



TEXAS TECH UNIVERSITY SYSTEM

Report on Debt Profile and Credit Rating

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Vice Chancellor and Chief Financial Officer

February 27, 2020



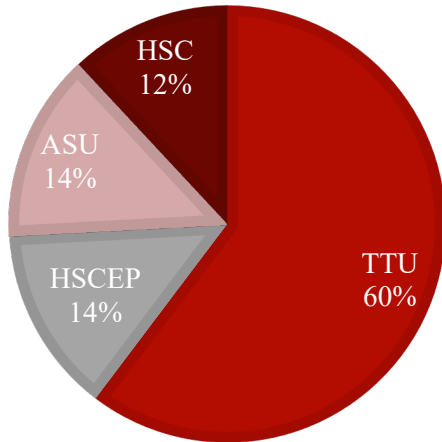
TTUS RFS Total Debt Outstanding

As of August 31, 2019

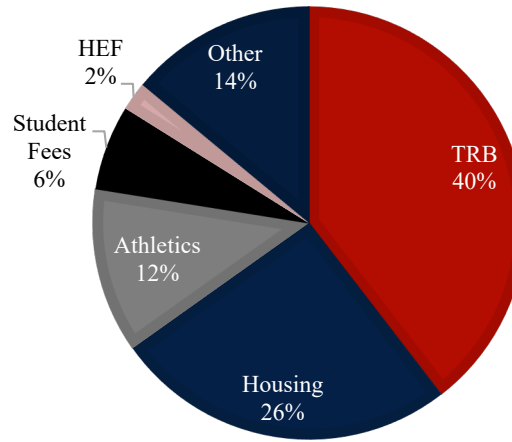


Institution	# of Projects	Debt Outstanding
TTU	62	\$448,915,982
HSC EP	5	\$103,050,700
ASU	16	\$103,369,318
HSC	8	\$88,958,000
GRAND TOTAL		\$744,295,000

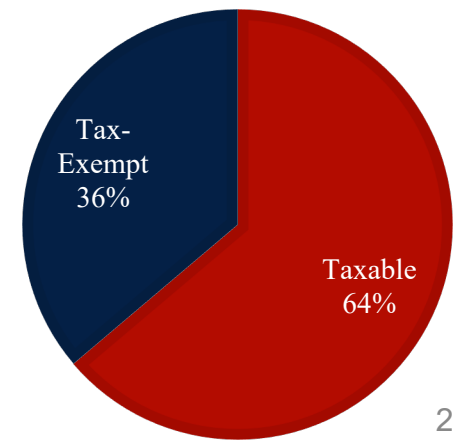
TOTAL DEBT BY COMPONENT



TOTAL DEBT BY FUNDING SOURCE



TAXABLE VS. TAX-EXEMPT

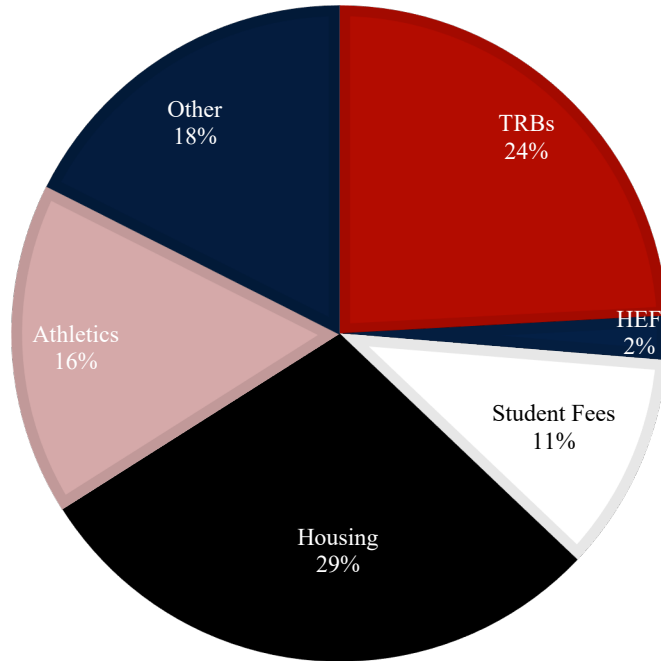


Bond Debt Outstanding by General Academic Institutions

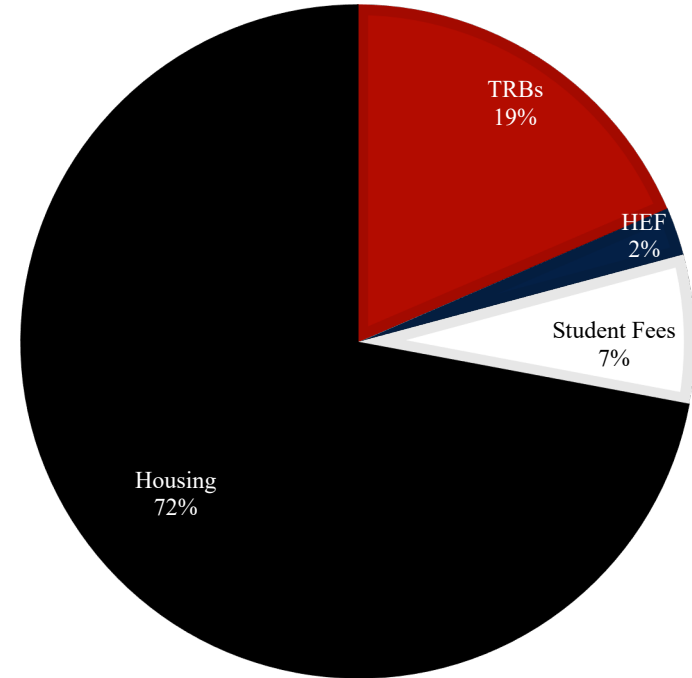
As of August 31, 2019



TTU By Funding Source



ASU By Funding Source

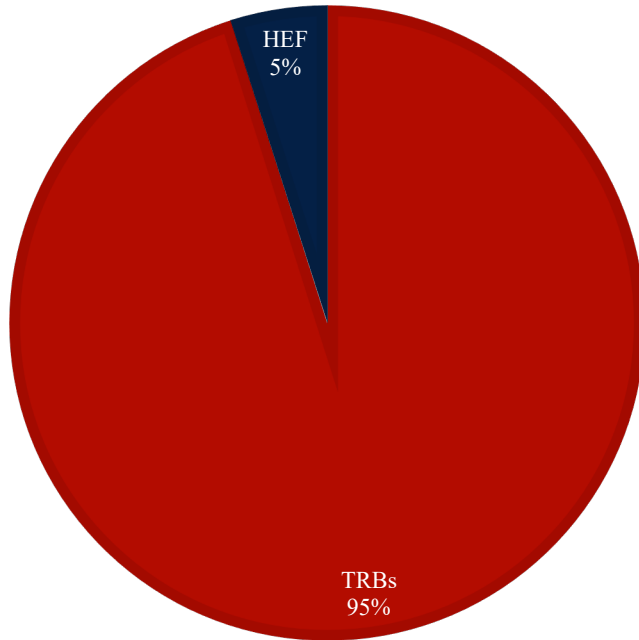


Bond Debt Outstanding by Health-Related Institutions

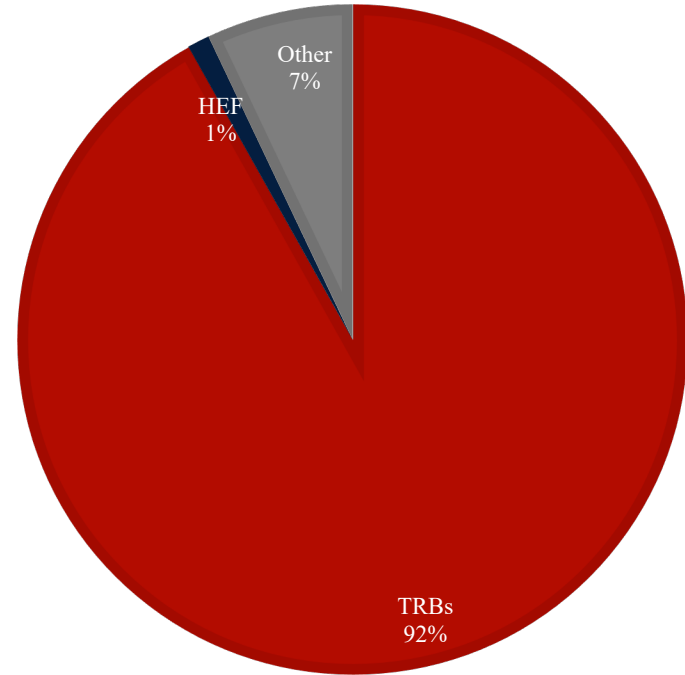
As of August 31, 2019



TTUHSC By Funding Source

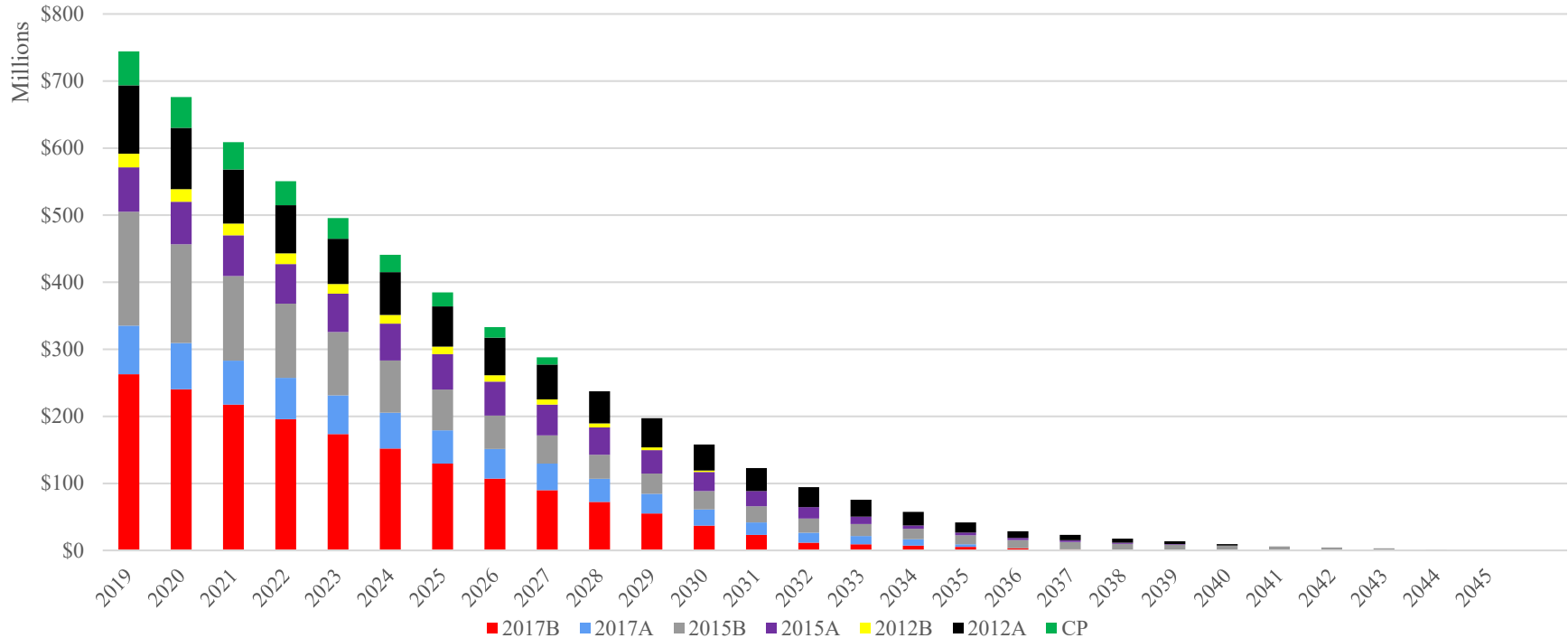


TTUHSC El Paso By Funding Source



Outstanding Debt Balance Amortization by Series

Fiscal Year End 2019 – 2045 (in millions)



➤ Confirmed AA+ Rating with Stable Outlook

- *“We assessed TTUS’ financial profile as extremely strong, characterized by robust available resources, consistent operating performance (and) manageable debt burden”*

➤ Noted Strengths of TTUS

- Comprehensive course offerings and increasingly diverse operations with four component institutions.
- Consistent history of positive operating performance with FY 2017 ending in 7.9% net operating margin.
- Solid and robust available resources and sizeable endowment relative to rating medians.
- Moderate maximum annual debt service (MADS) burden at 4.6% of FY 2017 operating expenses and capacity to absorb additional debt plans.

➤ Weaknesses

- Relatively lower student characteristics compared to peer institutions.
- Regional geographic draw compared with peers.



➤ Affirmed Aa1+ Rating with Stable Outlook

- *“TTUS’ excellent strategic positioning reflects its sizable wealth profile”... “solid fundraising activity and steady enrollment growth”... “Disciplined fiscal oversight, favorable debt service coverage and a disciplined approach to financial leverage.”*

➤ Noted Strengths of TTUS

- TTUS’ wealth relative to expenses exceeds the Aa1-median, fostered by cash and investment growth and modest expense increases.
- Sound cash flow margin of 14.8% in FY18 providing a 5-yr average 3.9x annual debt service coverage.
- Financial leverage measure improves to a very strong 5.6x when accounting for the state supported debt service.

➤ Weaknesses

- Exposure to potentially volatile healthcare revenue
- Competition for research funding
- Continued geographic concentration with 93% of undergraduates drawn from Texas

TTU System RFS Credit Ratings

10-year History



Date	MOODY's	STANDARD & POOR'S	FitchRatings
2019	Aa1 / Stable	AA+ / Stable	AA+ / Stable
2018			
2017	Aa1 / Stable	AA+ / Stable	AA+ / Stable
2016			
2015	Aa1 / Stable	AA+ / Stable	
2014	↑	↑	AA+ / Stable
2013			↑
2012			
2011			
2009	Aa2 / Stable	AA / Stable	AA / Stable

TTUS Credit Profile

Peer Comparisons, FY 2018



Moody's



	Texas A&M University System	Texas State University System	Texas Tech University System	University of North Texas System	University of Texas System	University of Houston System
RATINGS (Moody's, S&P, Fitch)	<i>Aaa/AAA/AAA</i>	<i>Aa2/NR/AA</i>	<i>Aa1/AA+/AA+</i>	<i>Aa2/NR/AA</i>	<i>Aaa/AAA/AAA</i>	<i>Aa2/AA/NR</i>
Operating Revenue (\$MM)	\$4,613	\$1,287	\$1,896	\$936	\$19,532	\$1,344
<i>RANKING:</i>	<i>2</i>	<i>5</i>	<i>3</i>	<i>6</i>	<i>1</i>	<i>4</i>
Operating Cash Flow Margin (%)	15.5%	16.0%	11.0%	10.9%	20.2%	16%
<i>RANKING:</i>	<i>4</i>	<i>2 (tied)</i>	<i>5</i>	<i>6</i>	<i>1</i>	<i>2 (tied)</i>
Max Single Revenue Contribution (%)	32.8%	54.8%	31.4%	46.7%	42%	51.8%
<i>RANKING:</i>	<i>2</i>	<i>6</i>	<i>1</i>	<i>4</i>	<i>3</i>	<i>5</i>
Spendable Cash & Investments to Operating (x)	2.0	0.7	1.0	0.6	1.5	0.8
<i>RANKING:</i>	<i>1</i>	<i>5</i>	<i>3</i>	<i>6</i>	<i>2</i>	<i>4</i>
Spendable Cash & Investments to Total Debt (x)	1.7	0.8	2.2	0.8	2.5	0.7
<i>RANKING:</i>	<i>3</i>	<i>4 (tied)</i>	<i>2</i>	<i>4 (tied)</i>	<i>1</i>	<i>6</i>
Total Debt-to-Cash Flow (x)	7.3	5.3	3.9	6.7	2.7	6.6
<i>RANKING:</i>	<i>6</i>	<i>3</i>	<i>2</i>	<i>5</i>	<i>1</i>	<i>4</i>
<u>AVERAGE RANKING:</u>	<u>3</u>	<u>4.17</u>	<u>2.67</u>	<u>5.17</u>	<u>1.5</u>	<u>4.17</u>
	<u>3</u>	<u>4 (tied)</u>	<u>2</u>	<u>6</u>	<u>1</u>	<u>4 (tied)</u>

Moody's Investors Service



Public College and University Ratings and Outlooks by Rating Category (as of January 22, 2020):

Aaa			
Indiana University	Aaa	Stable	IN
Purdue University	Aaa	Stable	IN
Texas A&M University System	Aaa	Stable	TX
University of Michigan	Aaa	Stable	MI
University of North Carolina at Chapel Hill	Aaa	Stable	NC
University of Texas System	Aaa	Stable	TX
University of Virginia	Aaa	Stable	VA
University of Washington	Aaa	Negative	WA
Aa1			
North Carolina State University at Raleigh	Aa1	Stable	NC
Ohio State University	Aa1	Stable	OH
Pennsylvania State University	Aa1	Stable	PA
State University of Iowa	Aa1	Stable	IA
Texas Tech University System	Aa1	Stable	TX
University of Colorado	Aa1	Stable	CO
University of Delaware	Aa1	Stable	DE
University of Minnesota	Aa1	Stable	MN
University of Missouri System	Aa1	Negative	MO
University of Nebraska	Aa1	Stable	NE
University of Pittsburgh	Aa1	Stable	PA
University of Utah	Aa1	Stable	UT
University System of Maryland	Aa1	Stable	MD
Virginia Polytechnic Institute & State University	Aa1	Stable	VA

Only 3 Public Universities in Texas are ranked in Moody's top 2 rating categories:

- Texas A&M University System
- University of Texas System
- **Texas Tech University System**

Potential RFS Bond Issuance

Anticipated for Late Spring to Summer 2020



Component	Capital Project Name	Repayment Source	Estimated Amount
ASU	Centennial Village Phase II	Auxiliary/Housing Fees	\$ 14,500,000
ASU	University Museum with Art Classrooms	Gifts/Pledges/HEF Appropriations	15,648,000
TTU	Womble Basketball Practice Center	Gifts/Pledges	22,750,000
TTU	Cash Family Sports Nutrition Center	Gifts/Pledges	4,962,000
TTU	School of Veterinary Medicine Facilities	Gifts/Pledges	90,000,000
HSC ELP	Dental Oral Health Clinic Bldg Renovation	HEF/MPIP Clinic Revenues	25,000,000
TTU	Academic Sciences Building	HEF Appropriations	85,000,000
New Money Total \$			257,860,000
Callable 2012A Series \$			80,665,000
Callable 2012B Series \$			15,975,000
Refinance Callable 2012A & 2012B Series Bonds Total \$			96,640,000
(Potential NPV Savings +8%, +\$7,000,000)			
Combined New Money and Refinance Total \$			354,500,000

***Estimates Pending Full Board of Regent's Approval



TEXAS TECH UNIVERSITY SYSTEM™