



UM Residence Hall

July 2024

Financing Considerations

- 1. Ensure sufficient Cash Flow to Service additional debt**
- 2. Ensure University of Montana Credit Rating Unharmed**
- 3. Ensure Sufficient Debt Capacity Retained to Allow for Future Borrowings / Restructure Opportunities**

Cost Estimate and Funding Sources

Total Project Cost

- The total estimated cost of the Residence Hall Project is \$89 million.
- Costs of Demolition of Craig, Ellrod and Duniway Residence Halls excluded.

Use of Current Housing Operating Reserves and Capital Funds

- From Fiscal 2024 – Fiscal 2026, \$14.567 million of Housing funds committed to construction.
- Additionally, \$5.6 million of capital operating funds from previously issued bond proceeds will contribute to funding the project
- Approximately \$69 million in total bond proceeds needed to complete project.

Estimated PAR Amount of Needed Financing

- Based on current market conditions approximately \$63 million PAR amount of bonds needed to be issued

Financing & Housing Forecast

- Project financing is not contingent on residence hall rate increases.
- For planning purposes UM used the 20-year historical average annual rate increase of 2.5% as a means of addressing ongoing inflation and/or escalations in operation and maintenance.
- Strong Cash Flow Margin allows Housing to invest both operating surplus and capital reserves into New Residence Hall Project.
- Additionally, \$8.4 million of Housing Funds will be set aside for Debt Service during the construction period.
- Maximum Housing Debt Service of \$7.2 million forecast in Fiscal 2028, declining thereafter and stabilizing at \$4.5 million in Fiscal 2038.
- Operating Cash Flow continues to support future investments in housing stock.
- Positive combined Operating and Capital fund balances forecast throughout project life.
- Occupancy rate forecast at approximately 95%, consistent with recent operating history.

Moody's Credit Opinion May 28, 2024

University of Montana, MT

Update to credit analysis

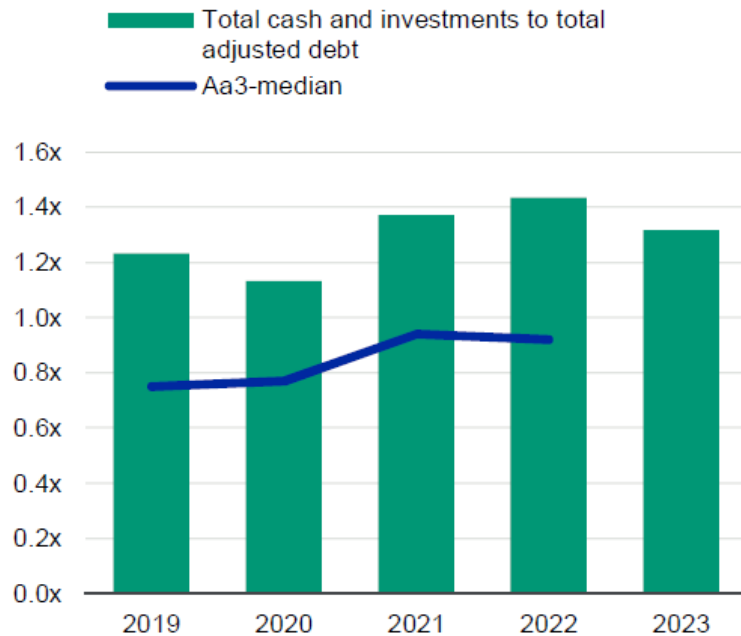
Summary

The University of Montana's (UM; Aa3 stable) credit profile reflects its importance to the State of Montana (Aa1 stable) as one of only two public universities comprising the state's university system. The university, which includes the flagship, R1 research institution in Missoula, two additional four-year campuses, and two two-year campuses, provides strong economies of scale and a solid scope of operations at \$487 million in fiscal 2023. Revenue sources are diverse, with a very good mix of student charges, grants and contracts, and state operating appropriations to help mitigate periodic volatility of the revenue streams. Strong and generally growing philanthropy continues to underpin growth in financial resources. Good revenue and expense management has led to adequate EBIDA margins, recording 7% for fiscal 2023 and providing a solid 3.1x debt service coverage. Total cash and investments to expenses are in line with rated peers, though liquidity remains modest at 107 monthly days cash on hand due to modest surpluses. While the university has incurred additional debt since fiscal 2020 for strategic projects, wealth to total adjusted debt at 1.3x remains competitive relative to rated peers. The university's campuses will continue to face enrollment volatility, stemming from the very competitive student market.

Moody's Credit Opinion May 28, 2024

Exhibit 1

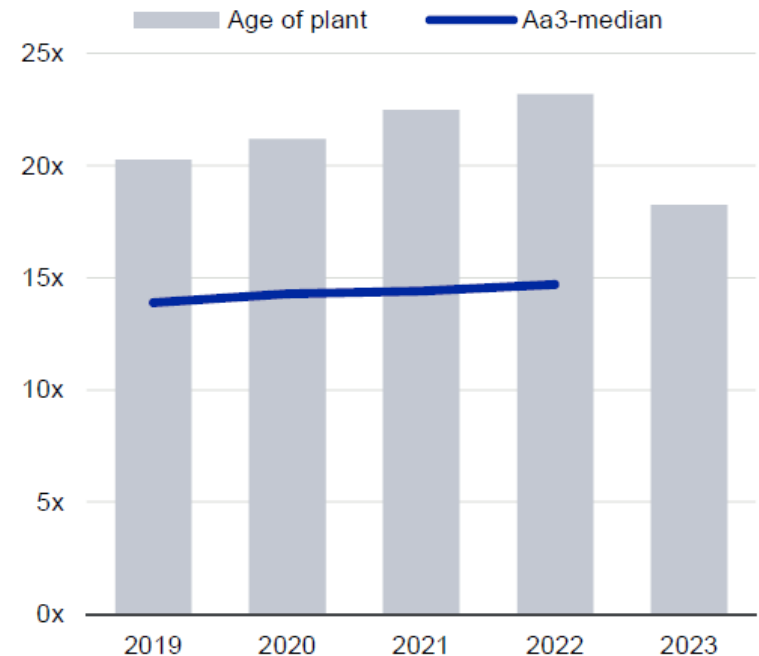
Rising, but moderate financial leverage



Source: Moody's Ratings

Exhibit 2

High age of plant reflects capital needs



Source: Moody's Ratings

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Leverage and coverage

Stemming from aging infrastructure and identified project needs to maintain market competition, the university is investing in building and infrastructure updates, through the careful deployment of gifts, reserves and debt. Wealth relative to direct debt is ample at 2.8x. Inclusive of the proportionate share of the state's unfunded pension liability, wealth to total adjusted debt declines to 1.3x, but remains stronger than the Aa3-median at 0.9x. The largest project is a new \$47 million dining hall at the Missoula flagship campus. Additional projects include residence hall renovations, academic building upgrades, completion of the Montana Museum of Art & Culture, as well as core infrastructure improvements. The university is currently planning for construction of a new residence hall, though approvals and timing are in progress. Updates to facilities that result in improved student outcomes and incremental auxiliary revenue will add favorably to UM's debt revenue pledge.