Capital Liability Management Plan

FY 2016 - 2020

Susan H. Ridley
Associate Vice Chancellor For Fiscal Affairs, Finance Director

“Creating A More Educated Georgia”
Lease Revenue Bond Issuance

$3.3 Billion Outstanding
FY16 Capital Lease Payments = $272 Million
Institution Capital Liability Ratios
June 30, 2015*
USG: 3.6%

*Does not reflect P³ defeasance

"Creating A More Educated Georgia"
FY 2015 PPV Portfolio Performance

32 out of 166 projects did not meet a 1.0x debt coverage ratio
Project expenses exceeded project revenues

- 18 Student Fee-Supported Projects
- 13 Housing Projects
- 1 Bookstore

All lease payments made in full and on time

Key Challenges
- Lagging enrollment compared to pro-forma assumptions
- Increases in enrolled students who do not pay fees
- Higher expenses

“Creating A More Educated Georgia”
Policy Implementation

Capital Liability Management Reserve
- $20.7 Million on deposit
- All institutions required to contribute 8% of annual lease payments
- No loans made to date
- Loans to SGSC, BSC and FVSU anticipated in FY 2017

Housing Occupancy
- 60,218 available beds; 94.2% systemwide occupancy
- 26 institutions have on-campus housing
- 19 institutions have freshmen residency requirements

<table>
<thead>
<tr>
<th># of Institutions</th>
<th>FY 16 Housing Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>96 - 100%</td>
</tr>
<tr>
<td>6</td>
<td>90 - 95%</td>
</tr>
<tr>
<td>2</td>
<td>85 - 89%</td>
</tr>
<tr>
<td>3</td>
<td>70 - 84%</td>
</tr>
<tr>
<td>1</td>
<td>&lt; 50%</td>
</tr>
</tbody>
</table>

“Creating A More Educated Georgia”
6 bond series/projects refunded; 2 additional pending

$9.44 million in total Net PV Savings with 100% of savings captured by the institutions

Refundings resulted in reduced annual lease payments and/or increases to the repair and replacement reserves.

USDA Financing
• First USG application (FVSU) submitted in September 2015
• Draft letter of conditions received on March 10
• Formal approval expected soon at 2.875%
• Estimated savings in debt service approximately $14 million
Multi-Year Contracts
Office Leases and Energy Performance Contracts

FY 2015
• $15 million requested and approved for multi-year leases; $6.5 million utilized for GIT (Technology Enterprise Park)
• $10.2 million requested and approved for energy performance contracts; $7.8 million utilized for GIT and $2.4 million for UGA

FY 2016
• $150 million requested for multi-year leases; $120 anticipated to be used by GIT commencing in FY 2018; no other leases signed for FY 2016
• $0 for energy performance contracts

FY 2017
• $30 million requested for multi-year leases
• $0 for energy performance contracts

"Creating A More Educated Georgia"
# FY 2016 - 2020 Capital Liability Management Plan

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Principal Outstanding</strong></td>
<td>$3,318,392</td>
<td>$3,217,093</td>
<td>$3,259,205</td>
<td>$3,426,806</td>
<td>$3,440,686</td>
</tr>
<tr>
<td>Projected New Issuance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPV and/or GHEFA</td>
<td>0</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Multi-Year Lease Contracts</td>
<td>0</td>
<td>30,000</td>
<td>150,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Multi-Year Energy Performance Contracts</td>
<td>0</td>
<td>0</td>
<td>15,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Scheduled Retirements</strong></td>
<td>(101,299)</td>
<td>(87,889)</td>
<td>(97,399)</td>
<td>(116,120)</td>
<td>(124,157)</td>
</tr>
<tr>
<td><strong>Total Principal Outstanding - End of Year</strong></td>
<td><strong>$3,217,093</strong></td>
<td><strong>$3,259,205</strong></td>
<td><strong>$3,426,806</strong></td>
<td><strong>$3,440,686</strong></td>
<td><strong>$3,446,529</strong></td>
</tr>
<tr>
<td>Total Annual Rental Agreements</td>
<td>$260,199</td>
<td>$262,836</td>
<td>$273,464</td>
<td>$283,994</td>
<td>$294,792</td>
</tr>
<tr>
<td>Total Capital Liability Obligations</td>
<td>261,791</td>
<td>264,428</td>
<td>278,887</td>
<td>310,350</td>
<td>324,475</td>
</tr>
<tr>
<td>USG Operating Revenues (Estimated)</td>
<td>$7,574,361</td>
<td>$7,754,433</td>
<td>$7,857,216</td>
<td>$7,985,477</td>
<td>$8,116,150</td>
</tr>
</tbody>
</table>

**Capital Liability Ratios (System Policy Limit of 5%)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Liability Payment Ratio (With MYL)</td>
<td>3.5%</td>
<td>3.4%</td>
<td>3.5%</td>
<td>3.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Capital Liability Payment Ratio (Without Multi-Year Leases)</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.5%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>
Capital Liability Management Plan

FY 2016 - 2020