WILLIAM & MARY

CHARTERED 1693

FINANCIAL AFFAIRS COMMITTEE

August 25, 2020

FY21 SHORTFALL REFLECTS LOWER REVENUE AND INCREASED EXPENSE

- Reduced Revenues
  - Housing contracts
  - Dining
  - Athletics
  - Other Auxiliary Services
  - Tuition
    - 0% increase
    - Enrollment shifts
- COVID Expenses
  - Technology Enhancements
  - Testing
  - PPE
  - Space Modifications
  - Enhanced Cleaning Protocols
  - Contact Tracing
- Pre-COVID Expenses
  - Financial Aid
  - Fringe Benefits
  - Unrestricted Private Funds

MITIGATION STRATEGIES

- Cash balances ✓
- Hiring freeze ✓
- Cost containment ✓
- Mission-critical budget review ✓
- Voluntary personnel actions ✓
- Involuntary targeted, personnel actions
- Involuntary across-the-board personnel actions
- Restructuring existing debt ⬅
- Issuing new debt ⬅

Reminder: Restrictions on fund sources may limit options for some programs.

THE ROLE OF DEBT IN THE CURRENT ENVIRONMENT

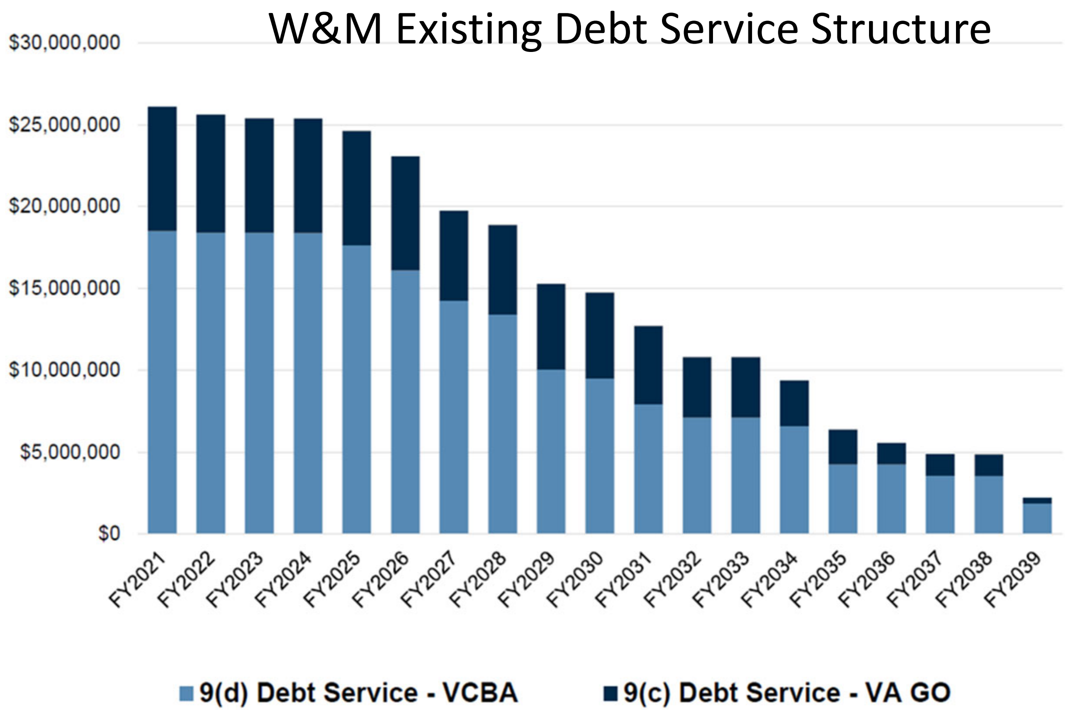
- Interest rates are at a near-historic low
- Favorable market response
- General purpose debt provides needed flexibility
  - Short-term COVID-related shortfalls
  - Future strategic uses

PROPOSED ACTION: AUTHORIZE UP TO $200M BOND PACKAGE

$90M	Refund existing debt via the state and/or W&M
$20M	New tax-exempt debt for dorm renovations
$70M	New general purpose taxable debt
$180M	**Total Package***

* Authorization provides up to $20 million if circumstances change prior to bond sale.

$90M TO RESTRUCTURE EXISTING DEBT



- Current debt portfolio issued by the state
- Restructure reduces debt service in FY21 and FY22
- Flexibility for future property development via use of taxable debt

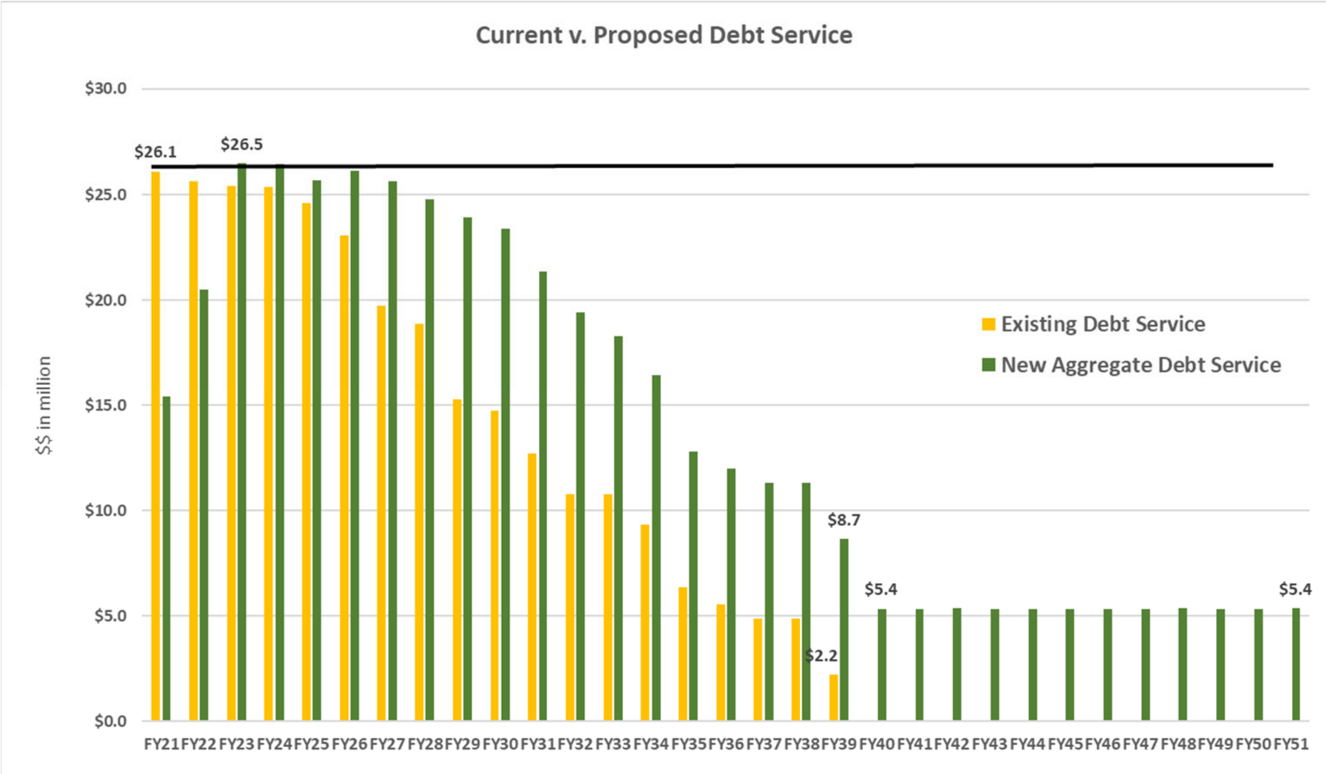
$20M FOR DORM RENOVATIONS

- $12.5M for One Tribe Place
- $7.5M for future work supporting summer semester

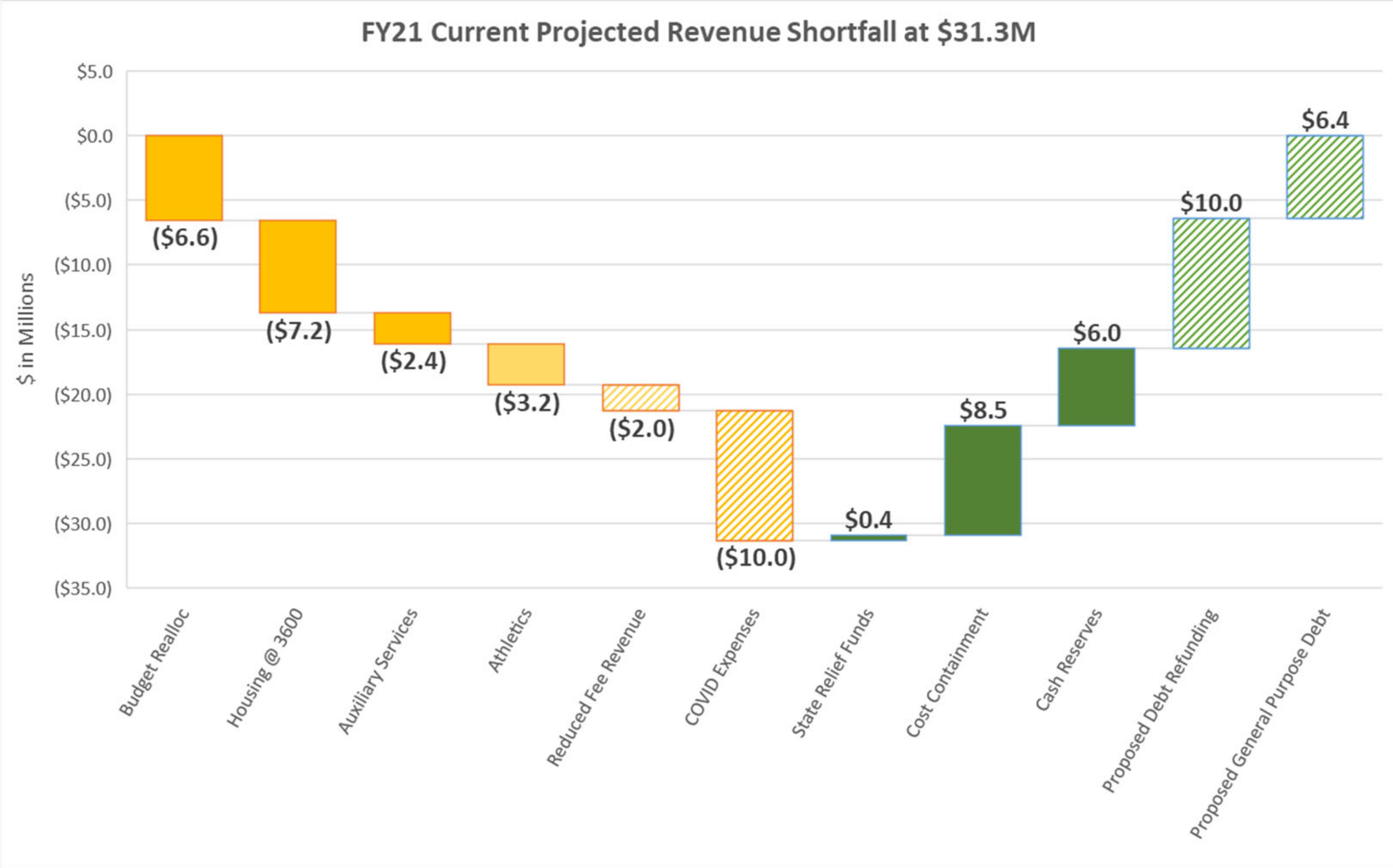
$70M GENERAL REVENUE PLEDGE

- Provides contingency funds during COVID
  - Size of issuance constrained by impact on bond rating
    - Current rating = AA; Required to maintain at least a AA- as Tier 3
  - Size of issuance constrained by university's debt policy
    - As proposed, MADS = 6.14% of Operating Expenses
  - Impact on annual debt service
    - Debt service remains relatively flat to minimize future budget reductions and/or increases in student fees
    - Uses 30-year term to smooth debt service costs over time

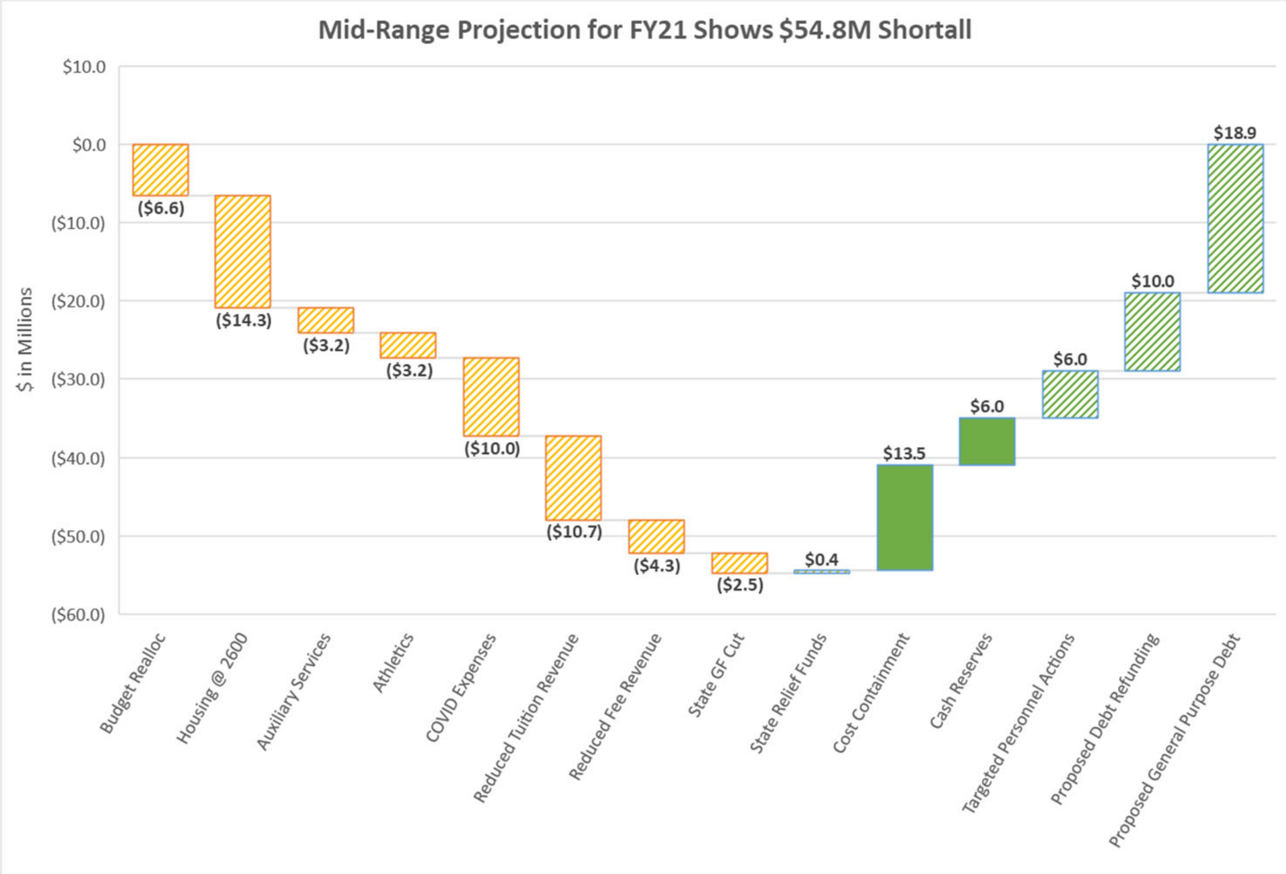
CUSTOM STRUCTURE MAINTAINS DEBT SERVICE AT CURRENT LEVELS



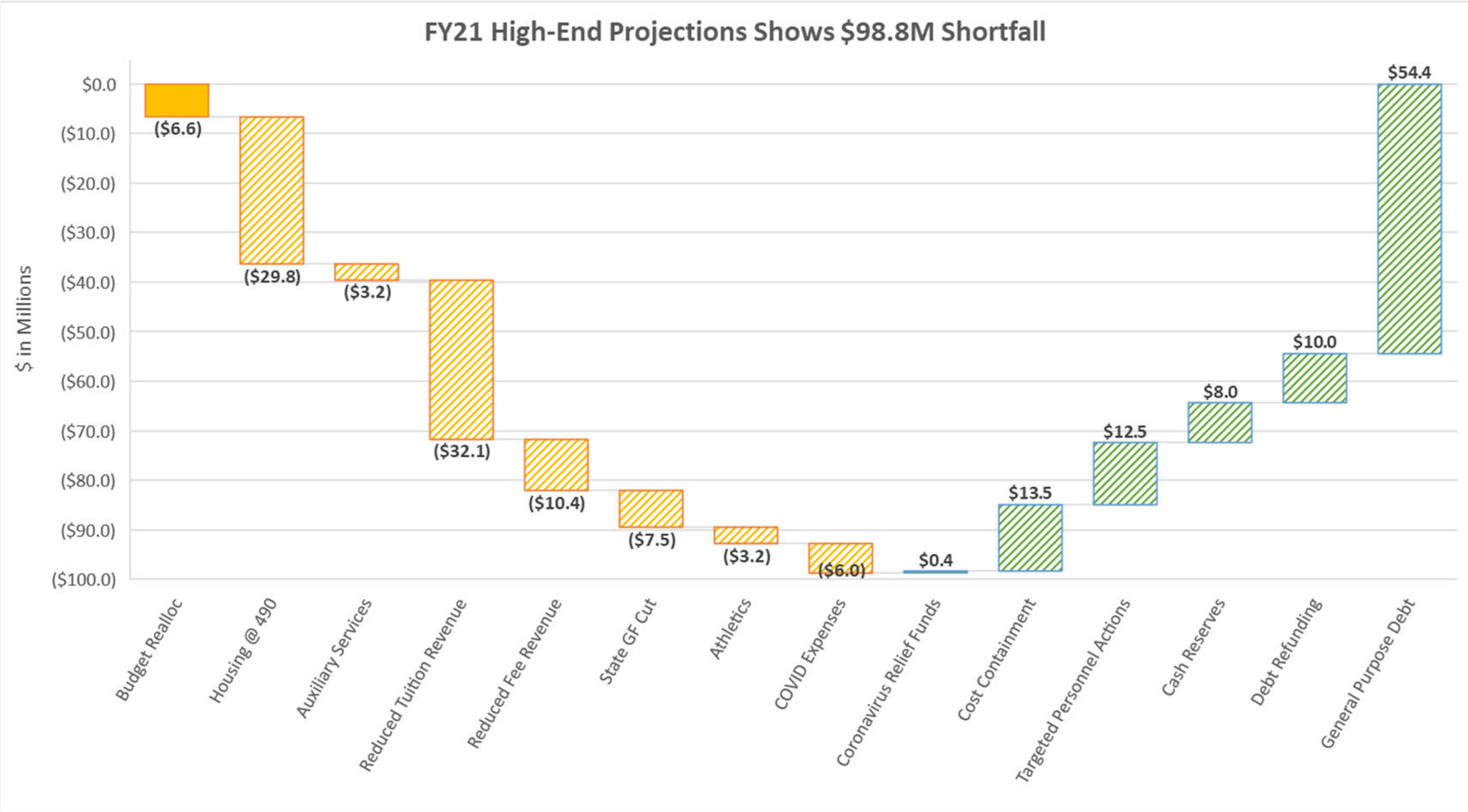
AUGUST 2020 > $30M+ FY21 SHORTFALL



FY21 PICTURE MAY WORSEN...



… OR STEEPLY DECLINE, IF CONDITIONS DETERIORATE



TIMELINE AND PROCESS

Month	Activity
June	Selected financial advisor (FA)
July – August	Modeled scenarios for proposed debt package Selected bond counsel (BC)
August – Mid-September	BOV authorization Develop bond documents in consultation with FA/BC
Late September	Seek Treasury Board approval to refund existing debt Present package to rating agencies
October	Price bond sale
November	Bond closing

RESOLUTION 1(R)

- Authorizes President and COO to issue up to $200M to meet the outlined objectives
- Caps interest at 5%
  - Allows for some movement in the market without additional board action
- Allows for 31-year term depending on timing of sale(s)