Treasury Institute for Higher Education

COLLEGE BUSINESS MANAGEMENT INSTITUTE

Advanced Capital Financing Part 1

Eileen Byrne & Mary Peloquin-Dodd

SACUBO
SOUTHERN ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

Auxiliary Services

AGENDA

1. Refresh Bond Basics
2. Taxable vs. Tax-Exempt Financing
3. Municipal Market Regulations
4. Evaluating Market Conditions
5. Terminology in Depth
6. Credit Ratings
7. Credit Enhancement
8. Subprime Mortgage Crisis
9. Arbitrage
10. Derivative Instruments
11. Off Balance Sheet Financing

Not in this course…

- Accounting for debt or facilities
- Complex bond math

REFRESH
BOND BASICS

Municipal Market 101

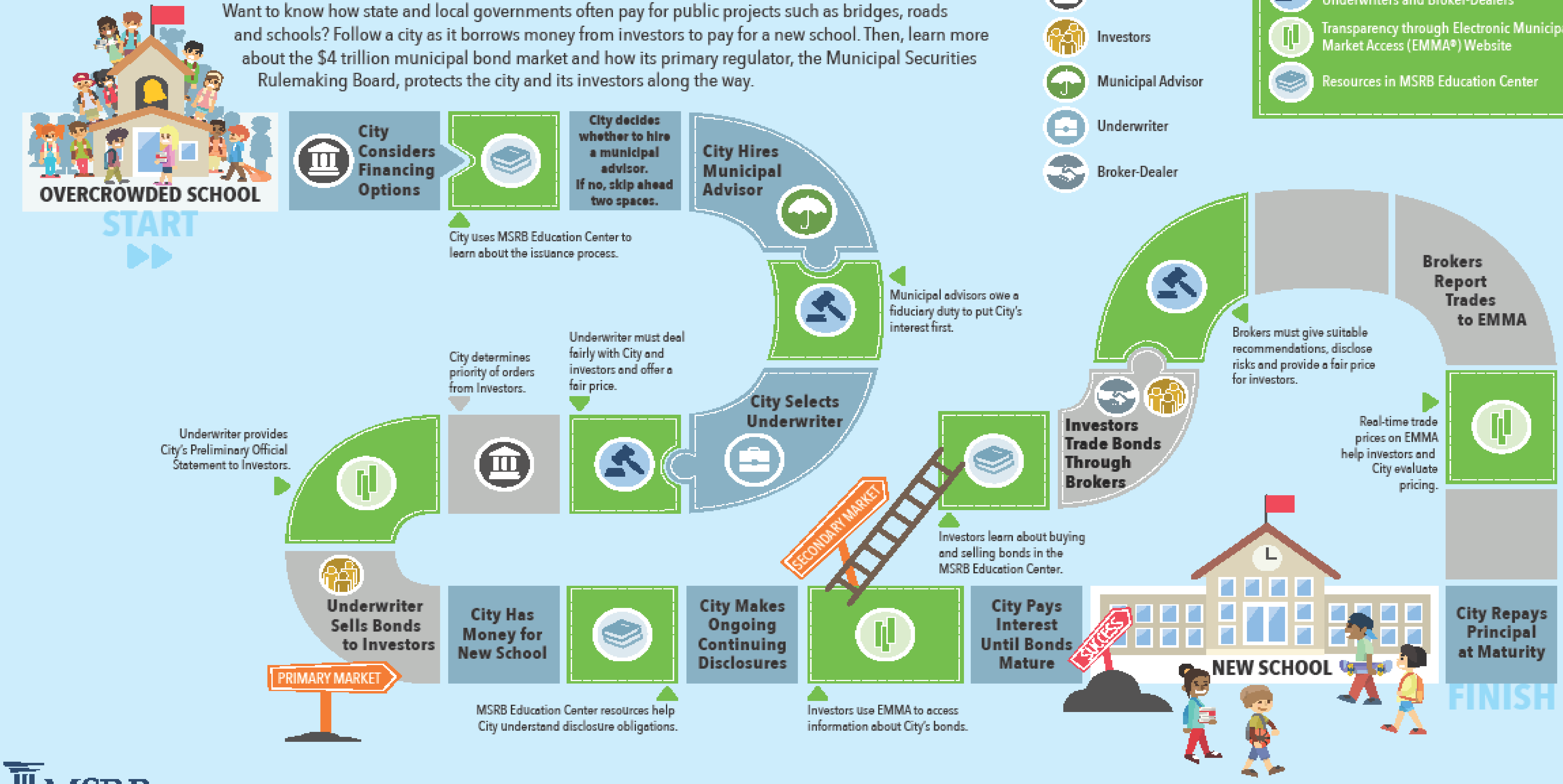
Want to know how state and local governments often pay for public projects such as bridges, roads and schools? Follow a city as it borrows money from investors to pay for a new school. Then, learn more about the $4 trillion municipal bond market and how its primary regulator, the Municipal Securities Rulemaking Board, protects the city and its investors along the way.

PLAYERS

- City Officials
- Investors
- Municipal Advisor
- Underwriter
- Broker-Dealer

MSRB ROLE

- Regulation of Municipal Advisors, Underwriters and Broker-Dealers
- Transparency through Electronic Municipal Market Access (EMMA®) Website
- Resources in MSRB Education Center



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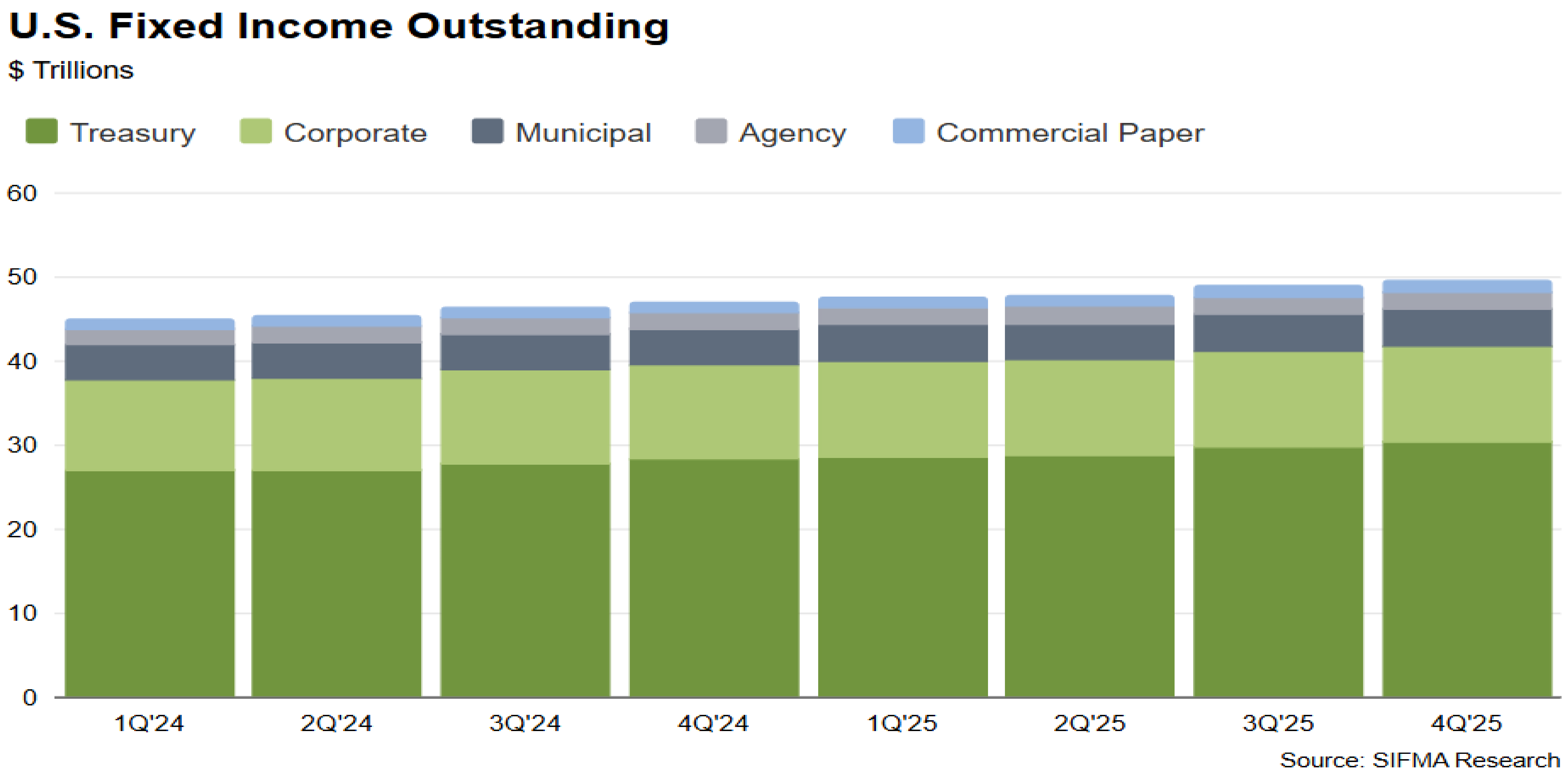
MUNICIPAL DEBT:
A Small Component of Total U.S. Fixed Income



REFRESH BOND BASICS

GENERAL OBLIGATION VS. REVENUE DEBT

GENERAL OBLIGATION

- Often unsecured
- Backed by revenues & assets of entire enterprise
- Sometimes with a mortgage

REVENUE

- Often secured by smaller segment of enterprise
- Additionally secured by covenants and liens

VARIABLE VS. FIXED RATE DEBT

VARIABLE RATE

- Changeable interest rates
- When rates change, investors may have “put” rights

FIXED RATE

- Guaranteed interest rate
- For specified term

REFRESH BOND BASICS

	Variable Rate	Fixed Rate
Cost of Capital:	Positive	Neutral
Predictability:	Negative	Positive
Liquidity:	Negative	Neutral
Prepayment Flexibility:	Positive	Negative

REFRESH BOND BASICS

Bonds May Be…

- **Taxable or Tax-exempt**
- **Long-term or Short-term**
  - Common Short-Term debt instruments:
    - Lines, notes, letters of credit (LOC), commercial paper
    - Carry short-term ratings
  - Long-term bonds may have 20-30 year maturities (or longer!)
- **Amortizing or Balloon Maturities**
  - Balloon aka Term Bonds
    - Investors receive a massive, final lump-sum payment of principal at the end of the term
  - Amortizing ak Serial Bonds
    - Investors receive periodic installments of principal payments that gradually pay down the debt over the term

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REFRESH BOND BASICS

Major Players

- Issuer
- Borrower
- Lenders/Bondholders/Investors
- Trustee
- Investment Banker/Underwriter
- Financial Advisor
- Credit Enhancer (AKA Credit Provider)
- Bond Counsel

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BOND REVENUE SOURCES

Revenue

- Revenue pledge
- Specifically defined revenue source
- No taxing power
- Not subject to appropriation

General Obligations

- Full faith and credit pledge
- Taxing power
- Not subject to appropriation

Lease Revenue

- Special obligation pledge
- All legally available revenues
- No taxing power
- Subject to appropriation

OTHER TYPES OF DEBT

Moral Obligation

- No legal obligation to pay (for most circumstances)
- Likely to pay anyway; best interest of institution

Synthetic Leases

- Tenant-based lease financing structure – a hybrid lease/debt

Other Debt (Non-Capital)

- Vendor Leases
- Outsourcing (other people's money)
- Off-balance sheet financings ("adjusted debt")

DEBT TERMINOLOGY

Nominal or Coupon Rate

- Interest rate paid periodically on a loan
- Usually expressed as % of par amount

Coupon Rate (%) = Coupon Payment ÷ Par Value

Bond Price

- Amount a lender will lend in consideration of future receipt of principal and interest payments

Generally, bond prices & yields are inversely related

If, prevailing market interest rates ⇧

Then, current market price of bond ⇩

Resulting in current bond yield ⇧

Bond Yield

- Single rate that sets the present value (PV) of future principal & interest payments equal to initial price

Current Yield (%) = Annual Coupon Pmt ÷ Bond Price

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BOND COUPON

Periodic payments on a bond

LOAN MATURITIES

May involve a loan for each project stage

- Construction Loan
- Mini-Permanent Financing (more common with P3s)
- Construction Completion and Permanent Financing
  - Longer term financing
  - “Take out” the construction loan
    - Pay off the short-term lender
    - Permanently” finance the project

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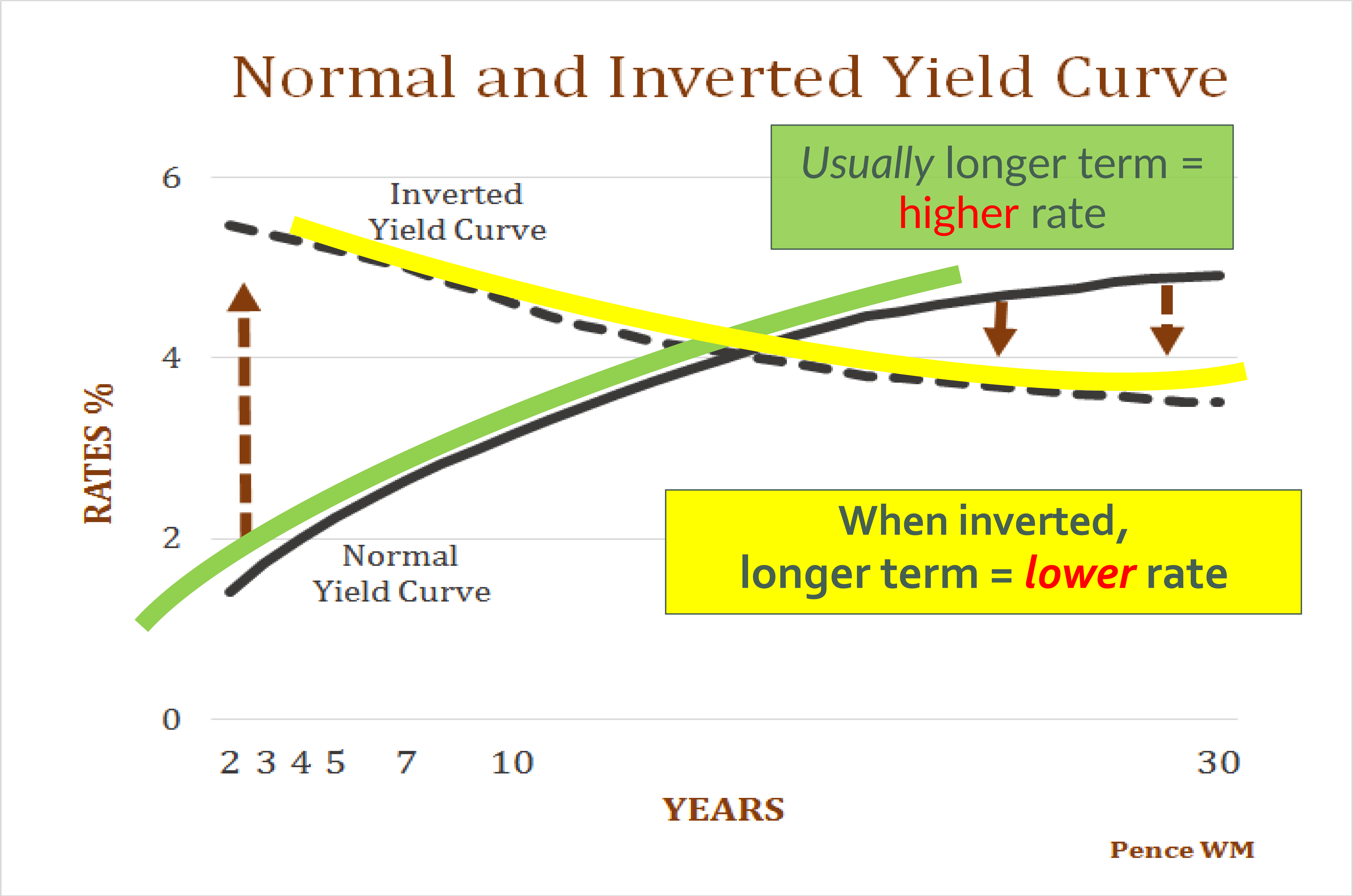
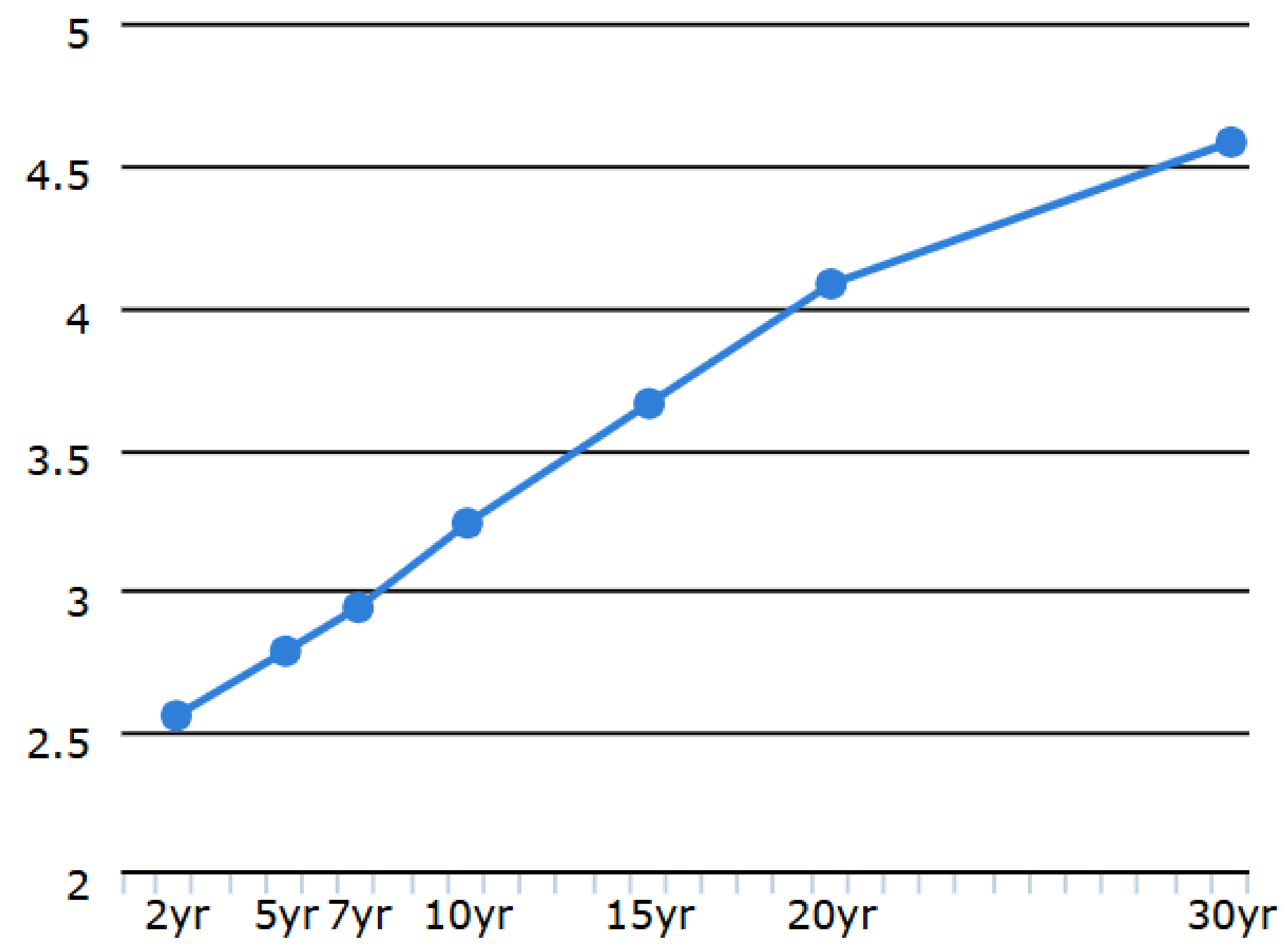
Loan Duration & Interest Rates



MBIS Tax-Exempt Municipal Benchmark Yields



5% Non-Call 10yr Curve

Rates as of 05/22/26

Tenor	Yield	Change
2	2.558	-0.023
5	2.785	-0.032
7	2.939	-0.028
10	3.236	-0.029
15	3.658	-0.027
20	4.079	-0.032
30	4.579	-0.020

YIELDS ON 30 YR MUNI 5% NON-CALL 10 YR AS OF 05/22/26

MBIS
MUNICIPAL BOND INFORMATION SERVICES

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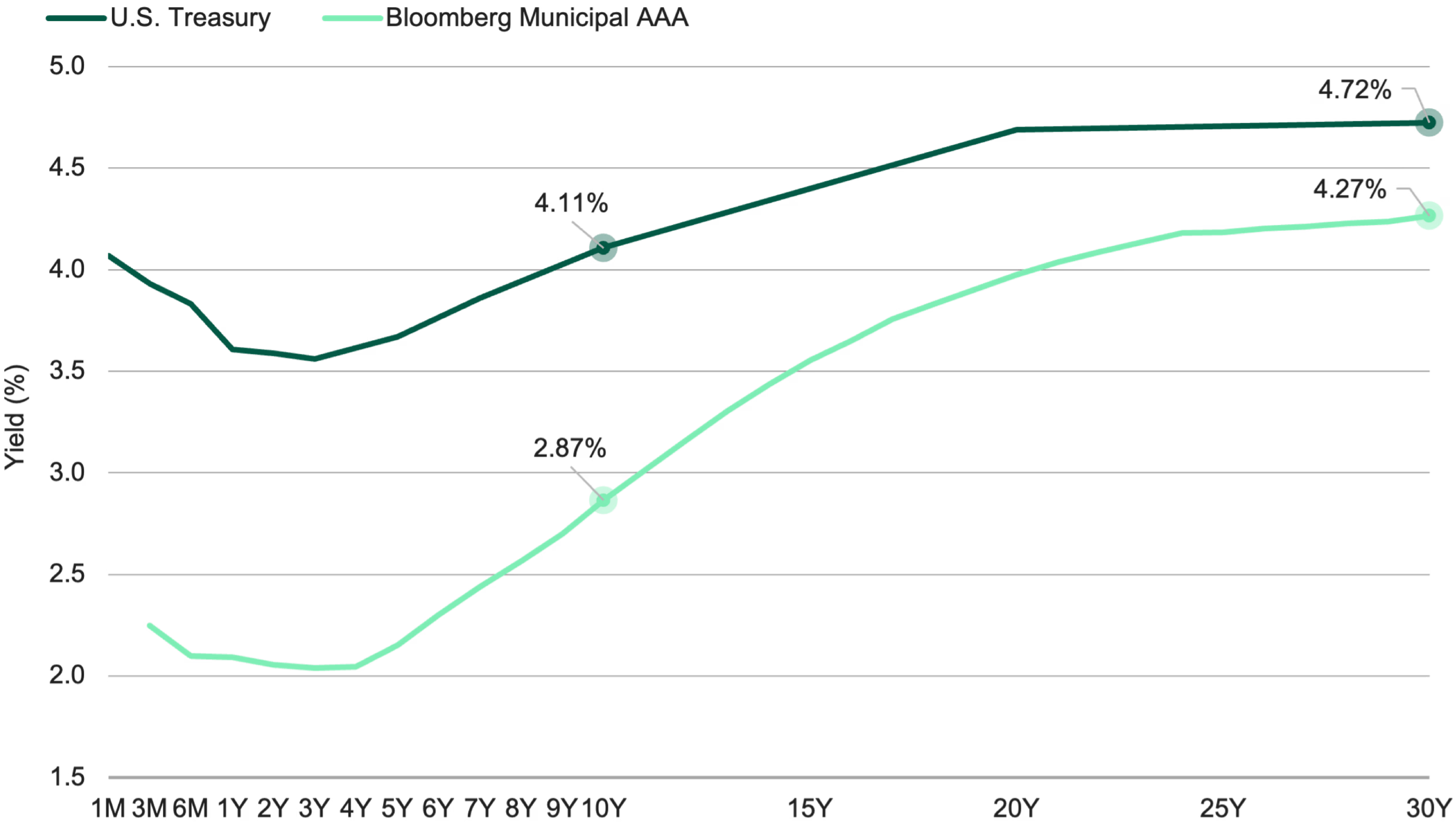
B. Rich
HEDGEYE
HE'S LIKE THE 10-YEAR TREASURY...
...HE'S VERY SENSITIVE.

Bloomberg Municipal AAA Bond Index and U.S. Treasury Yields at Different Maturities

American Century Investments®

2025



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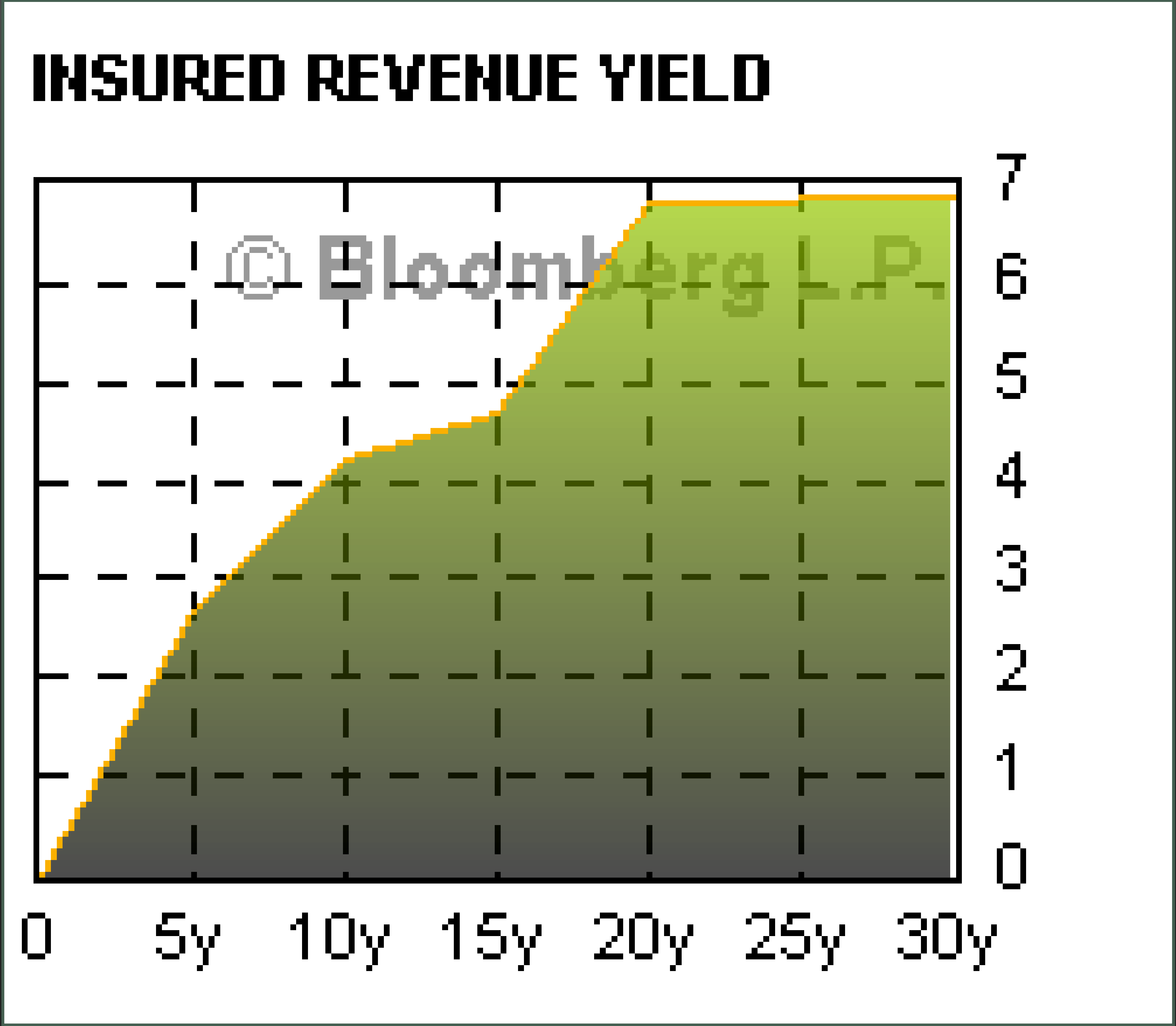
Tax-Exempt Bond Yield Curves

Bloomberg.com
July 23, 2009



NATIONAL MUNICIPAL BOND YIELDS

June 22, 2012

Triple-A Rated, Tax-Exempt Insured Revenue Bonds

	1 Day Prior Yield	2 Day Prior Yield	Change in Yield	28% Equiv Yield	1 Wk Prior Yield	1 Mo. Prior Yield	6 Mos. Prior Yield
2 Yr	0.366%	0.369%	-0.003%	0.509%	0.371%	0.359%	0.284%
5 Yr	0.829%	0.864%	-0.035%	1.151%	0.878%	0.814%	0.882%
7 Yr	1.323%	1.336%	-0.013%	1.837%	1.373%	1.218%	1.160%
10 Yr	1.900%	1.910%	-0.009%	2.639%	1.923%	1.855%	1.887%
15 Yr	2.465%	2.506%	-0.041%	3.424%	2.498%	2.508%	1.827%
20 Yr	2.812%	2.876%	-0.064%	3.906%	2.872%	2.840%	3.371%
30 Yr	3.109%	3.121%	-0.012%	4.318%	3.134%	3.147%	3.676%

DEBT SERVICE

ONE YEAR EXAMPLE

- **Let's assume a university needs to borrow $10 million for a capital project on March 11, 2011**
- **Assume that there were 10 investors and each investor bought $1 million in bonds over various terms**

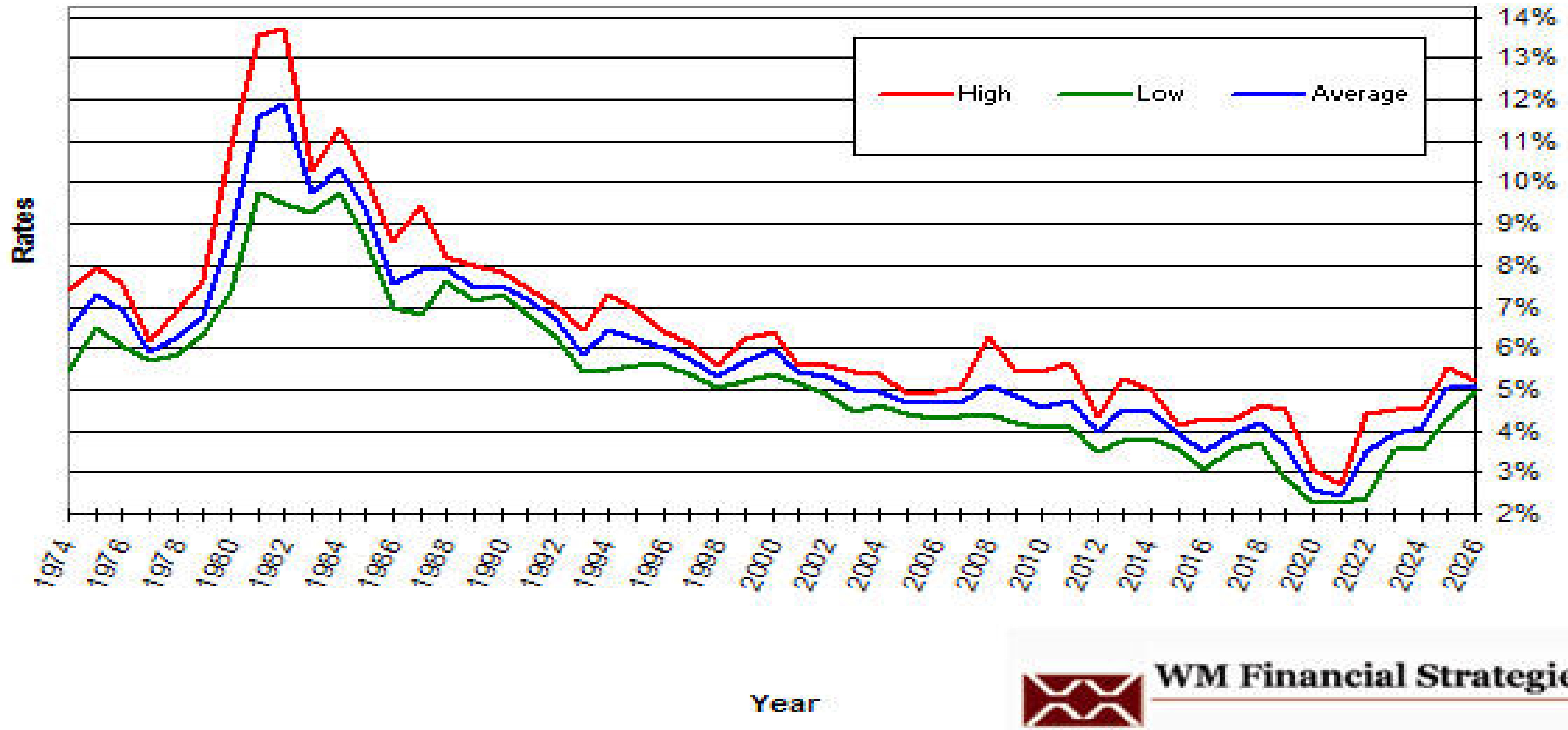
Investors	Bond Term	Repayment Date	Bond Amount	Coupon	University's Semi-Annual Interest Payment
Investor 1	1 year	10/1/11	$1,000,000	3.000%	$15,000
Investor 2	2 years	10/1/12	$1,000,000	3.125%	$15,625
Investor 3	3 years	10/1/13	$1,000,000	3.250%	$16,250
Investor 4	4 years	10/1/14	$1,000,000	3.375%	$16,875
Investor 5	5 years	10/1/15	$1,000,000	3.500%	$17,500
Investor 6	6 years	10/1/16	$1,000,000	3.625%	$18,125
Investor 7	7 years	10/1/17	$1,000,000	3.750%	$18,750
Investor 8	8 years	10/1/18	$1,000,000	3.875%	$19,375
Investor 9	9 years	10/1/19	$1,000,000	4.000%	$20,000
Investor 10	10 years	10/1/20	$1,000,000	4.125%	$20,625

As of 5/14/26 = 4.75%

As of 4/24/25 = 5.24%

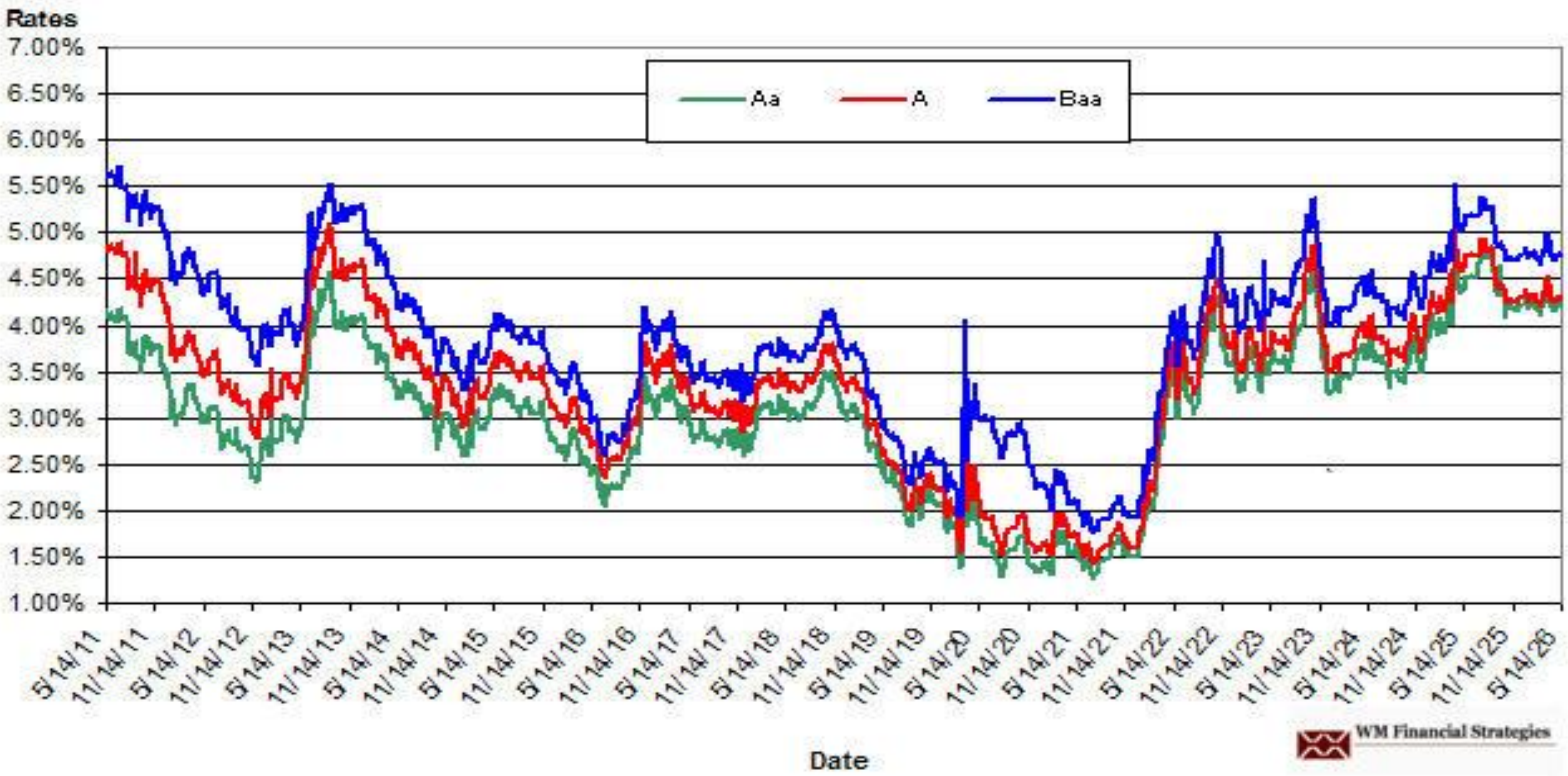
A representation of municipal bond trends based on a portfolio of 20 G. O. bonds that mature in 20 years.

20-BOND BUYER INDEX 1974-PRESENT



WM Financial Strategies

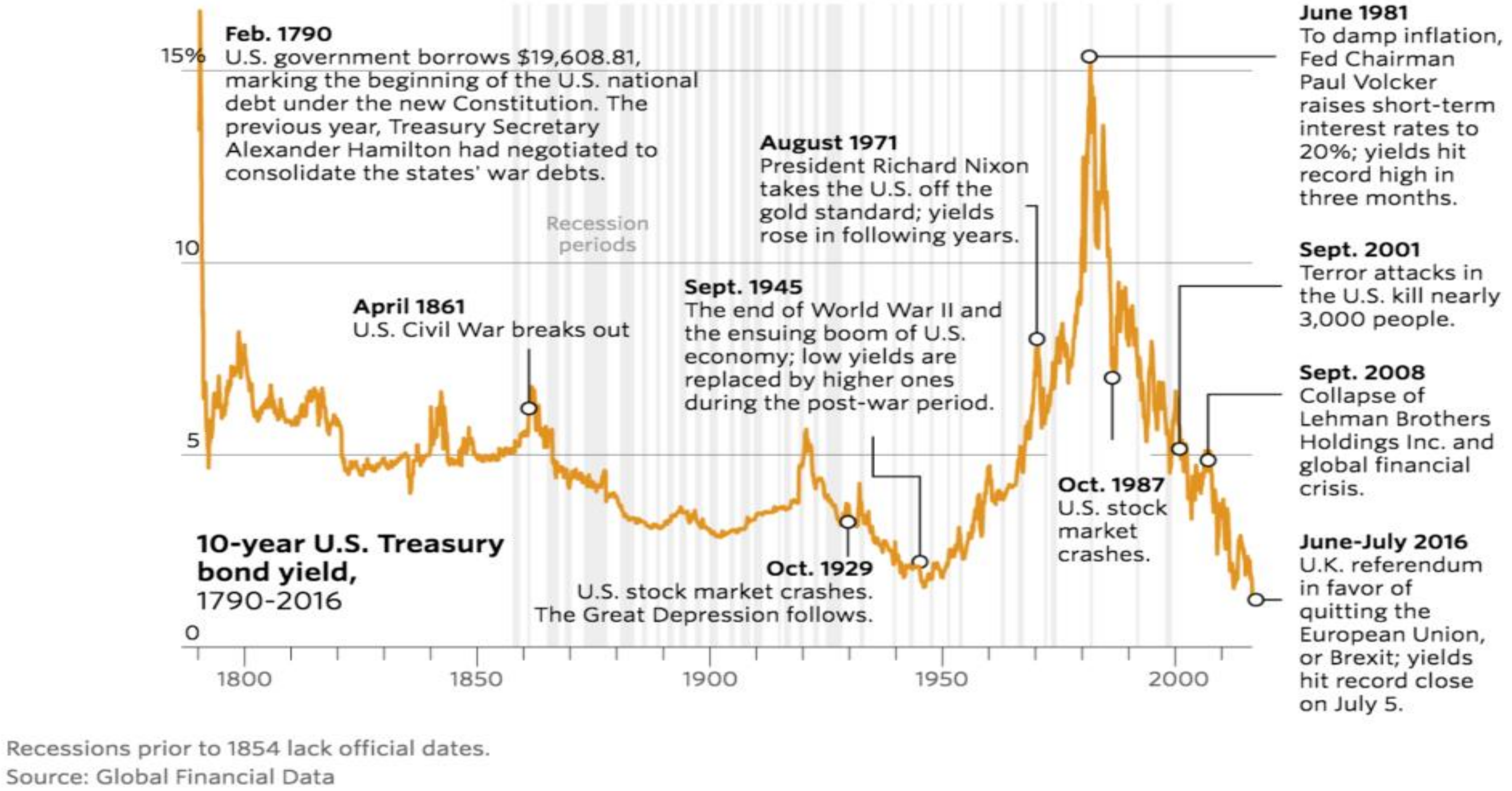
MUNICIPAL MARKET DATA INDEX
20th YEAR MATURITY BY RATING GRADE
PAST 15 YEARS



HISTORY OF U.S. TREASURY BOND YIELD

1790 TO 2016

04/29/26 = 4.39%
04/29/25 = 4.29%
04/18/24 = 4.63%



TAXABLE
VS.
TAX-EXEMPT

TAXABLE vs. TAX-EXEMPT FINANCING

TAXABLE EQUIVALENT YIELD =

TAX-EXEMPT YIELD/

[100%- TAX BRACKET (%)]

<u>EXAMPLE</u>

7% INTEREST AND 24% INCOME TAX BRACKET

TAXABLE EQUIVALENT YIELD =

.07/ (1.00-.24) = 9.21%

Example

Taxable		Tax-Exempt
Interest Rate = 7%		Interest Rate = 5%
$100,000	Par Amount	$100,000
$7,000	Income before tax	$5,000
35%	Tax bracket	35%
($2,450)	Income taxes	$0
$4,550	After tax income	$ 5,000

"It's not what you get; it's what you keep"

Mark Huntley
Huntley Financial Services

Bankrate

The greater the investor's tax liability...
the more attractive tax-exempt securities become

TAX-EXEMPT Bond Yield	TAXABLE EQUIVALENT 24% bracket	35% bracket
2.0 %	2.63%	3.08%
3.0 %	3.95%	4.62%
4.0 %	5.26%	6.15%
5.0%	6.58%	7.69%
6.0%	7.89%	9.23%

TAXABLE VS. TAX-EXEMPT

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Muni and Taxable-Equivalent Muni Yield-to-Worst

: Western Asset. *Weekly Municipal Monitor—Year in Review* January 07 2025

As of 03 Jan 25. Bloomberg Municipal Bond Index Yield

Source: KPM Financial

Tax Equivalent Yield Calculator

Bankrate.com
Comprehensive. Objective. Free.

Calculate municipal bond yields

This tax equivalent yield calculator will estimate the tax-equivalent yield, or TEY, for a municipal bond. Income generated from municipal bond coupon payments are not subject to federal income tax. In addition, if the bond was issued in the state of residence, you can also avoid state income taxes. Use this tax equivalent yield calculator to determine the yield required by a fully taxable bond to earn the same after tax income as a municipal bond.

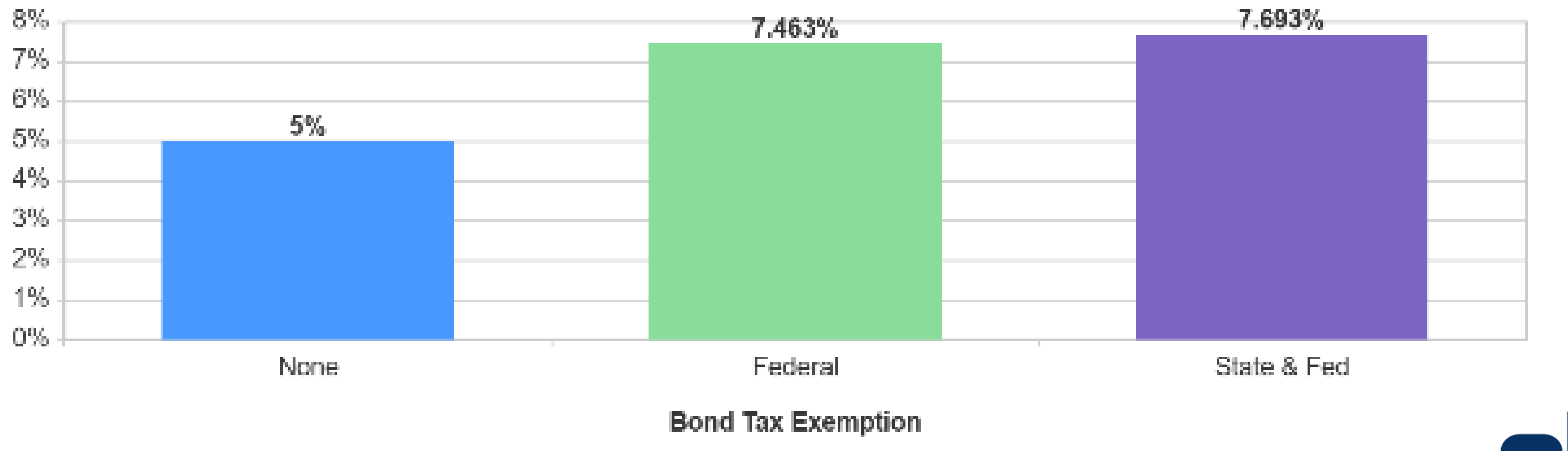
Calculate | View Report

Municipal Bond Tax Equivalent Yield

Income at tax information:

Bond yield:	5%	0% · 6% · 13% · 20%
Estimated taxable income:	$250,000	$0 · $10k · $100k · $1m
State income tax:	3%	0% · 6% · 13% · 20%
Federal tax filing status:	Married filing jointly	
Federal income tax rate:	33%	

Tax Equivalent Yield



https://www.bankrate.com/retirement/tax-equivalent-yield-calculator-tool/

TAX EXEMPTION

SERVES A PUBLIC PURPOSE

REQUIREMENTS FOR TAX EXEMPTION

- Income Tax-Exempt organization
- Governmental purpose
  - Project will benefit the public, student body, etc.
  - No equity returns can accrue to any project participant
  - Private Use Restrictions

THERE MAY BE CONSEQUENCES IF THIS ISN'T ALWAYS TRUE

Taxable vs. Tax-Exempt

"Private Activity Bonds" = Taxable

- Project/proceeds benefit a private corporation or an individual
- "Bad use" rules
  - Private Use –
    - more than 10% of facility used by profit making companies, not for tax-exempt purposes
  - Private Payment -
    - more than 10% of debt repayment stream

THESE ARE NOT COMMON, BUT THEY DO HAPPEN!!

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Find your interests

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TAX

Corpus Christi, Texas, bond issuance may be retroactively taxable

By Connor Hussey November 30, 2021, 2:17 p.m. EST 1 Min Read

The Internal Revenue Service has issued a preliminary determination that bonds issued by the City of Corpus Christi, Texas, in 2013 may be retroactively taxable.

The city disclosed on the Municipal Securities Rulemaking Board's EMMA website an adverse tax opinion or event affecting tax exempt status in relation to the issuance of its $97.9 million Texas Utility System Junior Lien Revenue Improvement Bonds, Series 2013, of which about $13.4 million remains outstanding.

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TAXABLE BONDS

IRS closes New Mexico jail audit af bonds converted to taxable

By Brian Tumulty August 17, 2017, 1:57 p.m. EDT 3 Min Read

WASHINGTON – For the second time in two months, the Internal Revenue Service has clos an audit of bonds used to finance the development of a jail facility after the bonds were converted to taxable.

latest case involves $62.3 million in revenue bonds sold in 2007 by Otero County, N. M. to the development of a processing and detention facility in Chaparral, N.M.

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BREAK

MUNICIPAL MARKET REGULATION

IRS Rules That $19.8M of URI's Tax-Exempt Bonds Are In Violation and Now Taxable

Saturday, March 08, 2025

GoLocalProv News Team

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The IRS has sent notice to the University of Rhode Island notifying them that two series of higher education bonds issued in 2018 are now considered taxable as a result of being in non-compliance with Section 149(g) of the IRS Code.

An IRS 149(g) violation, also known as a "hedge bond" violation, occurs when an issuer of tax-exempt bonds is deemed to have issued bonds too early, essentially "hedging" against future interest rate increases rather than for a genuine, immediate need.

The total of the two bonds is $19.8 million.

GET THE LATEST BREAKING NEWS HERE -- SIGN UP FOR GOLOCAL FREE DAILY EBLAST

URI refused to respond to requests for comment.

GoLocal asked URI officials about the potential exposure to bondholders and if the University would appeal the ruling.

The violation was first reported by the Bond Buyer.

University of Rhode Island could face millions in exposure PHOTO:

MUNICIPALS
A Regulated Market

MSRB
(Municipal Securities Rulemaking Board)

Writes rules for bond brokers, dealers, and municipal advisors – But not universities!

SEC
(Securities Exchange Commission)

Oversees the MSRB and regulates municipal advisors

FINRA
(Financial Industry Regulatory Authority)

Enforces MSRB rules for broker-dealers and examines them for compliance

Federal Banking Regulators
Enforce MSRB rules for bank dealers (Federal Reserve, OCC, FDIC)

IRS
(Internal Revenue Service)

Tax regulations for tax-exempt municipal bonds; bonds could become taxable

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LEGAL COMPLIANCE & DISCLOSURE

EMMA®
Electronic Municipal Market Access
A service of the MSRB

Pre-Issuance/During Issuance

IRS

- Reimbursement Resolution

Legal and Tax

- Validity opinion
- Tax opinion

Disclosure

- Sufficient and appropriate disclosure

Post Issuance

Federal Government

- Private business use tracking
- Arbitrage rebate tracking
- Federal reporting

Investors

- Material events
- Annual reporting

Credit Rating Agencies

- Surveillance

https://emma.msrb.org

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EVALUATING MARKET CONDITIONS

EVALUATING MARKET CONDITIONS

- Refunding of tax-exempt debt is only possible within 90 days of a call date
- Advance refundings of tax-exempt debt essentially eliminated in Tax and Jobs Act of 2017
- Set an institutional target of NPV savings that are sufficient to refund.

New Money issuance is a function of the project construction timeframe.

And interest rates…

Or the availability of short-term bridge financing in anticipation of long-term debt.

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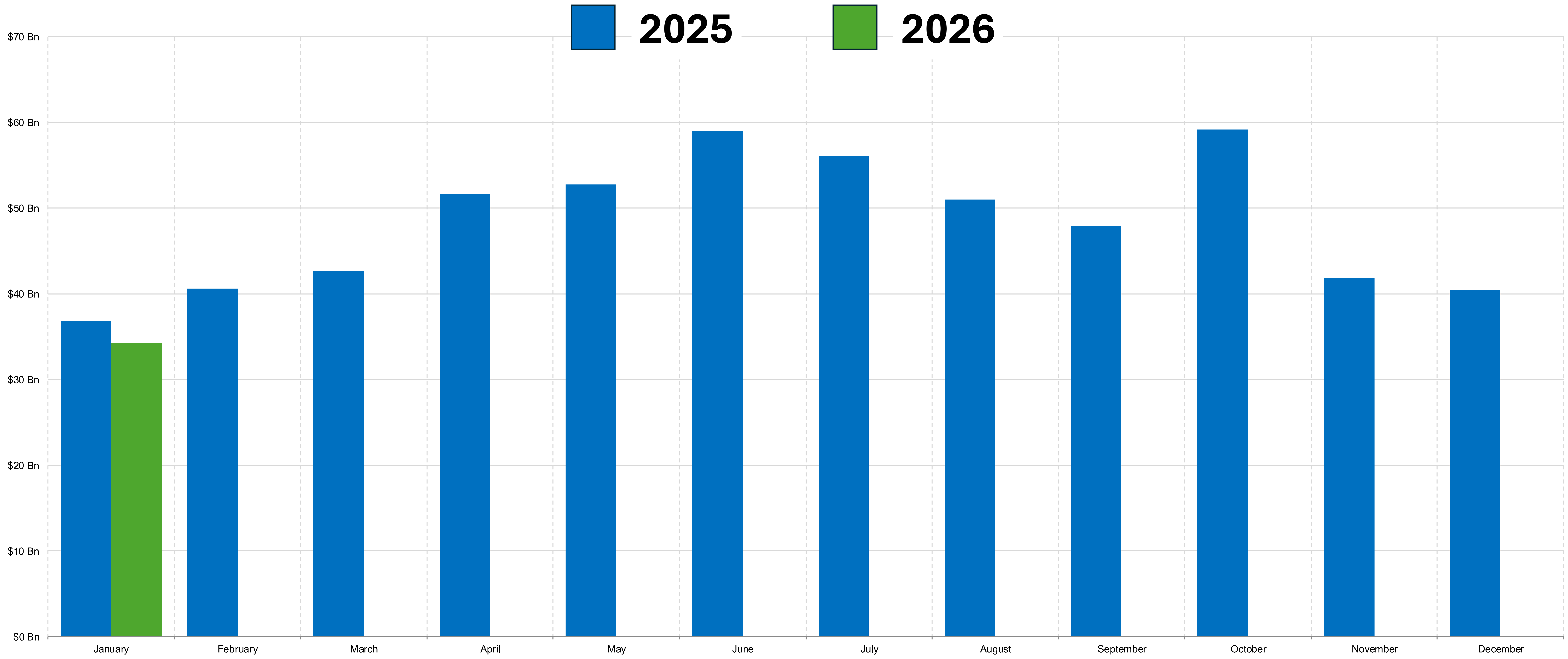
MUNI MARKET SUPPLY & DEMAND

IT CHANGES THROUGHOUT THE YEAR!



New issuance volume was up by 14.25% year-over-year in 2025 from 2024
The 2026 monthly new issuance volume is 6.90% lower than 2025 issuance through January.

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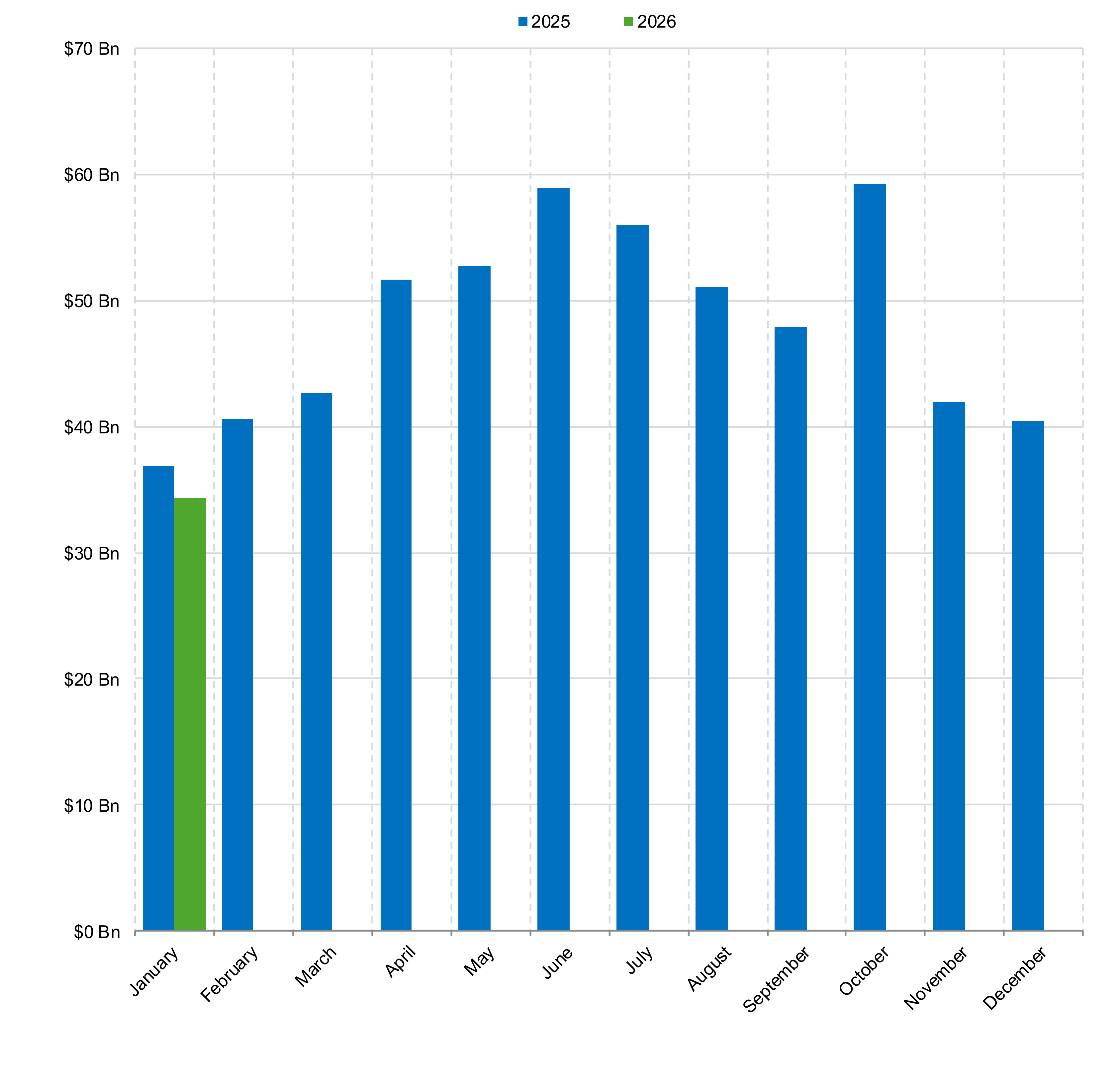
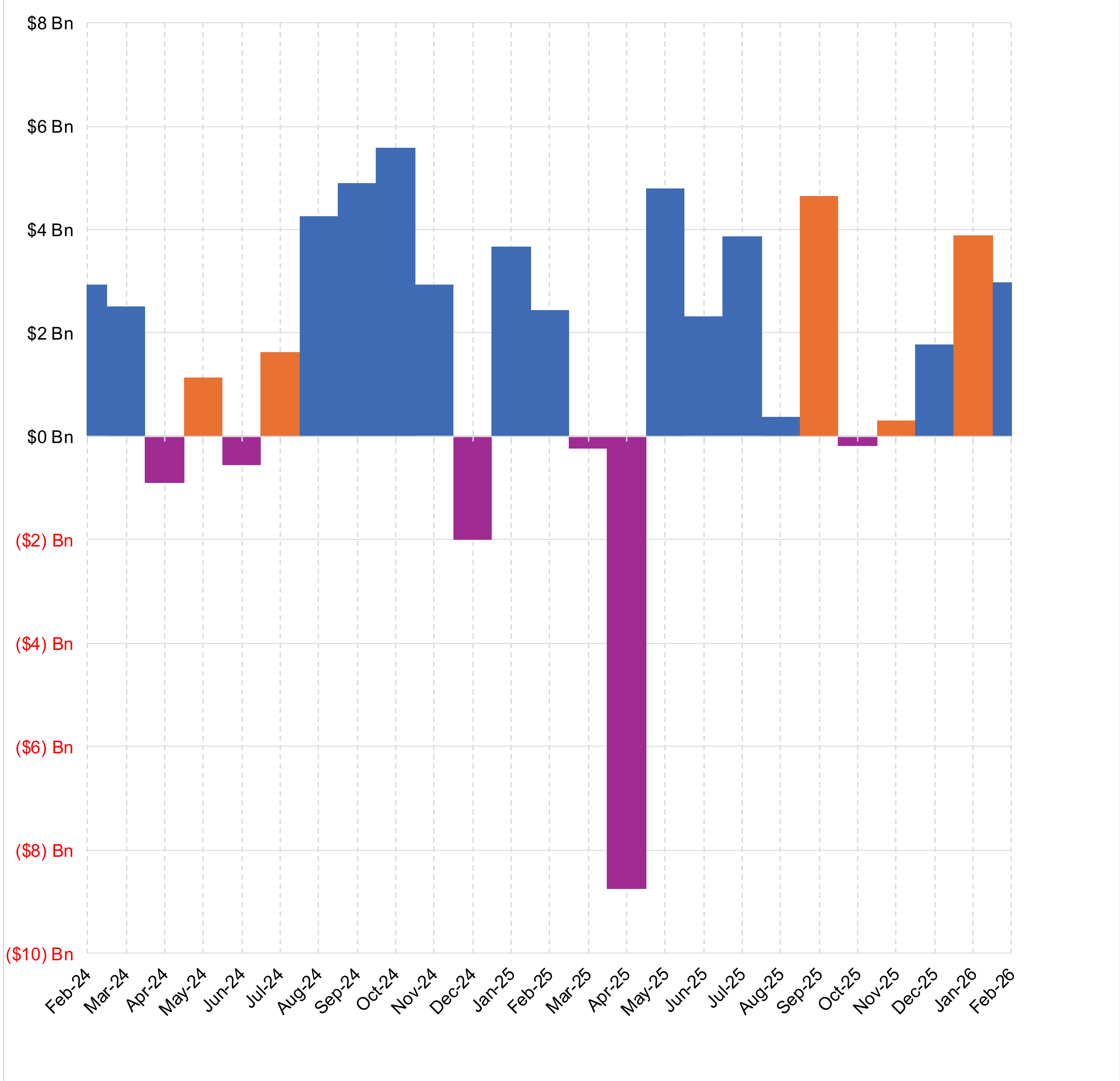
MUNI MARKET SUPPLY AND DEMAND

New issuance volume was up by 14.25% year-over-year in 2025 from 2024, the 2026 monthly new issuance volume is 6.90% lower than the 2025 issuance through January.

Overall Municipal Market Volume (Supply)



Municipal Fund Flows (Demand)



Source: Bond Buyer, Investment Company Institute

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US TREASURY RATE POSITION

As of 02/13/2026

Statistic	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	10 Year	30 Year
	3.68%	**3.59%**	**3.42%**	**3.40%**	**3.43%**	**3.61%**	**4.04%**	**4.69%**
Average	**2.32%**	**2.43%**	**2.59%**	**2.68%**	**2.86%**	**3.15%**	**3.65%**	**4.19%**
Spread to Avg.	1.36%	1.16%	0.83%	0.72%	0.57%	0.46%	0.39%	0.50%
Minimum	-0.09%	0.00%	0.04%	0.10%	0.11%	0.19%	0.51%	1.00%
Spread to Min.	3.77%	3.59%	3.38%	3.30%	3.32%	3.42%	3.53%	3.69%
Maximum	6.44%	6.53%	6.38%	6.91%	6.90%	6.86%	7.06%	7.19%
Spread to Max.	-2.76%	-2.94%	-2.96%	-3.51%	-3.47%	-3.25%	-3.02%	-2.50%
Percent of Market Days Lower	67.34%	65.83%	73.42%	63.05%	61.36%	59.91%	58.24%	62.35%

Source: Bloomberg

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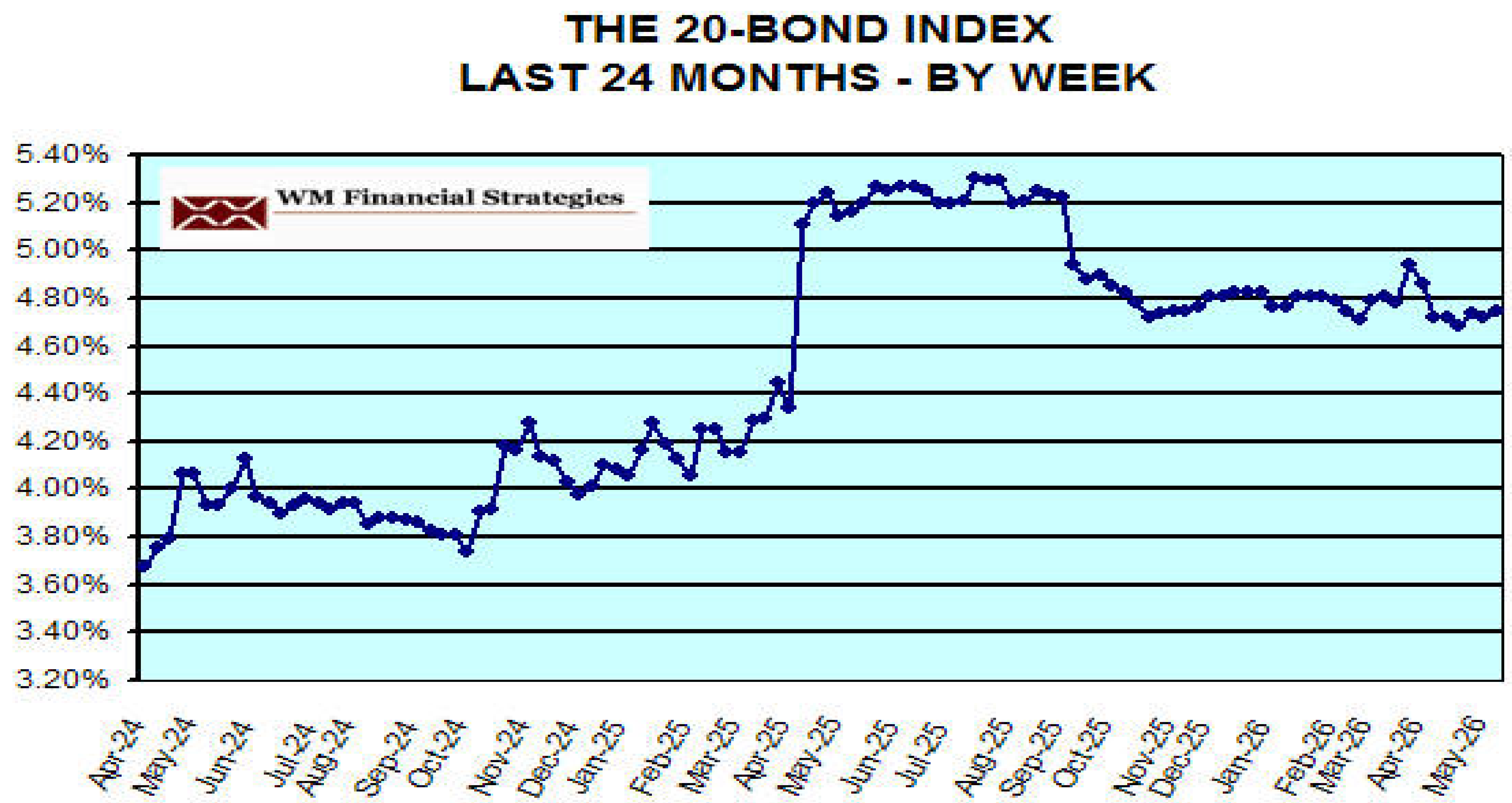
INTEREST RATES CHANGE ALL THE TIME



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U.S. TREASURIES

Highly Relevant

Investing

- How much should my institution expect to receive from various investments, if US Treasury notes, bills, and bonds are one alternative (and risk free).

Investment Risks

- Credit – US Government
- Duration – Yield Curve
- Interest Rate
- Opportunity Cost

Debt

- How much should investors expect to receive from our institution when they buy our bonds or when they lend us money.

Investment Risks

- Credit – My institution
- Duration – Length of bonds
- Opportunity Cost

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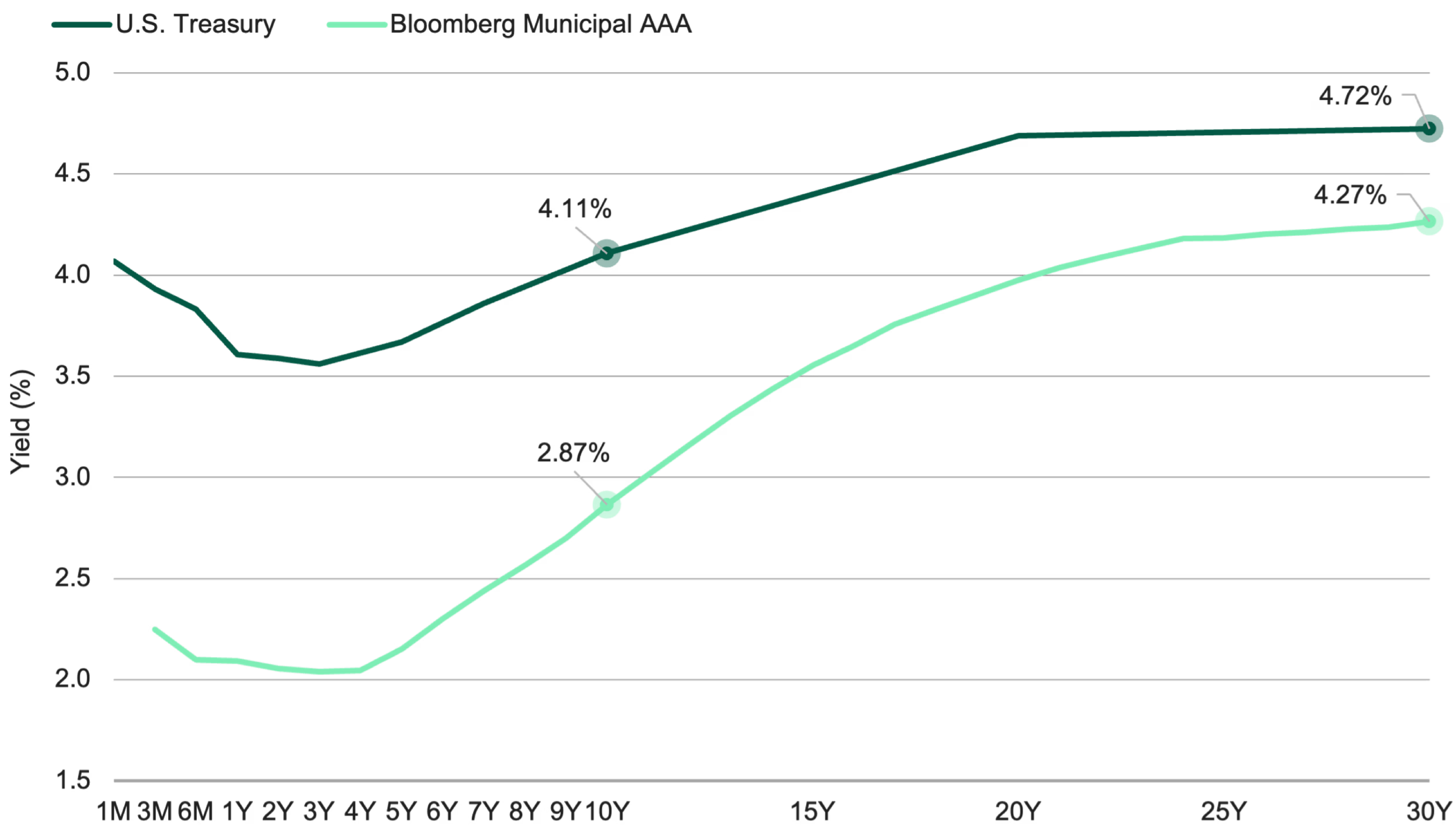
Bloomberg Municipal AAA Bond Index and U.S. Treasury Yields at Different Maturities

American Century Investments®



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TERMINOLOGY
IN DEPTH

TERMINOLOGY

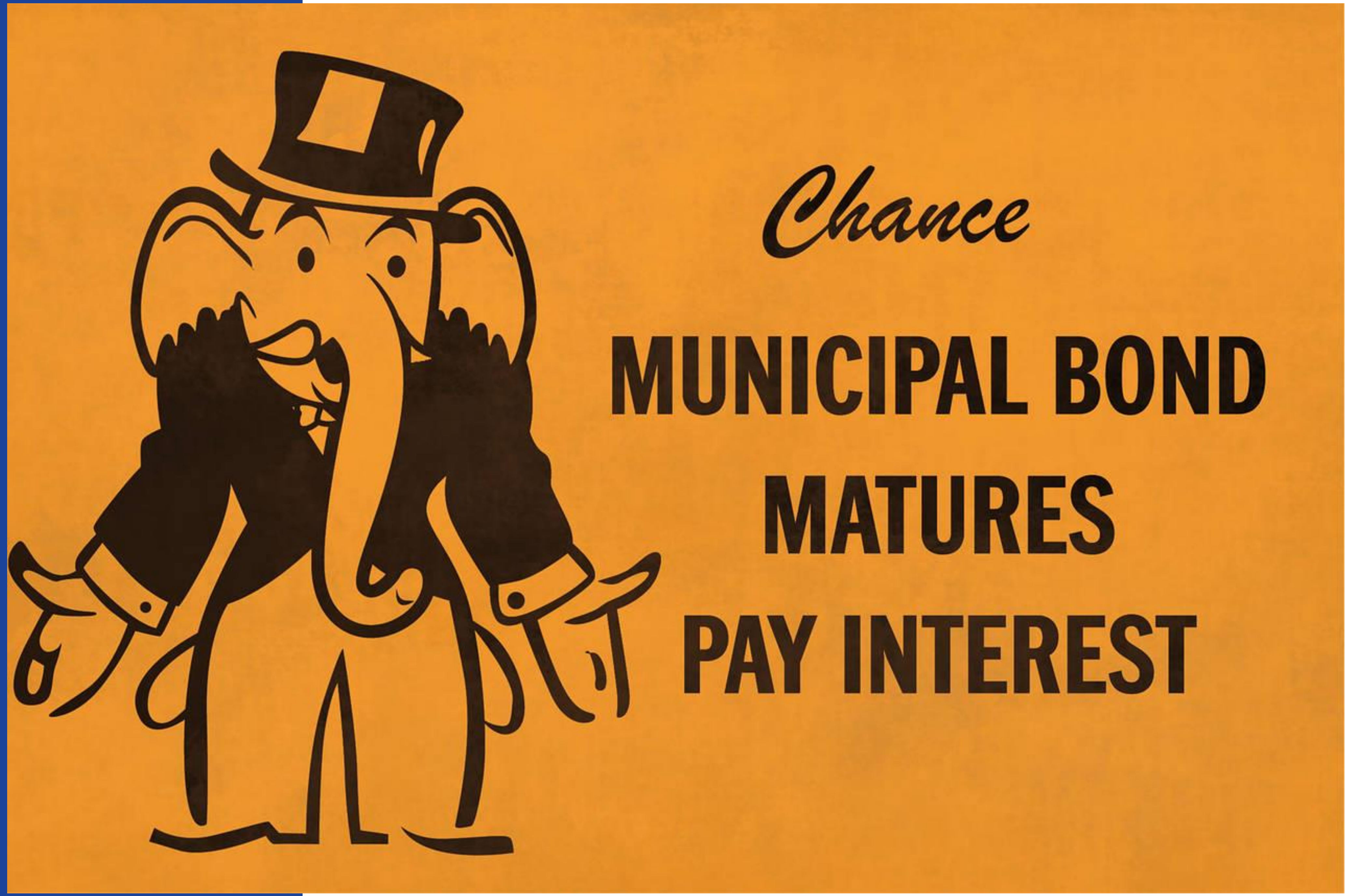
- Serial Bonds & Term Bonds
- Primary Market & Secondary Market
- Competitive Sale & Negotiated Sale
- Private Placement & Limited Offering
- Official Statement
- Credit Ratings and Rating Agencies
- Credit Enhancement
- Indenture
- Arbitrage
- Call/Redemption
- Covenants

Serial Bonds and Term Bonds

Serial Bonds

A portion of issue's par value paid off each year

Take advantage of shorter term interest rates



Term Bonds

Total principal payable at maturity

Also referred to as bullet maturity/bullet bonds

Larger maturity may be more attractive to investors

Bond Markets

Primary market

- Market for new issues (original pricing)
- Bidding syndicates of underwriters
- Institutional investors

A newly issued bond is much more likely to trade than an aged bond.

MSRB

2025 Muni Market

Total Par Value Traded = $3.8 Trillion

2025 saw some fundamental shifts

- Record trade count (up 14%)
- New issue volume up 13%
- Dramatic growth of SMAs and electronification of the market

Municipal Securities Rulemaking Board
2025 Municipal Market Year in Review

Secondary market

Sale or trading at prevailing mkt prices

- Banks/trust departments
- Individual investors
- Insurance companies
- Mutual funds

Types of Bond Sales

Competitive Sale

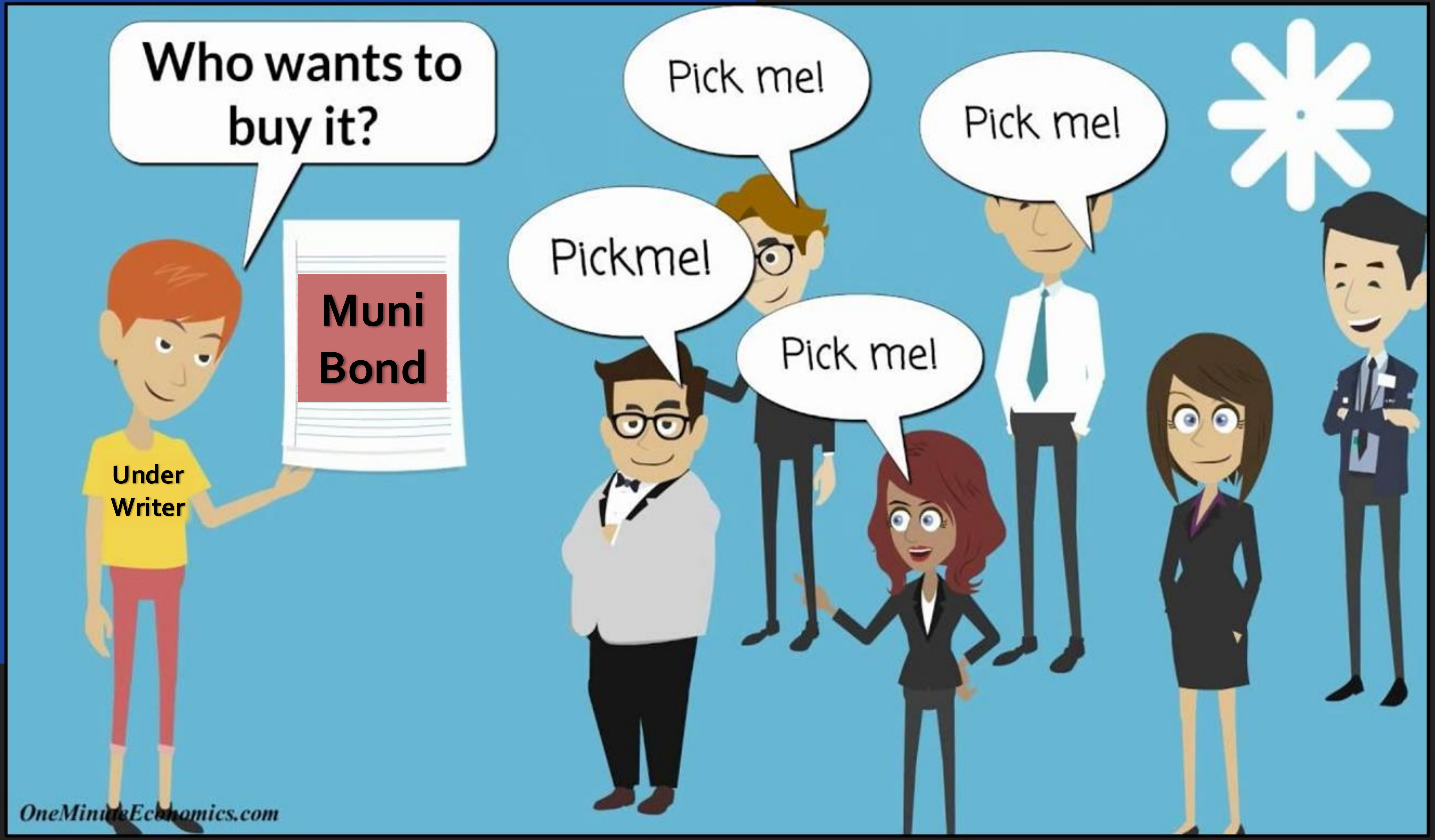
- Competitively bid
- Notice of Sale in the "Bond Buyer"
- Underwriters bid to buy bonds by quoting interest rates & discounts or premiums
- May not always result in lowest price

  Depends on underwriters' assessment of market and its ability to resell the bonds

Types of Bond Sales

Negotiated Sale

- Issuer/Borrower selects underwriter
- Investment banker seeks out likely clients and negotiates terms
- Underwriting team has more time to prepare because know will sell the bonds



Useful in certain conditions

- Poor credit or security features
- Unusually large issue (> $300M) or small
- New entity
- Complicated issues – unusual financing terms, innovative structure or security
- Volatile market

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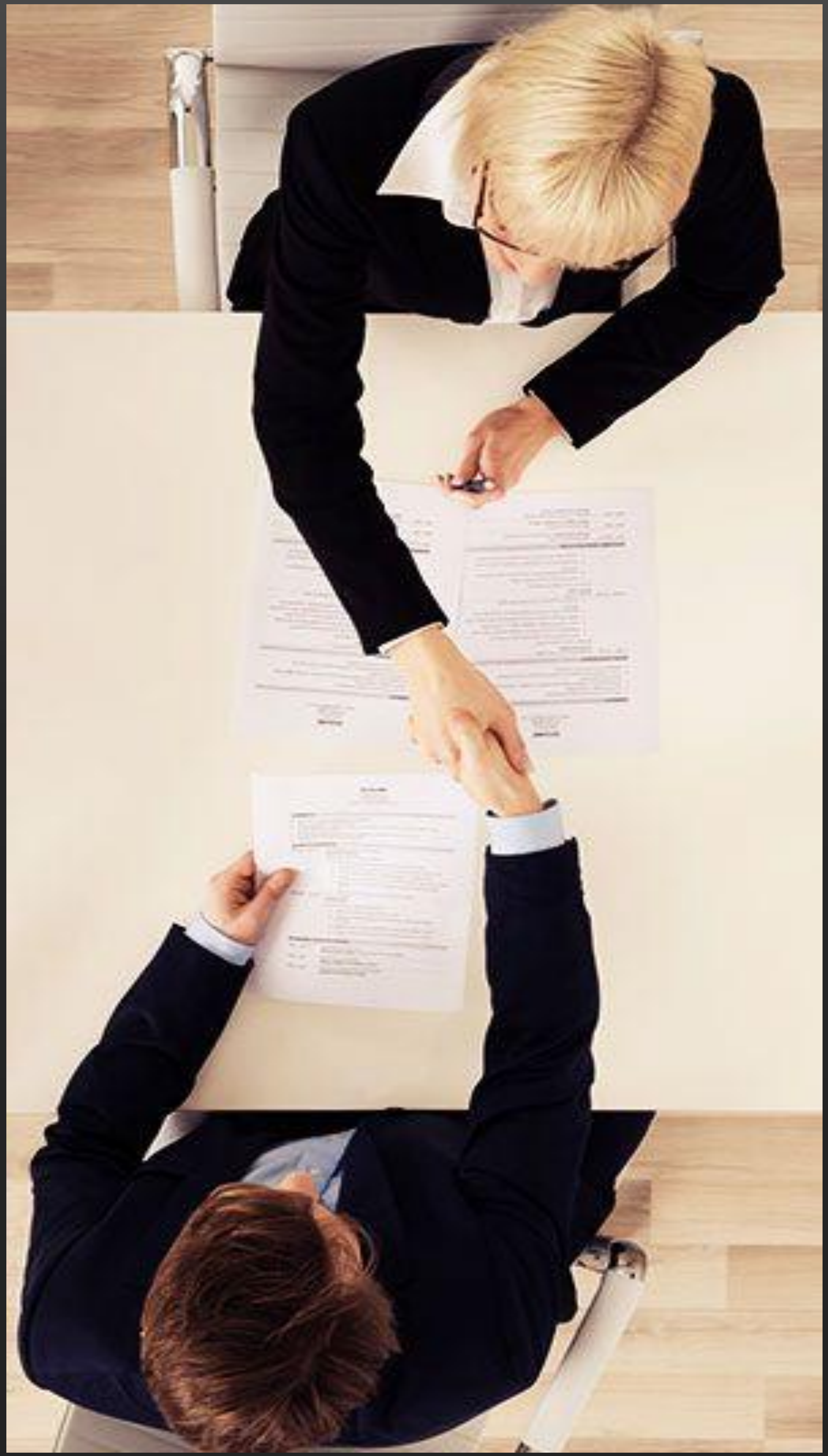
Types of Bond Sales

Private Placement

- Securities marketed directly to a "Sophisticated Investor"
- No underwriter, but may have a placement agent
- Usually place with banks or institutional investor
- Often higher interest rate because bond not as liquid
- But lower costs of issuance



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Types of Bond Sales

Limited Offering

- Similar to private placement
- Very few bondholders
- More than 2, but < 35 lenders

PRIMARY MUNI OFFERINGS

Percentage of New Issues by Bid Type and Tax Status, 2019–2023

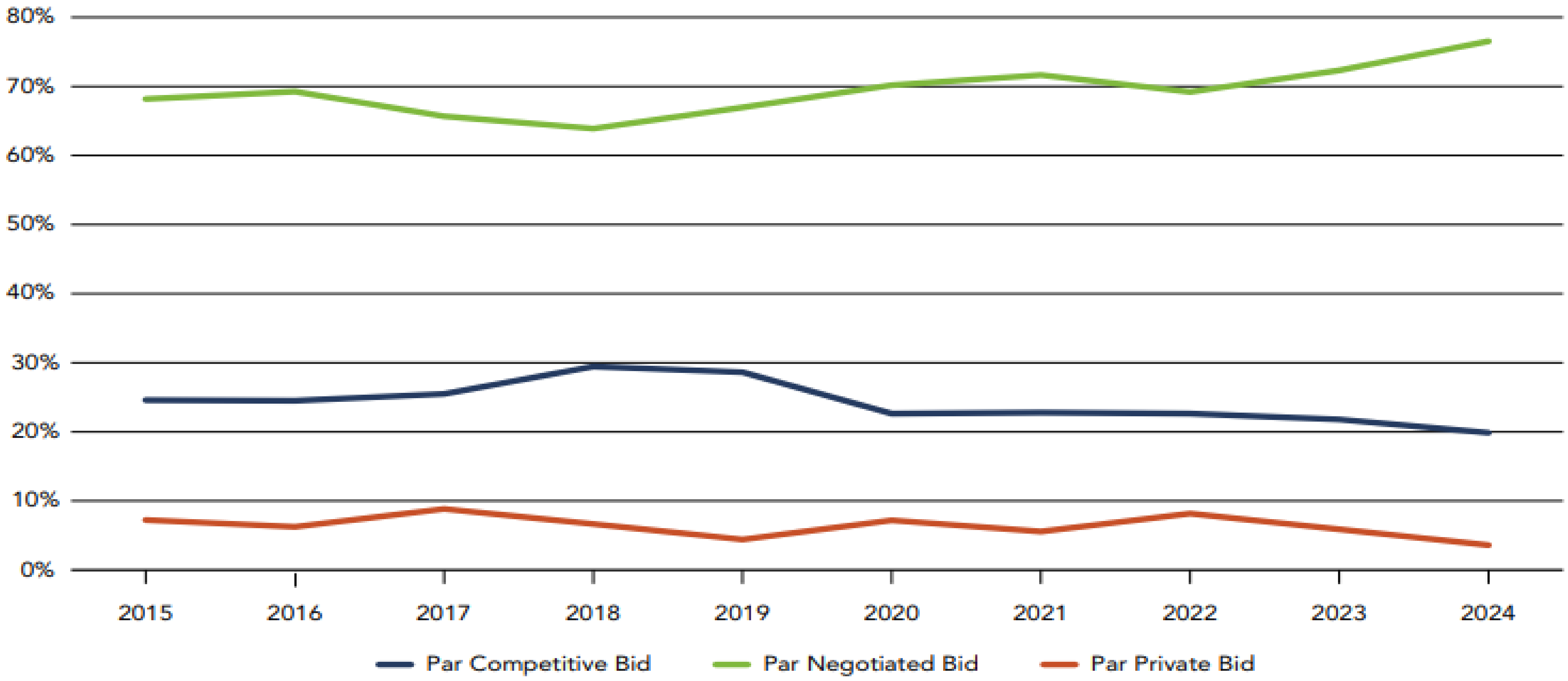
	Tax-Exempt	Taxable
Competitive	29%	14%
Negotiated	66%	79%
Private Placement	5%	8%

Some sectors, such as general purpose and education, do not use the negotiated market as often, while other sectors, including healthcare and housing, almost always use only the negotiated market.

The tax status of a deal also plays a significant role in the use of the competitive vs. the negotiated market. Since taxable offerings and deals subject to the Alternative Minimum Tax (AMT) are infrequent and may be considered more complicated than tax-exempt offerings, they are not typically brought to market using the competitive market.

Issuance by Offering Type as % of Par Issued

2015- 2024



Source: LSEG

Disclosure Documents

Detailed information about the bond offering differs according to who buys the bonds

Official Statement (OS)

Public Offering

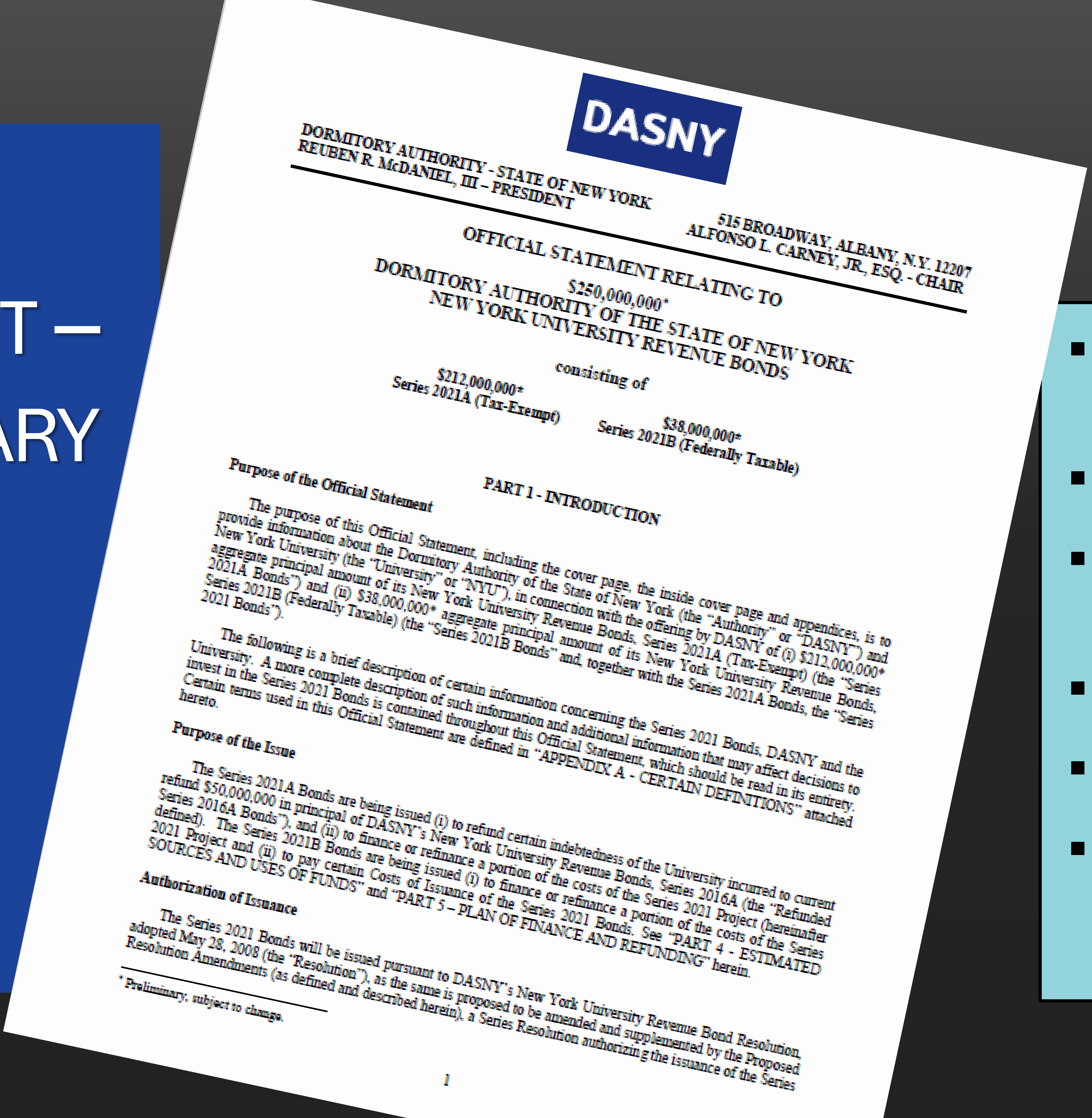
Limited Offering Memorandum (LOM)

Replaces OS

Private Placement Memorandum

Significantly less data

OFFICIAL STATEMENT – PRELIMINARY & FINAL



DASNY

DORMITORY AUTHORITY - STATE OF NEW YORK
REUBEN R. McDANIEL, III – PRESIDENT

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR., ESQ. - CHAIR

OFFICIAL STATEMENT RELATING TO

$250,000,000*
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NEW YORK UNIVERSITY REVENUE BONDS

consisting of

$212,000,000*
Series 2021A (Tax-Exempt)

$38,000,000*
Series 2021B (Federally Taxable)

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the "Authority" or "DASNY") and New York University (the "University" or "NYU"), in connection with the offering by DASNY of (i) $212,000,000* aggregate principal amount of its New York University Revenue Bonds, Series 2021A (Tax-Exempt) (the "Series 2021A Bonds") and (ii) $38,000,000* aggregate principal amount of its New York University Revenue Bonds, Series 2021B (Federally Taxable) (the "Series 2021B Bonds" and, together with the Series 2021A Bonds, the "Series 2021 Bonds").

The following is a brief description of certain information concerning the Series 2021 Bonds, DASNY and the University. A more complete description of such information and additional information that may affect decisions to invest in the Series 2021 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in "APPENDIX A - CERTAIN DEFINITIONS" attached hereto.

Purpose of the Issue

The Series 2021A Bonds are being issued (i) to refund certain indebtedness of the University incurred to current refund $50,000,000 in principal of DASNY's New York University Revenue Bonds, Series 2016A (the "Refunded Series 2016A Bonds"), and (ii) to finance or refinance a portion of the costs of the Series 2021 Project (hereinafter defined). The Series 2021B Bonds are being issued (i) to finance or refinance a portion of the costs of the Series 2021 Project and (ii) to pay certain Costs of Issuance of the Series 2021 Bonds. See "PART 4 - ESTIMATED SOURCES AND USES OF FUNDS" and "PART 5 – PLAN OF FINANCE AND REFUNDING" herein.

Authorization of Issuance

The Series 2021 Bonds will be issued pursuant to DASNY's New York University Revenue Bond Resolution, adopted May 28, 2008 (the "Resolution"), as the same is proposed to be amended and supplemented by the Proposed Resolution Amendments (as defined and described herein), a Series Resolution authorizing the issuance of the Series

* Preliminary, subject to change.

1

- Disclosure to prospective buyers
- Terms of financing
- Financial info & operating data
- Relevant parties
- Project description
- Must state if non-compliant within last 5 years

Official Statement – General Information

- History of institution
- Project description & cost data
- 5 -10 years of institutional data
- Demographics (10 yrs of data)
  - Enrollment Data (HC & FTE)
  - Applications, admissions, matriculation
  - Retention and graduation rates
  - Housing occupancy rates
  - Faculty & Staff statistics
  - Number of degrees awarded

Official Statement – General & Project Information

- Funding Sources
  - Description
  - Historical and comparative data
- Financials
  - Tuition & Fees Schedules
    - Resident & Non-Res, Restricted, Auxiliary
  - Financial Statements
  - Revenues & Expenses
- Financial aid & private support (gifts/endowments)
- Pro-forma budget

Why read the official statement?

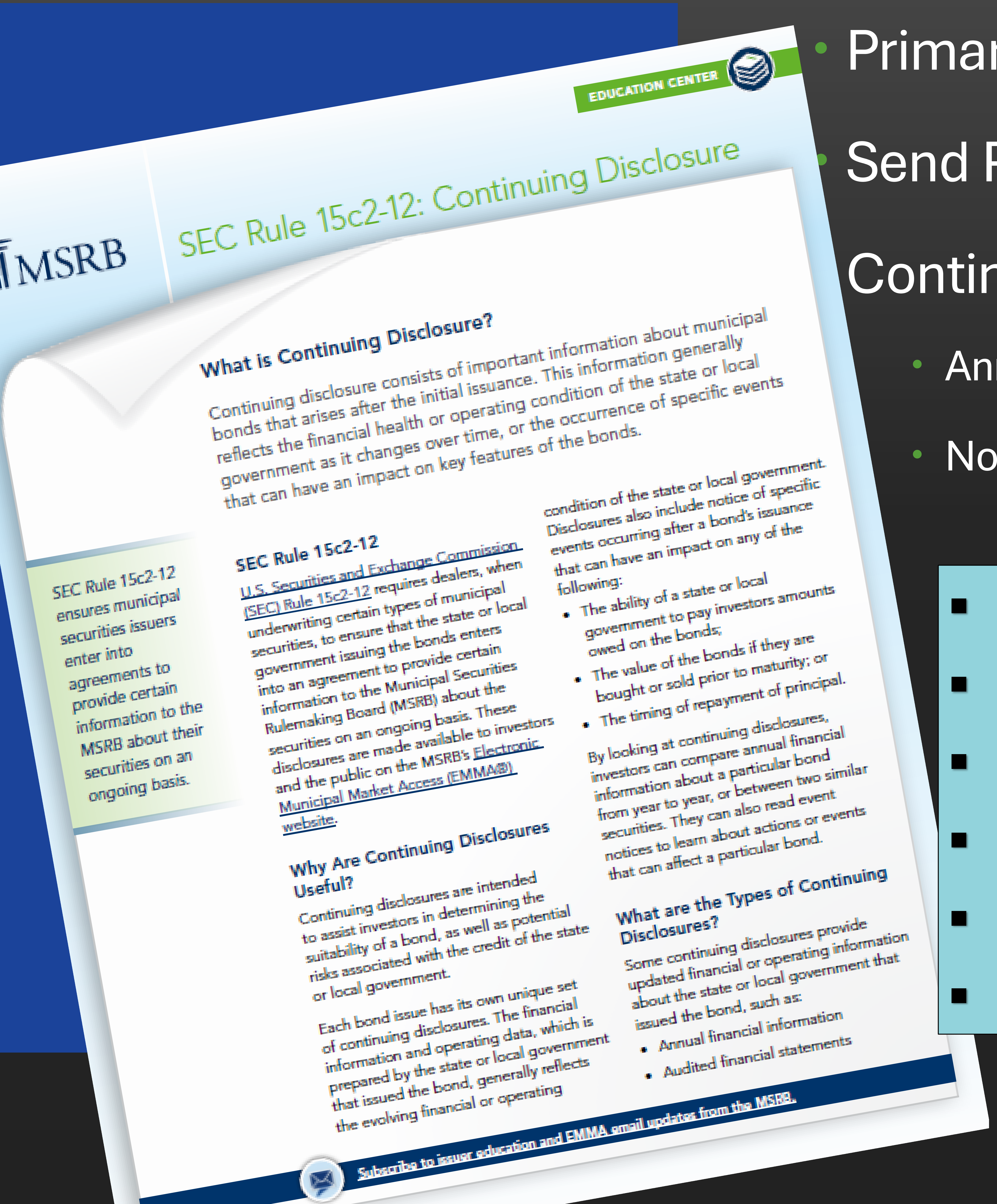
"The official statement describes the essential terms of the bonds, including call features, sources of repayment, issuer's covenants, and much more."

EMMA® Electronic Municipal Market Access
A service of the MSRB

cbmi
COLLEGE BUSINESS MANAGEMENT INSTITUTE

SEC Rule 15c2-12

- Primary offerings of $1 million or more
- Send POS/OS to potential buyers
- Continuing Disclosure to NRMSIR
  - Annual financials
  - Notice of material events:



MSRB

EDUCATION CENTER

SEC Rule 15c2-12: Continuing Disclosure

What is Continuing Disclosure?

Continuing disclosure consists of important information about municipal bonds that arises after the initial issuance. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds.

SEC Rule 15c2-12 ensures municipal securities issuers enter into agreements to provide certain information to the MSRB about their securities on an ongoing basis.

SEC Rule 15c2-12

U.S. Securities and Exchange Commission (SEC) Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the state or local government issuing the bonds enters into an agreement to provide certain information to the Municipal Securities Rulemaking Board (MSRB) about the securities on an ongoing basis. These disclosures are made available to investors and the public on the MSRB's Electronic Municipal Market Access (EMMA®) website.

Why Are Continuing Disclosures Useful?

Continuing disclosures are intended to assist investors in determining the suitability of a bond, as well as potential risks associated with the credit of the state or local government.

Each bond issue has its own unique set of continuing disclosures. The financial information and operating data, which is prepared by the state or local government that issued the bond, generally reflects the evolving financial or operating condition of the state or local government. Disclosures also include notice of specific events occurring after a bond's issuance that can have an impact on any of the following:

- The ability of a state or local government to pay investors amounts owed on the bonds;
- The value of the bonds if they are bought or sold prior to maturity; or
- The timing of repayment of principal.

By looking at continuing disclosures, investors can compare annual financial information about a particular bond from year to year, or between two similar securities. They can also read event notices to learn about actions or events that can affect a particular bond.

What are the Types of Continuing Disclosures?

Some continuing disclosures provide updated financial or operating information about the state or local government that issued the bond, such as:

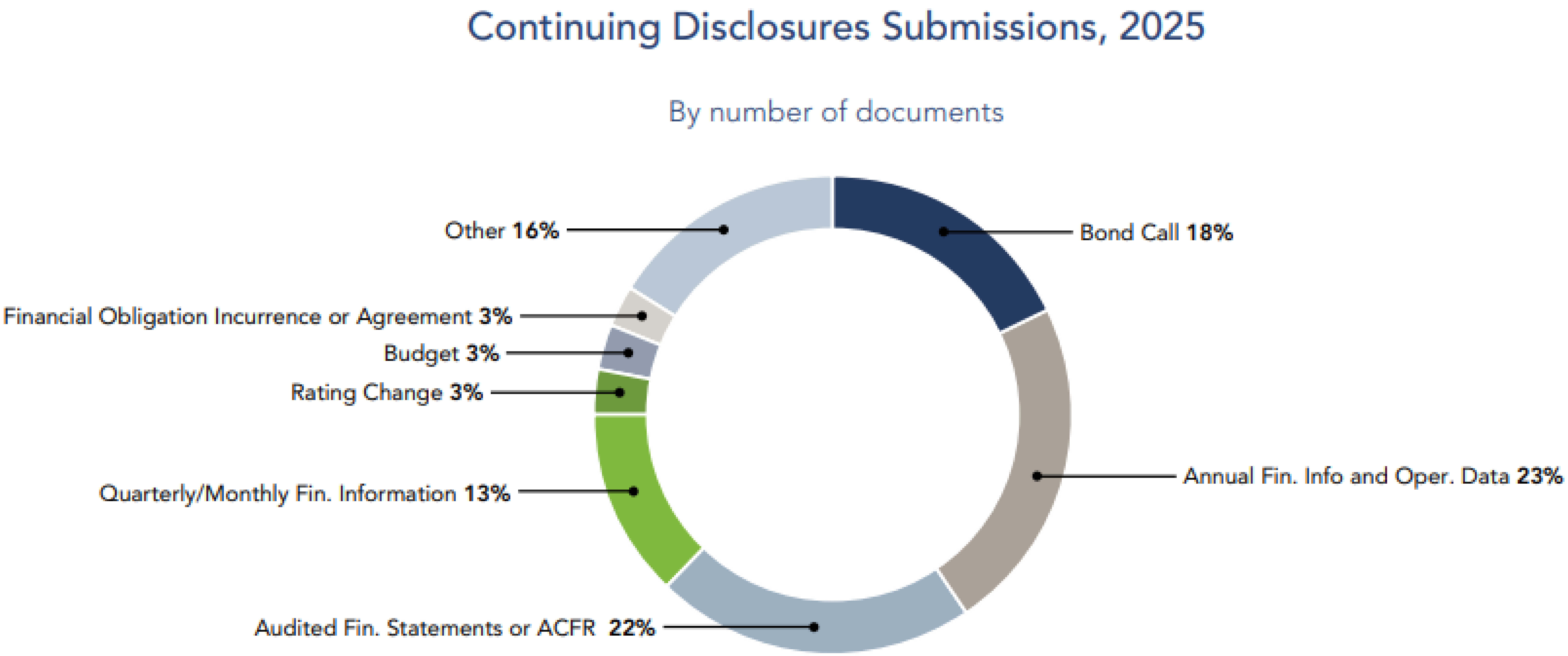
- Annual financial information
- Audited financial statements

Subscribe to issuer education and EMMA email updates from the MSRB.

- Delinquent P & I payments
- Other non-payment defaults
- Unscheduled DSRF draws
- Credit enhancement draws
- New or substitute enhancer
- Loss of tax-exempt status

- Modifying bondholder rights
- Bond calls
- Defeasance
- Release, substitution sale of securing property
- Rating changes

Municipal Market Disclosures



CREDIT RATINGS

Credit Rating Process

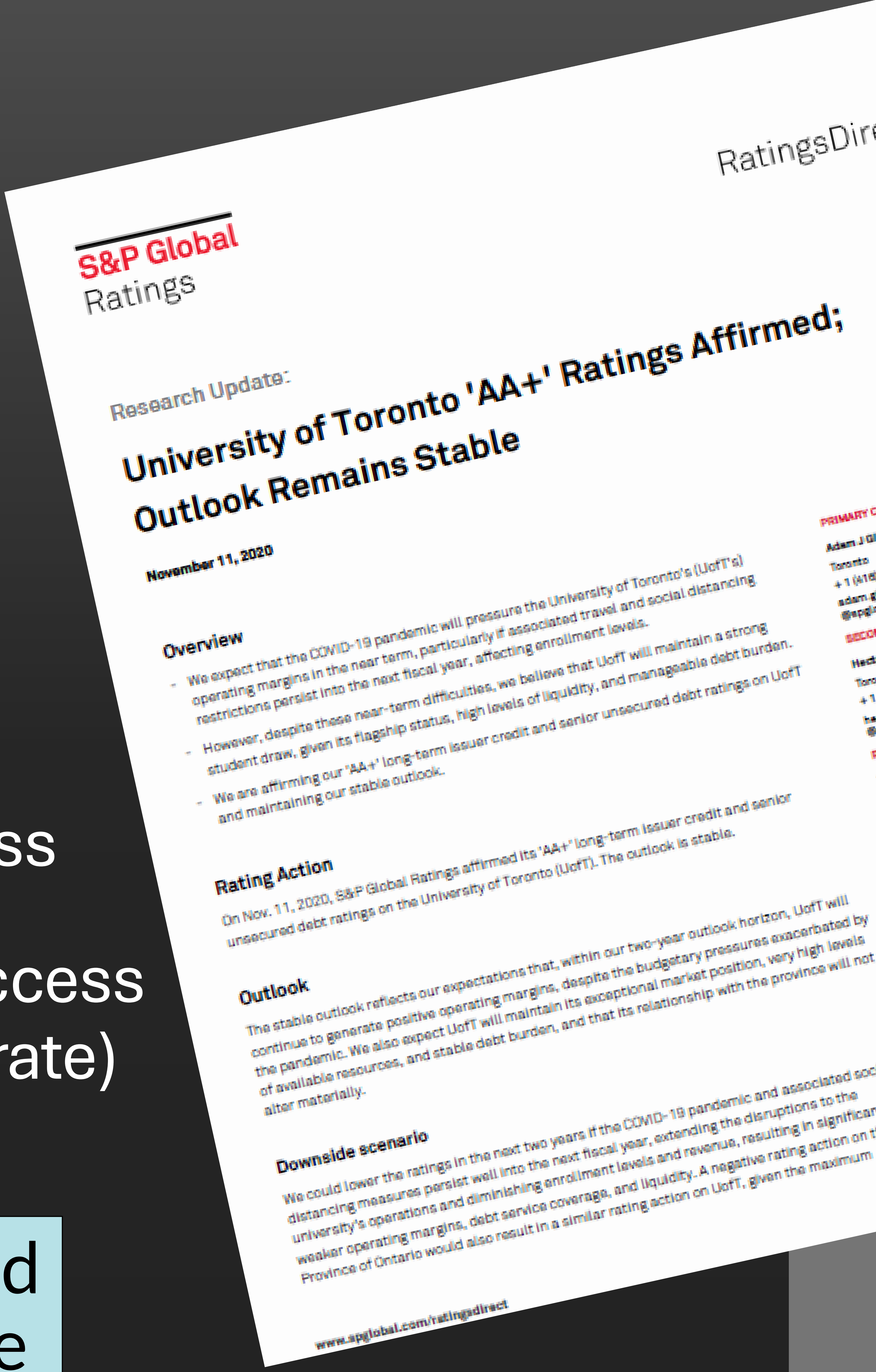
Credit Rating Agencies

"Large NRSROs":

Moody's Investors Service | S&P Global Ratings | Fitch Ratings

- Analyze transaction or institution & issue rating indicating creditworthiness
- "Investment grade" rating provides access to lowest cost of borrowing (interest rate)

Revenue bonds secured by a limited pledge usually rated lower than the institution's overall credit



RatingsDire

S&P Global Ratings

Research Update:

University of Toronto 'AA+' Ratings Affirmed; Outlook Remains Stable

November 11, 2020

Overview

- We expect that the COVID-19 pandemic will pressure the University of Toronto's (UofT's) operating margins in the near term, particularly if associated travel and social distancing restrictions persist into the next fiscal year, affecting enrollment levels.
- However, despite these near-term difficulties, we believe that UofT will maintain a strong student draw, given its flagship status, high levels of liquidity, and manageable debt burden.
- We are affirming our 'AA+' long-term issuer credit and senior unsecured debt ratings on UofT and maintaining our stable outlook.

Rating Action

On Nov. 11, 2020, S&P Global Ratings affirmed its 'AA+' long-term issuer credit and senior unsecured debt ratings on the University of Toronto (UofT). The outlook is stable.

Outlook

The stable outlook reflects our expectations that, within our two-year outlook horizon, UofT will continue to generate positive operating margins, despite the budgetary pressures exacerbated by the pandemic. We also expect UofT will maintain its exceptional market position, very high levels of available resources, and stable debt burden, and that its relationship with the province will not alter materially.

Downside scenario

We could lower the ratings in the next two years if the COVID-19 pandemic and associated soc distancing measures persist well into the next fiscal year, extending the disruptions to the university's operations and diminishing enrollment levels and revenue, resulting in significan weaker operating margins, debt service coverage, and liquidity. A negative rating action on t Province of Ontario would also result in a similar rating action on UofT, given the maximum

www.spglobal.com/ratingsdirect

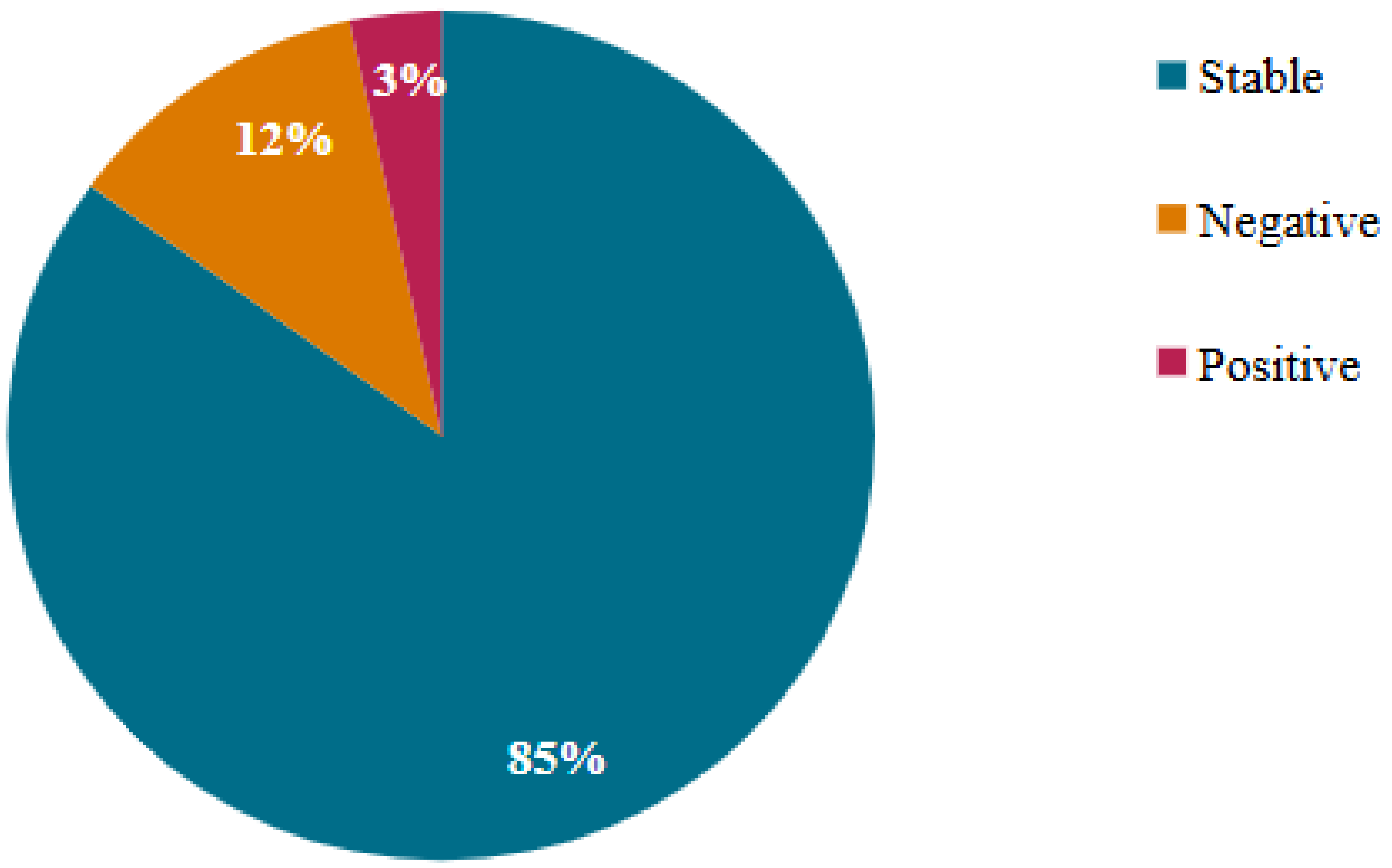
Municipal Bond Ratings

Creditworthiness	S&P	Moody's	Fitch
Investment Grade:			
Strongest	AAA	Aaa	AAA
Very Strong	AA	Aa	AA
Strong	A	A	A
Average	BBB	Baa	BBB
Speculative :			
Speculative	BB	Ba	BB
Highly Speculative	B	B	B
Substantial Risk	CCC	Caa	CCC
Default Probable	CC	Ca	CC
Default Imminent	C		C
Interest Pmt Default	CI	C	RD
Defaulted/Bankrupt	D		D


INVESTMENTS
LOW-YIELD
HI-YIELD

S & P Global Ratings Outlooks on U.S. Higher Ed Ratings

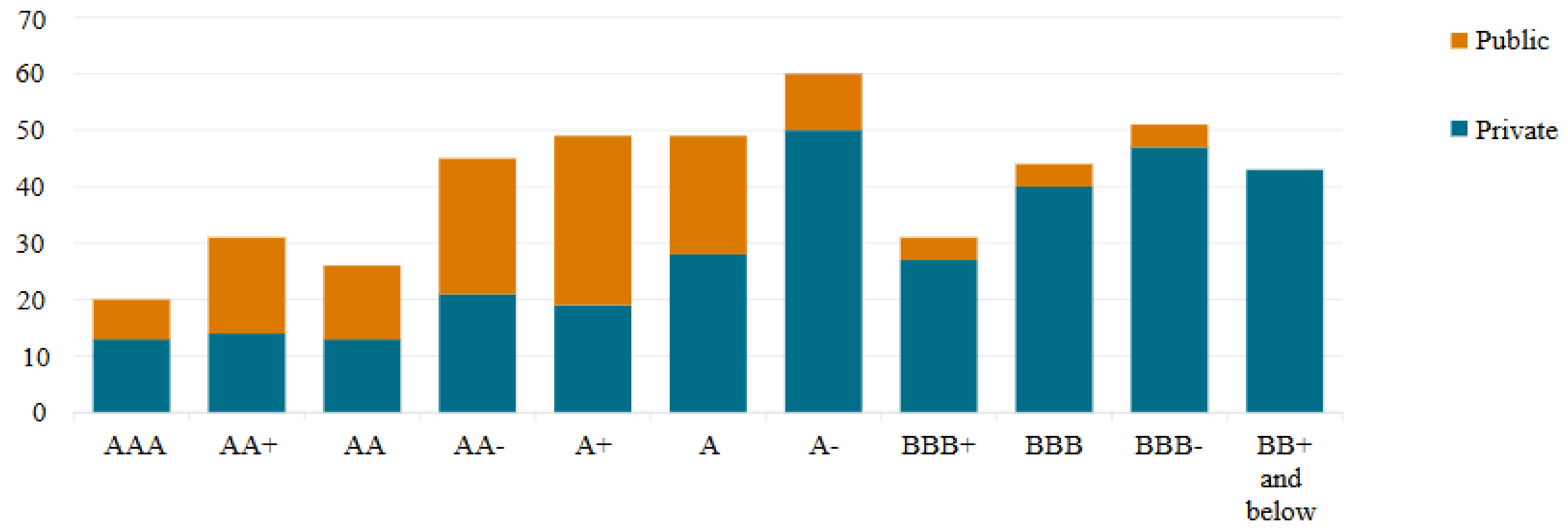
U.S. higher education outlook distribution



Source: S&P Global Ratings.

S & P Global Ratings Distribution on U.S. Higher Ed Ratings

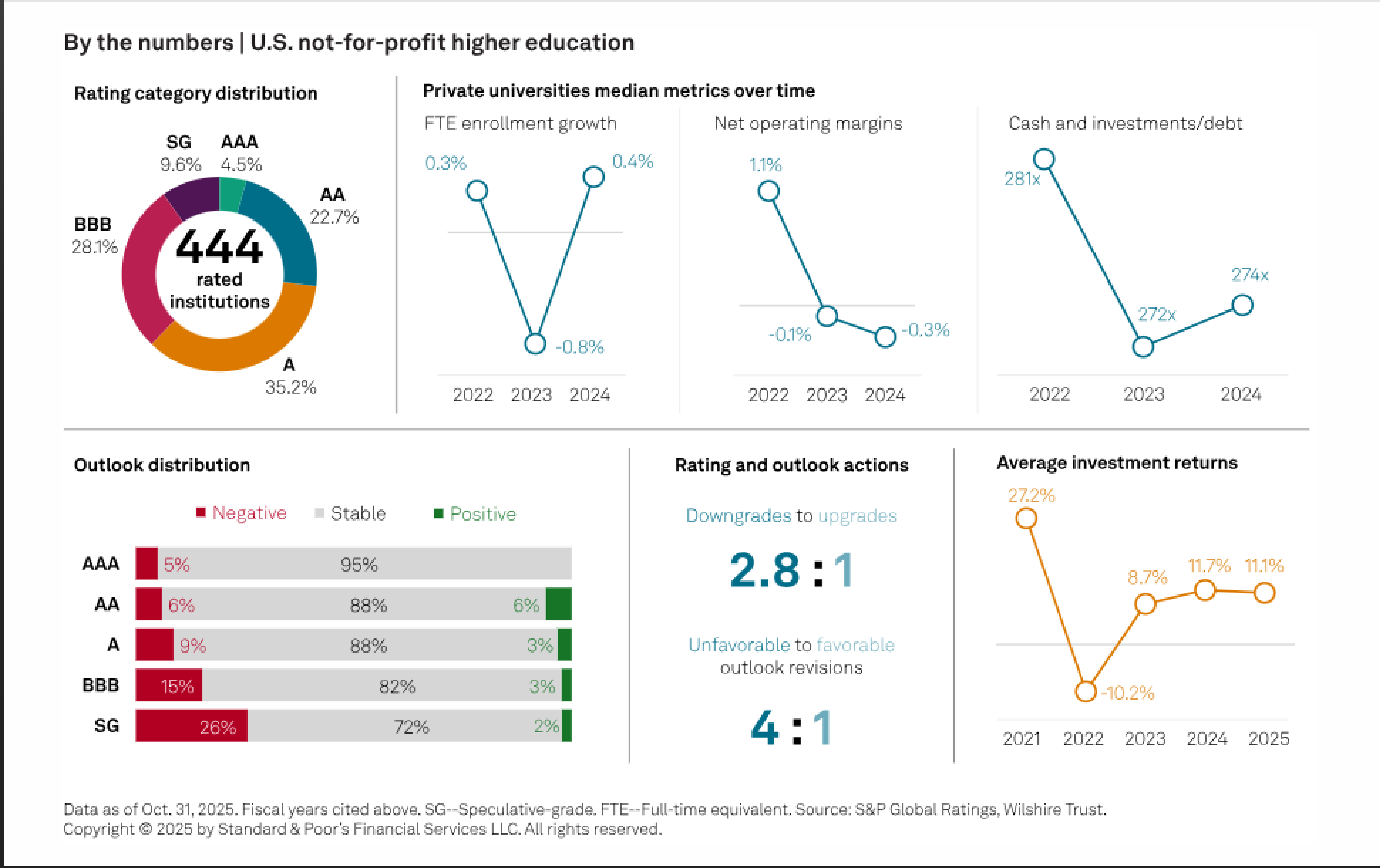
U.S higher education rating distribution



Source: S&P Global Ratings.

"S&P Global Ratings expects continued credit quality divergence, with weaker-positioned institutions - often smaller, more regional private colleges and universities - being disproportionately hampered by operating pressures, including increased financial covenant violations."

Credit Monitoring



"U.S. Not-For-Profit Higher Education 2026 Outlook: Lower Expectations For Higher Education"
S&P Global Ratings 12/02/2026

Moody's Higher Ed Rating Factors

1 Scale

2 Market Profile

3 Operating Performance

4 Financial Resources & Liquidity

5 Leverage & Coverage

6 Financial Policy

Moody's Investors Services Higher Education Scorecard

August, 2021

Changes reflect increased emphasis on & more direct assessment of market position, governance and management and operating environment

Previous

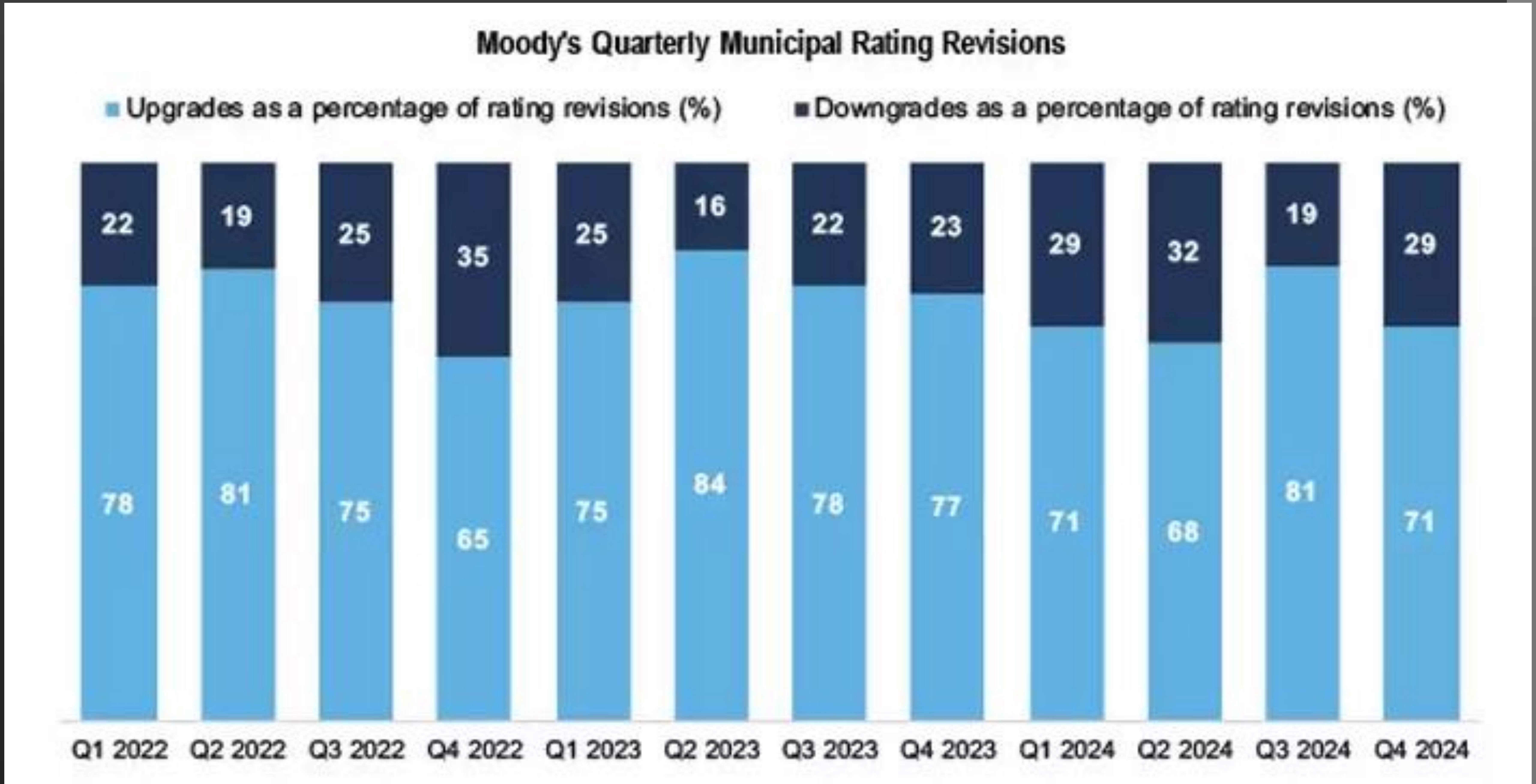
Broad Factors	Factor Weighting	Sub-Factors	Sub-Factor Weighting
Market Profile	30%	Scope of Operations Operating Revenue ($000)	15%
		Reputation & Pricing Power Annual Change in Operating Revenue (%)	5%
		Strategic Positioning	10%
Operating Performance	25%	Operating Results Operating Cash Flow Margin (%)	10%
		Revenue Diversity Maximum Single Contribution (%)	15%
Wealth & Liquidity	25%	Total Wealth Total Cash & Investments ($000)	10%
		Operating Reserve Spendable Cash & Investments to Oper Exp (x)	10%
		Liquidity Monthly Days Cash on Hand	5%
Leverage	20%	Financial Leverage Spendable Cash & Investments to Total Debt (x)	10%
		Debt Affordability Total Debt to Cash Flow (x)	10%
	100%	Total Scorecard-Indicated Outcome	100%

Revised

Broad Factors	Factor Weighting	Sub-Factors	Sub-Factor Weighting
Scale	15%	Adjusted Operating Revenue	15%
Market Profile	20%	Brand & Strategic Positioning	10%
		Operating Environment	10%
Operating Performance	10% ↓15%	EBIDA Margin (Earnings Before Interest, Depreciation and Amortization)	10%
Financial Resources & Liquidity	25%	Total Cash & Investments	10%
		Total Cash & Investments to Operating Expenses	15%
Leverage & Coverage	20%	Total Cash & Investments to Total Adjusted Debt	10%
		Annual Debt Service Coverage	10%
Financial Policy & Strategy	10%		10%
	100%	Total Scorecard-Indicated Outcome	100%

Credit Monitoring

Rating Reviews



As of December 31, 2024. Source: Moody's Ratings

In 2024, municipal issuers experienced more credit rating upgrades than downgrades, a trend observed since 2021.

S&P Public University Ratings by Category

Indiana University	AAA	Stable
Purdue University	AAA	Stable
Texas A&M University System	AAA	Stable
University of Michigan	AAA	Stable
Univ. of No. Carolina-Chapel Hill	AAA	Stable
University of Texas System	AAA	Stable
University of Virginia	AAA	Stable
University of Kentucky	AA+	Stable
University of Houston	AA	Positive
University of Arizona	AA-	Negative
University of North Carolina-Charlotte	A+	Positive
Western Michigan University	A	Positive
University of Louisiana-Lafayette	A-	Stable
Lake Superior State University	BBB+	Negative
Missouri Western State University	BBB	Stable
Alabama State University	BBB-	Positive
Northeastern Illinois University	BB+	Stable
University of Puerto Rico	CC	Negative

SAMPLES

Many AAA universities had enrollments > 50,000

Many AA universities had enrollments > 30,000

Speculative Grade (SG) ratings now only on Northeastern Illinois University & Univ. of Puerto Rico

Outlooks are negative...

Higher Ed Outlook

2026

Moody's	FitchRatings	S&P Global
Negative	Deteriorating	Negative

What S&P is Watching...

- New federal policies
- Enrollment amid changing demographics
- Rising costs and operating pressure persist
- Liquidity & financial flexibility
- Management actions
- Increasing event-related risks

"Facing ongoing pressures on operating budgets, colleges and universities are prioritizing strategies that enhance financial flexibility." - S&P Global Dec 2025

Credit Monitoring

S&P Global
Ratings

RatingsDirect®

University of Missouri Debt Rating Outlook Revised To Stable From Negative On Strong Operations; All Ratings Affirmed

Primary Credit Analyst:
Ashley Ramchandani, Chicago (1) 312-233-7071; ashley.ramchandani@spglobal.com

Secondary Contact:
Jessica A Matsumori, San Francisco (1) 415-371-5083; jessica.matsumori@spglobal.com

CHICAGO (S&P Global Ratings) March 1, 2017--S&P Global Ratings revi outlook on the debt issued by the University of Missouri (UM) to st negative. At the same time, we affirmed our 'AA+' long-term ratin system facilities revenue bonds and our 'A-1+' short-term rating on th series A and B commercial paper (CP) notes. Finally, we affirmed our 'AA+/A-' rating on the university's existing variable-rate demand bonds (VRDBs).

"The revised outlook reflects the system's recent and expected ongoing strong operating performance, fundraising, and financial profile compared with peers," said S&P Global Ratings credit analyst Ashley Ramchandani, "despite some softening of enrollment at its Columbia campus, presidential turnover, and prolonged negative media coverage." We believe the system will experience a return to modest enrollment growth in the future and a steady financial profile, and will develop a focused strategic plan under the guidance of its incoming president that will strengthen its position over time. While the university has communicated it has some capital needs, some of which may include the issuance of additional debt, the size and timing of such debt is uncertain and has not been included in this analysis. We will continue to evaluate the effect of new debt on the rating when plans are more fully finalized.

The short-term rating on the CP notes and VRDBs reflects UM's provision of self-liquidity in the event of an investor redemption or put or CP rollovers.

Cash and investments with same-day liquidity as of Dec. 31, 2016, total approximately $734.3 million (cash and equivalents plus U.S. agencies), providing 2.5x coverage of CP ($187.2 million) and variable-rate bonds outstanding ($96.3 million) and 1.3x coverage of authorized CP and variable-rate bonds.

Established in 1839, the University of Missouri System has 45 colleges, schools, and divisions and approximately 76,000 students in fall 2016 on campuses in Columbia (MU, its largest and oldest campus), St. Louis, Kansa City, and Rolla. MU is the state's flagship campus and UM is the state's research and land-grant university system.

"The stable outlook reflects our expectation that during the next two years, the university system (including the university medical alliance) will continue to produce positive operating results on a full-accrual basis and maintain unrestricted net assets relative to debt at or near current levels even with expected debt issuance," added Ms. Ramchandani. "In addition, we expect applications and enrollment to return to previous levels and the system to develop detailed strategic plans under the leadership of incoming president, Dr. Mun Choi.

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CREDIT MONITORING

Moody's Investors Service

Rating Action: Moody's downgrades University of Connecticut's (CT) stud
fee revenue bonds to A1; outlook stable

12 Nov 2020

New York, November 12, 2020 -- Moody's Investors Service has downgraded University of Connecticut's
(UCONN) student fee revenue bond rating to A1 from Aa3. The rating action affects about $200 million of
bonds. The outlook has ... revised to stable from negative. We maintain an A1 rating with a stable outlo
on $1.5 billion of ... bonds based on the State of Connecticut's rating (A1 stable) and payment of
debt ser...

...of Connecticut's student fee revenue bonds to A1 is driven by a combinatio
...onomic pressures both for the university and for the state combined with
...y the coronavirus pandemic, which we consider a social risk under our
...ubstantial thinning of pledged revenues supporting debt service and
...ce expected for fiscal 2021. With the weaker financial performance,
... in the university's already comparatively modest liquidity.

...importance as a large, flagship land-grant public university that serves
...dents across multiple campuses, has a revenue base of nearly $1.5
...se to $1 billion. A strong regional brand and very good enrollment
...s, and degree types supports continued favorable student
...vided by the university's governance structure as well as
...al revenue, which is used to support operations and debt service
...term operating uncertainty caused by the pandemic, other
...gnificant competition for students which could limit ability to
...iscal challenges, longer term prospects for growth in state
...N has materially high adjusted leverage including the UCONN
...ally obligated even thought the state pays debt service, and this
...ally tempered by leadership's demonstrated financial ...
..., which should result in resumed strengthening of ...

...OUTLOOK

The stabl...

RATING OUTLOOK

The stable outlook reflects our expectations of ongoing favorable student demand, which increases prospects for restoring 5-6x pledged revenue coverage of student fee revenue bonds for fiscal 2022. It also incorporates expectations of continued strong state financial support over the outlook period, maintenance of operating cash flow margins above 10%, and generally stable unrestricted liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Further improvement in the university's strategic position, including enhanced student demand and research profile, as well as fundraising performance

- Strengthening of state's credit profile, along with a demonstrated commitment to continue providing funding to support both operations and debt service

- Outsized growth in financial reserves, materially strengthening coverage of debt and expenses

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration in state credit quality or sustained reductions in state financial support

- Softening in student demand or failure to make progress towards restoring coverage of pledged revenue to historical levels at above 5x by fiscal 2022

CREDIT ANALYSIS

How do investors learn about your credit?

- Information disclosed in preliminary official statement
- Audited financial statements
- Credit Rating issued by rating agency
  - Institutional General Obligation Rating
  - Project Rating

Coming Soon!

Tues 1:45 PM