedged with interest rate swaps, conforming to industry standards and containing various risk mitigants. A letter of credit and standby purchase agreement (SBPA) with Bank of America, N.A. (long-term issuer default rating of 'A+' with a Stable Rating Outlook by Fitch) supporting \$238.8 million of the variable-rate bonds expires in June 2011, while the remaining variable-rate bonds face mandatory tender or have a SBPA expiration in 2013. The board adopted a debt management policy in September 2009 that provides general policy guidance, and the university's central administration reports at least annually to the board on debt management including specific financial ratios.

Operating Profile

Operational Effectiveness

Enrollment and Admissions

Enrollment continues to grow steadily, with management reporting that growth has been driven partially by UMass' increasing visibility and academic stature. Headcount increased every year for the past five years (fall 2005–2009) at each of the four

Demand and Enrollment Data

(Fall Semester)

	2005	2006	2007	2008	2009
Freshmen					
Applicants	34,571	37,627	43,688	46,689	48,564
Acceptances	25,904	26,099	28,098	30,590	32,584
Acceptance Rate (%)	74.9	69.4	64.3	65.5	67.1
Matriculants	7,840	7,990	8,226	8,248	8,144
Matriculation Rate (%)	30.3	30.6	29.3	27.0	25.0
Headcount					
Undergraduate	44,180	45,344	46,928	48,705	50,444
Graduate	12,998	13,595	14,106	14,422	15,479
Total	57,178	58,939	61,034	63,127	65,923
% Change	N.A.	3.1	3.6	3.4	4.4
In-State Student (%)	79.6	79.6	79.4	79.6	80.0
Out of State Student (%)	20.4	20.4	20.6	20.4	20.0
Full-Time Equivalents					
Total FTE Undergraduate Enrollment	38,287	39,282	40,805	42,767	44,542
Total FTE Graduate Enrollment	9,628	9,883	10,264	10,373	11,198
Total FTE Enrollment	47,915	49,165	51,069	53,140	55,740
% Change	N.A.	2.6	3.9	4.1	4.9
Undergraduate Tuition and Fees (\$) ^a					
Tuition	1,575	1,575	1,575	1,575	1,575
Mandatory Fees	6,862	7,149	7,446	7,727	9,227
Room and Board	7,032	7,467	7,873	8,354	8,860
Total	15,468	16,191	16,893	17,655	19,662
% Change	N.A.	4.7	4.3	4.5	11.4

^aAll amounts are unweighted averages of charges at UMass' four traditional campuses. N.A. – Not applicable.
 Note: Numbers may not add due to rounding.

traditional campuses, while the Worcester campus was more stable and only increased notably in fall 2009. Preliminary results for fall 2010 indicate continued growth at all five campuses. Freshmen applications for fall entrance across the four traditional campuses grew 40.5% between fall 2005 and fall 2009, allowing the university to slightly improve its acceptance rate to 67.1% in fall 2009, down from 74.9% in fall 2005. Fitch notes that matriculation weakened slightly to 25.0% from 30.3% between fall 2005 and 2009. That may be partially attributable to the growth in applications, providing UMass with a more academically competitive group of applicants. Despite that decline in yield, the total number of freshmen matriculants increased every year between fall 2005 and 2009, when a slight decline occurred. Preliminary data for fall 2010 indicates a strong rebound, with nearly 7% growth in freshmen matriculants. *The Times* of London recently ranked the university 56 in its list of the world's top 200 universities for 2010. UMass was the only New England public university on the list, ranking fourteenth among American public universities on the list. This additional recognition may help fuel further growth and enhance UMass' reputation.

Pricing Strategy

In addition to academic visibility, UMass' continued economic value relative to its private and public peers in the very competitive northeast higher education sector has been a key enrollment driver. Approximately 80% of the university's fall 2009 headcount came from within the state and paid the affordable in-state tuition and fees rates. From fall 2004–2009, the board kept combined in-state undergraduate tuition and mandatory fee increases to a modest 4%–5%, in an effort to maintain predictability for both students' families and the university's financial planners. Sharp declines in

commonwealth appropriations for fiscal 2010 led the board to adopt a steep \$1,500 fee increase for all in-state undergraduates. When the commonwealth provided federal ARRA dollars to offset its funding shortfalls, students received a \$1,100 rebate, limiting the impact of the increase. For fiscal 2011, because of the uncertainty surrounding commonwealth funding and supplemental federal support, the board elected to hold tuition and mandatory fees steady at last year's adopted level (excluding the rebate).

Fund-Raising

As is common with many public institutions, fund-raising efforts on behalf of UMass are generally conducted through various foundations. One foundation (the University of Massachusetts Amherst Foundation) is included in the university's financial statements as a blended component unit. Two other foundations (University of Massachusetts Dartmouth Foundation and the University of Massachusetts Foundation) are reported as discrete component units. Assets of these two separate foundations are substantial at over \$250 million in cash and investments at the end of fiscal 2009 (down following a market-driven decline), with unaudited results indicating gains in fiscal 2010 to just under \$300 million. While investment return improved, UMass also had its most successful fund-raising year ever. The discrete component units are not included as part of UMass' available funds, but Fitch notes that their essential purpose is to support the university.

Financial Profile

Statement of Activities

Operating Margin, State Appropriations, and Revenue Diversity

UMass' consistently positive operating margin, especially through recent heavy debt issuance and a period of volatile commonwealth support, reflects a capable and involved management team. A positive margin is above average for public colleges and universities. Commonwealth appropriations have steadily increased since fiscal 2004, but in 2009, the governor enacted midyear recissions, cutting the total appropriation 12.5% from the prior year. A further cut in 2010 was offset with ARRA funds, and commonwealth funding levels for 2011 are still in flux, as UMass awaits final word from the governor's office about allocation of remaining federal funding.

Recognizing the inherent volatility associated with commonwealth support, UMass has focused on growing and maintaining alternative revenue streams. In addition to grants and contracts and student-generated revenues, UMass also benefits significantly from revenues directly attributable to the Worcester campus: Commonwealth Medicine is a healthcare consultancy that generated over \$300 million in revenues in fiscal 2009; the medical school earned nearly \$130 million that year for providing educational services to the affiliated UMass Memorial Hospital; and the university's commercial ventures and intellectual property division earned \$73 million in fiscal 2009, driven primarily by licensing fees. Finally, UMass online continues to grow rapidly and could become a major revenue driver in future years. In fiscal 2009, the program generated nearly \$50 million in revenues, up 42% from the prior year.

The university has also focused more closely on cost containment since fiscal 2009. Management reports over 550 positions were eliminated through a mix of layoffs, retirements, and attrition. More important, Fitch notes that despite these cuts, UMass' overall expenses continue to increase on a year-over-year basis as the university reallocates those savings to accommodate and further enrollment growth. As final decisions are made about federal allocations for fiscal 2011, and as ARRA funding tapers off in fiscal 2012, the university will need to continue its revenue diversification and cost-containment efforts. Given the recent success on both fronts, continued operating

stability appears achievable.

Balance Sheet Resources and Liquidity

Driven by a steady positive operating margin, UMass managed to grow its available funds cushion by more than \$100 million during fiscal years 2005–2009. Unaudited results for fiscal 2010 indicate another strong year of growth, bringing available funds cushion to just under \$800 million. Exposure to alternative assets (including real estate) is relatively limited at 14.8% as of fiscal 2009, which is common for public colleges and universities that are often bound by statutory limits on the types of investments they can engage in. Despite the growth in available funds, liquidity metrics are on the low end of 'AA' rated public colleges and universities, reflecting the importance of continued operating surpluses and management of future debt issuances in line with capacity. Management regularly reviews debt-related financial ratios, including metrics similar to those used by Fitch, and reports on them to the board and the commonwealth. The consistent monitoring of these metrics should assist the university in its efforts to manage its debt burden.

As noted earlier, most of UMass' development activities benefit separate not-for-profit foundations, primarily the University of Massachusetts Foundation, whose assets are not included in Fitch's calculation of available funds. The substantial assets (more than \$250 million at the end of fiscal 2009 and nearly \$300 million based on unaudited fiscal 2010 results) are not pledged for debt service, but are dedicated to the long-term support of the university and its students. The vast majority held in these discrete compete units are in the form of restricted and non-expendable assets.

Debt Burden

Pro forma debt for UMass will be a substantial \$2.4 billion as the series 2010 bonds cap a decade with borrowing in every year since fiscal 2000 (some primarily for refunding purposes). The university has been in the midst of a carefully planned capital investment strategy meant to compensate for a historical lack of state capital support for educational and research facilities. Funding priorities included deferred maintenance projects, as well as new facilities. A five-year capital improvement plan (CIP) is reviewed annually by the board and includes a breakdown of individual projects, as well as anticipated funding sources. The CIP adopted in September 2010 projects \$2.5 billion in spending through fiscal 2015, with the majority of funds (\$1.4 billion, or 57%) coming from UMass debt. Fitch notes positively that following this issuance, the university will have just slightly over \$200 million in planned borrowing left. While the amount will likely grow before 2015, substantial new issuance is not currently anticipated over the intermediate term.

The next largest source of projected capital funding for the CIP is the commonwealth (\$729 million, or 29% of funding). Two legislative bills signed by the governor in 2008 commit the commonwealth to an aggressive increase in capital support for higher education and research, and UMass in particular, through issuance of general obligation bonds. The university reports that the state has been moving forward with planning for the additional issuances and ensuing capital projects. It is possible that the commonwealth could pull back, limit, or delay that funding should fiscal conditions tighten. In that event, management reports that the CIP could be scaled back to accommodate the actual level of available resources.

Capital Improvement Plan

Current Project

Proceeds will be used for projects across all four of the university's traditional campuses, with \$203.7 million allocated for Amherst, \$185.1 million for Boston,

\$73 million for Dartmouth, and \$85 million for Lowell. The largest single project will be \$182 million for Amherst to finance the construction of new student residences for up to 1,500 students. The additional capacity will allow the Amherst campus (the UMass flagship) to accommodate existing demand, as well as anticipated future enrollment growth.

Future Plans

UMass' \$2.5 billion five-year CIP reflects the board's long-standing commitment to maintaining the quality of existing facilities and refurbishing them while expanding into new facilities as needed to accommodate and foster growth. As defined by UMass, maintenance and repair (including deferred maintenance, building rehabilitation and renovation, compliance, and planned replacement) encompasses 32% of the CIP, 63% of the plan is for entirely new construction, and the remainder is for other priorities such as information technology infrastructure. Fitch views positively the board and management's active capital planning process, as this allows the university to structure its planned capital spending in line with available fiscal resources.

Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2005	2006	2007	2008	2009
Unrestricted Operating Revenues					
Gross Tuition and Fees	455,272	490,264	534,942	572,177	617,153
Less: Student Aid	66,887	88,628	105,414	113,738	126,779
Net Tuition and Fees	388,385	401,636	429,528	458,439	490,374
Sales and Services of Auxiliary Enterprises	172,745	196,957	205,312	231,306	239,669
Federal Grants and Contracts	289,527	300,685	297,647	318,288	324,100
State/Local Grants and Contracts	62,408	69,918	69,590	74,541	79,264
Other Grants and Contracts	72,249	82,234	92,653	99,342	104,399
State Appropriations	478,813	526,749	579,416	617,271	540,187
Gifts and Contributions	25,289	25,646	18,621	20,654	22,918
Sales and Services, Public Services Activities, Educational, and Independent Operations	483,588	430,676	497,708	449,286	622,969
Other	48,141	51,186	65,347	65,864	72,494
Total Operating Revenues	2,021,145	2,085,687	2,255,822	2,334,991	2,496,374
Investment Income and Endowment Income	11,969	26,433	30,661	18,530	1,035
Adjusted Total Operating Revenues	2,033,114	2,112,120	2,286,483	2,353,521	2,497,409
Unrestricted Operating Expenses					
Instruction	452,409	499,403	526,781	548,850	540,479
Academic Support	103,803	112,021	120,240	130,293	125,604
Institutional Support	131,470	153,071	156,014	174,358	163,659
Student Services	75,724	79,229	87,085	91,157	87,207
Public Service	390,743	393,721	405,389	346,412	523,563
Research	301,422	316,667	320,889	342,109	358,659
Auxiliary Enterprises	151,113	149,986	162,134	182,379	188,312
Student Aid	29,832	26,590	25,714	28,111	29,845
Operation and Maintenance of Plant	134,246	157,683	166,082	178,940	191,761
Depreciation	118,649	121,567	141,360	126,896	140,392
Interest Expense	37,077	39,331	36,737	40,990	55,252
Other	37,329	46,546	66,870	49,562	56,057
Total Operating Expenses	1,963,817	2,095,815	2,215,295	2,240,057	2,460,790
Change in Unrestricted Net Assets from Operating Activities	57,328	(10,128)	40,527	94,934	35,584
Adjusted Change in Unrestricted Net Assets from Operations	69,297	16,305	71,188	113,464	36,619

N.A. – Not applicable. Note: Numbers may not add due to rounding.

Financial Summary (continued)

(\$000, Audited Fiscal Years Ended June 30)

	2005	2006	2007	2008	2009
Non-Operating Activities					
Realized and Unrealized Gain/(Loss) on Investments	24,764	22,451	63,476	0	0
Capital Appropriations	27,417	27,147	73,590	21,170	27,483
Capital Grants and Gifts	0	0	4,000	1,500	5,182
Other	1,421	(7,654)	2,285	(9,721)	975
Total Unrestricted Non-Operating Revenues (Expenses)	53,602	41,944	143,351	12,949	33,640
Change in Unrestricted Net Assets	122,899	58,249	214,539	126,413	70,259
Change in Unrestricted Net Assets from Operating Activities	57,328	(10,128)	40,527	94,934	35,584
Plus Depreciation	118,649	121,567	141,360	126,896	140,392
Plus Interest Expense	37,077	39,331	36,737	40,990	55,252
Income Available for Debt Service	213,054	150,770	218,624	262,820	231,228
Adjusted Change in Unrestricted Net Assets from Operations	69,297	16,305	71,188	113,464	36,619
Plus Depreciation	118,649	121,567	141,360	126,896	140,392
Plus Interest Expense	37,077	39,331	36,737	40,990	55,252
Adjusted Income Available for Debt Service	225,023	177,203	249,285	281,350	232,263
Annual Debt Service	89,706	79,803	82,614	108,459	113,048
Maximum Annual Debt Service	173,277	173,277	173,277	173,277	173,277
MADS Fiscal Year	2014	2014	2014	2014	2014
Pro Forma Debt Service	125,491	125,491	125,491	125,491	125,491
Statement of Financial Position					
Cash and Cash Equivalents	635,235	517,067	503,667	698,900	530,943
Investments	520,427	504,817	533,773	632,717	674,212
Total Cash and Investments	1,155,662	1,021,884	1,037,440	1,331,617	1,205,155
Less: Restricted – Non-Expendable Net Assets and Cash and Securities Held by Trustees	560,237	464,808	453,758	658,815	491,852
Available Funds	595,425	557,076	583,682	672,802	713,303
Land, Buildings, and Equipment, Net	1,330,410	1,499,607	1,719,316	1,918,770	2,068,485
Unrestricted Net Assets	376,542	382,686	451,613	448,065	473,651
Invested in Capital	739,312	804,053	884,138	1,027,045	1,094,306
Restricted Net Assets – Expendable	160,116	146,903	212,302	161,732	156,649
Restricted Net Assets – Non-Expendable	15,559	16,136	16,264	16,605	16,699
Total Net Assets	1,291,529	1,349,778	1,564,317	1,653,447	1,741,305
Bonds Payable					
Fixed-Rate Bonds Payable	906,154	901,881	1,004,609	843,265	820,245
Unhedged Variable-Rate Bonds Payable	40,000	40,000	40,000	40,000	20,000
Hedged Variable-Rate Bonds Payable	0	0	0	501,760	493,765
Total Bonds Payable	946,154	941,881	1,044,609	1,385,025	1,334,010
Capital Leases	78,009	66,617	54,585	42,428	34,327
Noncancellable Operating Leases	54,018	59,224	89,312	108,030	74,579
Total Long-Term Debt	1,078,181	1,067,722	1,188,506	1,535,483	1,442,916
Total Pro Forma Debt	N.A.	N.A.	N.A.	N.A.	2,433,503

N.A. – Not applicable. Note: Numbers may not add due to rounding.

Financial Ratios

(\$000, Audited Fiscal Years Ended June 30)

	2005	2006	2007	2008	2009
Revenue Diversity Ratios					
Net Tuition and Fees (x)	19.1	19.0	18.8	19.5	19.6
Student Fees (Net Tuition and Fees and Auxiliary Revenues) (x)	27.6	28.3	27.8	29.3	29.2
Federal Grants and Contracts (x)	14.2	14.2	13.0	13.5	13.0
State/Local Grants and Contracts (x)	3.1	3.3	3.0	3.2	3.2
Other Grants and Contracts (x)	3.6	3.9	4.1	4.2	4.2
Total Grants and Contracts (x)	20.9	21.4	20.1	20.9	20.3
State Appropriations as % of Revenues	23.6	24.9	25.3	26.2	21.6
Gifts and Contributions as % of Revenues	1.2	1.2	0.8	0.9	0.9
Sales and Services, Public Services Activities, Educational, and Independent Operations (x)	23.8	20.4	21.8	19.1	24.9
Other (x)	2.4	2.4	2.9	2.8	2.9
Total Endowment and Investment Income (x)	0.6	1.3	1.3	0.8	0.0
Financial Aid Ratios					
Tuition Discounting (%)	14.7	18.1	19.7	19.9	20.5
Net Tuition Revenue	388,385	401,636	429,528	458,439	490,374
% Change	N.A.	3.4	6.9	6.7	7.0
Operating Performance Ratios					
Operating Margin (%)	2.8	(0.5)	1.8	4.0	1.4
Operating Margin with Endowment and Investment Income (%)	3.4	0.8	3.1	4.8	1.5
Leverage Ratios					
Historical Debt Service Coverage (x)	2.4	1.9	2.6	2.4	2.0
Historical Debt Service Coverage with Endowment and Investment Income (x)	2.5	2.2	3.0	2.6	2.1
Pro Forma MADS Coverage (x)	1.2	0.9	1.3	1.5	1.3
Pro Forma MADS Coverage with Endowment and Investment Income (x)	1.3	1.0	1.4	1.6	1.3
Pro Forma Debt Service Coverage (x)	1.7	1.2	1.7	2.1	1.8
Pro Forma Debt Service Coverage with Endowment and Investment Income (x)	1.8	1.4	2.0	2.2	1.9
Historical Debt Service as % Revenues	4.4	3.8	3.6	4.6	4.5
Historical Debt Service as % of Revenues with Endowment and Investment Income	4.4	3.8	3.6	4.6	4.5
Pro Forma MADS as % of Revenues	0.1	0.1	0.1	0.1	0.1
Pro Forma MADS as % of Revenues with Endowment and Investment Income	0.1	0.1	0.1	0.1	0.1
Pro Forma Debt Service as % of Revenues	6.2	6.0	5.6	5.4	5.0
Pro Forma Debt Service as % of Revenues with Endowment and Investment Income	6.2	5.9	5.5	5.3	5.0
Liquidity Ratios					
Available Funds as % of Operating Expenses	30.3	26.6	26.3	30.0	29.0
Available Funds as % of Debt	55.2	52.2	49.1	43.8	49.4
Available Funds as % of Total Pro Forma Debt	N.A.	N.A.	N.A.	N.A.	29.3
Available Funds to MADS (x)	3.4	3.2	3.4	3.9	4.1

N.A. – Not applicable. Note: Numbers may not add due to rounding.

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