



**California Institutional Investors Forum V
Presentation on the Regents of the University of California**

Peter J. Taylor
Executive Vice President – Chief Financial Officer

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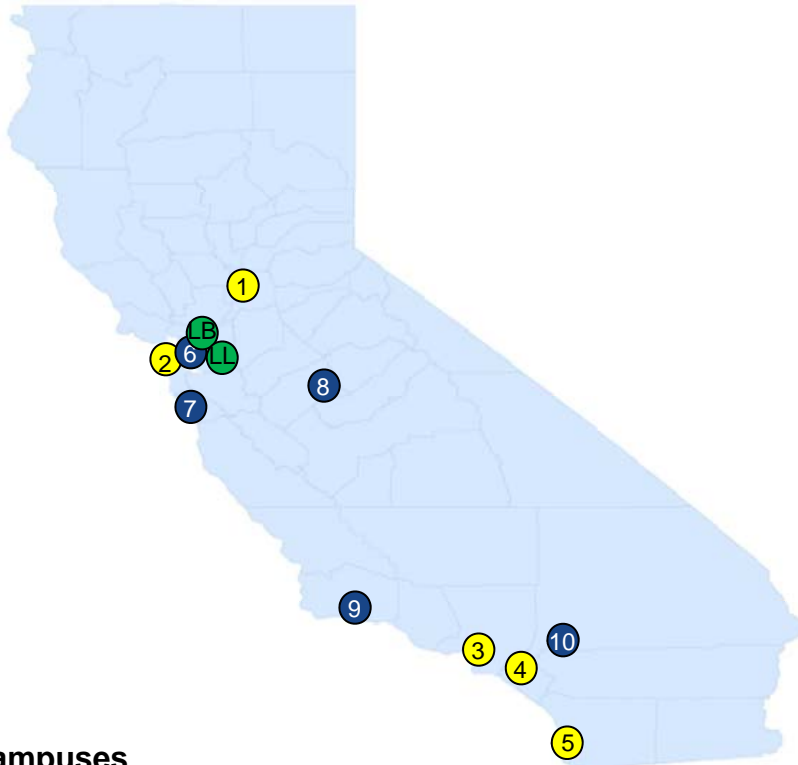
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I. Introduction



UC Includes 10 Campuses and 5 Academic Medical Centers, and Manages the Lawrence Berkeley National Laboratory



UC Campuses w/ Medical Centers

- ① Davis
- ② San Francisco
- ③ Los Angeles
- ④ Irvine
- ⑤ San Diego

National Laboratories

- Ⓟ Berkeley
- Ⓛ Livermore (joint venture)

Other UC Campuses

- ⑥ Berkeley
- ⑦ Santa Cruz
- ⑧ Merced
- ⑨ Santa Barbara
- ⑩ Riverside

Los Alamos (New Mexico) (joint venture)

- **Established in 1868**
- Governed by a 26-member Board of Regents
- Has conferred **over 1.8 million** degrees
- Educated **over 228,000** full-time equivalent students in FY08-09
- Pre-eminent faculty of approx. **10,000**, as of October 2009
 - **57 Nobel Prizes**, more than any other U.S. public university
 - **28 Nobel Prize winners currently on faculty**
- Approximately \$42 billion of assets, \$22 billion of liabilities and a \$21 billion operating budget in FY08-09

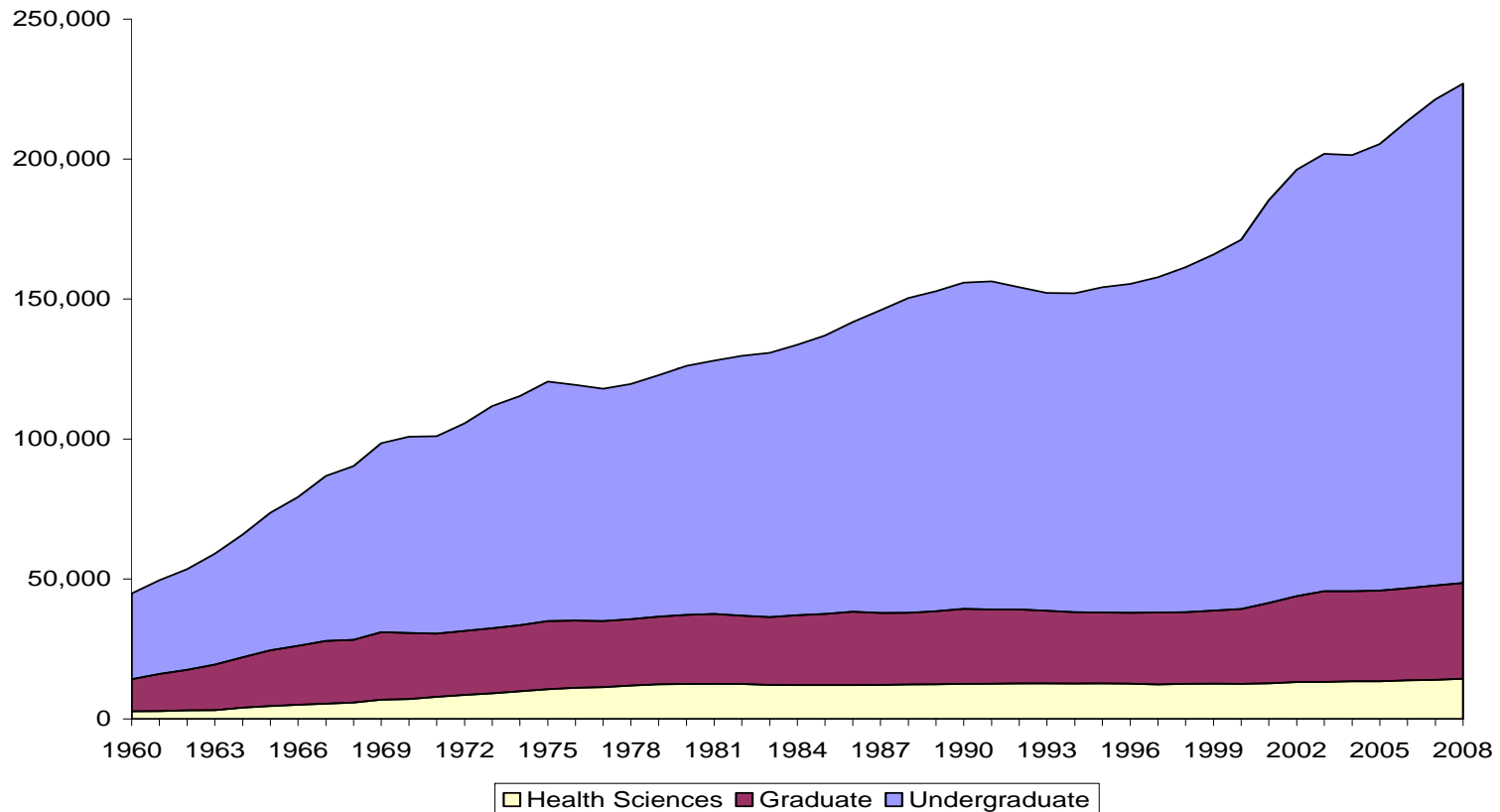


UC is the Human Capital & Economic Engine that Drives the State of California

- **Student demand is strong** across campuses, with **highly selective** undergraduate and graduate programs
- UC confers more than 40,000 bachelor's degrees, 3,800 Ph.D.s and 600 medical degrees **every year**
- UC is the nation's **premier research university**, generating net revenue of \$4.7 billion from grants and contracts in FY08-09
 - **6 of the 10 campuses** are members of the Association of American Universities, an association of the 62 leading public and private research-intensive universities in North America
 - Operates one national laboratory & jointly manages two national laboratories
- Employs **over 173,000** Californians
 - Over 47,000 academic personnel and 126,750 staff and management personnel as of October 2009
- The University will have a hand in creating an estimated **2.3 million** California jobs this decade



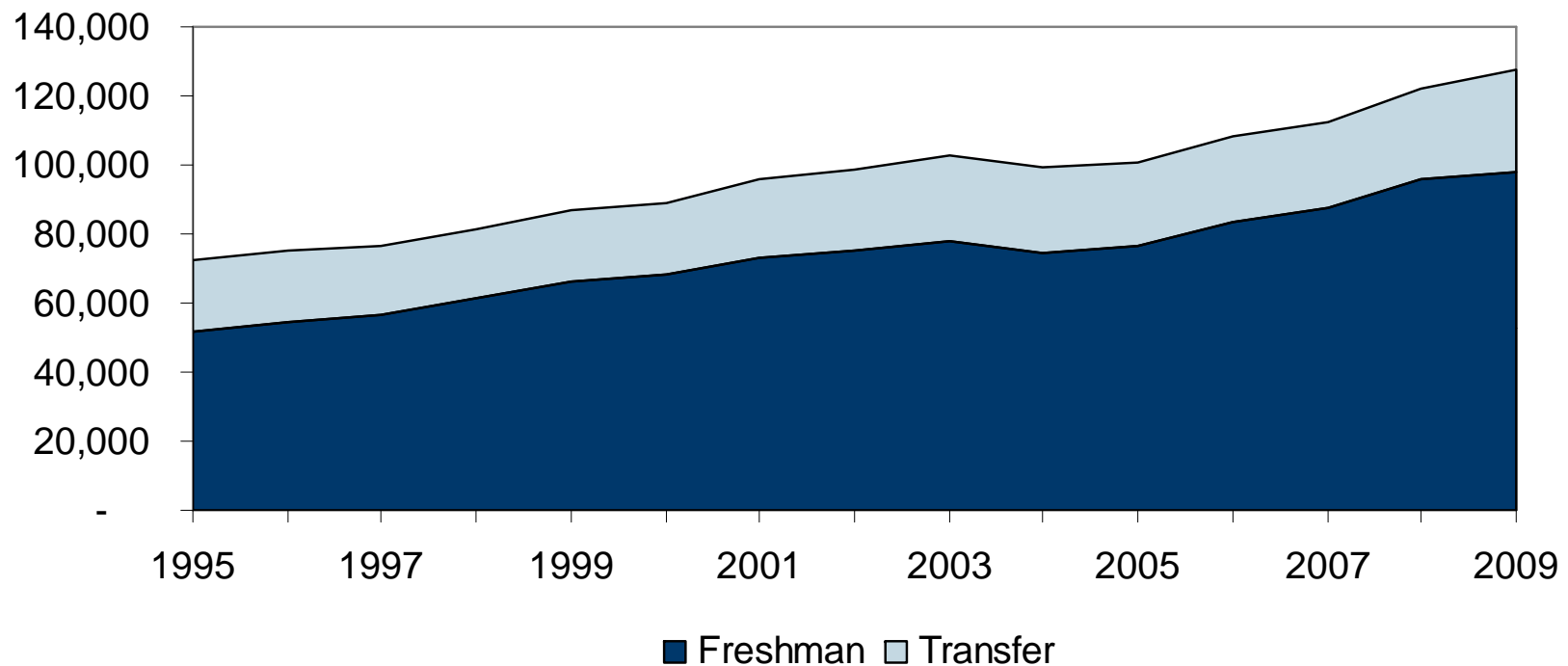
History of UC Enrollment – 1960 to Present



- For 09-10,
 - 232,540 full year FTE for general campus and health sciences
 - Undergraduate (including postbaccalaureates): 183,882
 - Graduates: 48,658



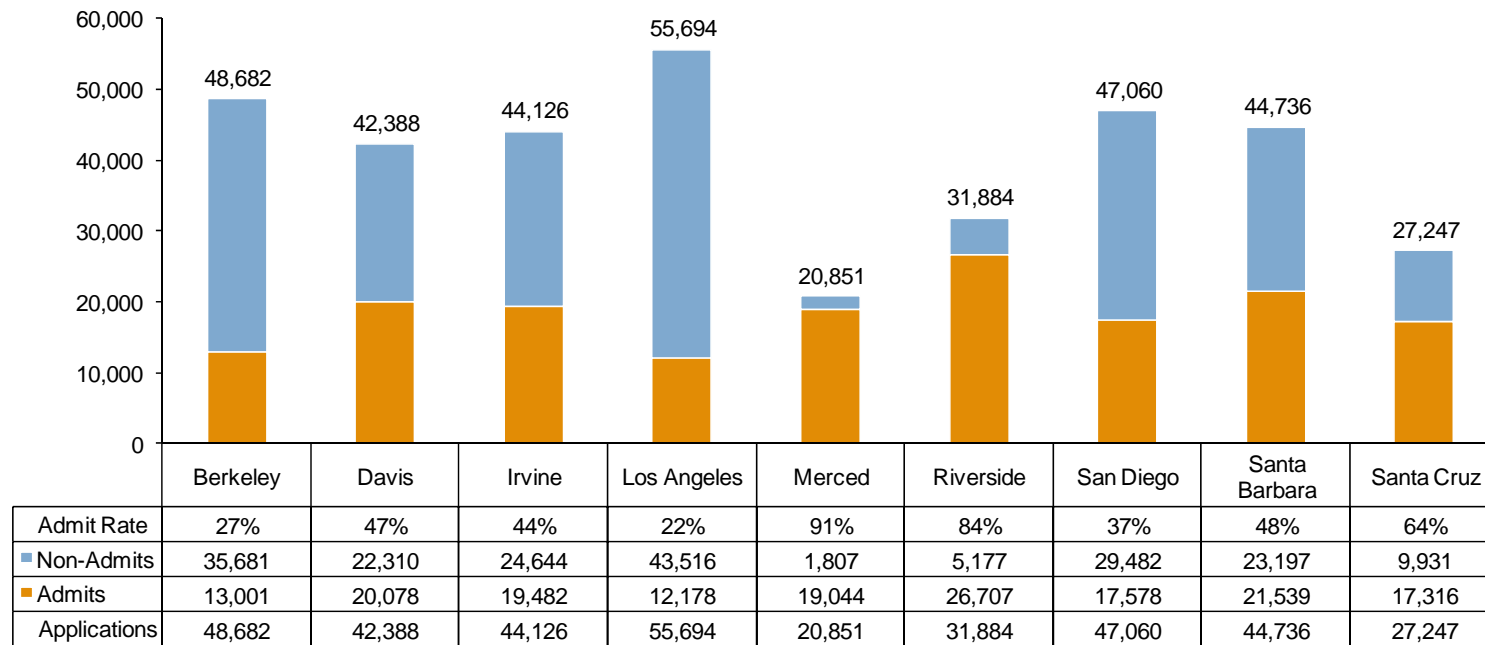
Undergraduate Applications – Fall 1995 to 2009



- For Fall 2009, eight campuses had double-digit growth over Fall 2007 levels.
- UC received a record number of applications for the Fall 2009 term. Compared to last year:
 - Freshmen applications increased by 3.0%, from 95,201 to 98,024
 - Transfer applications increased by 14.5%, from 25,804 to 29,551



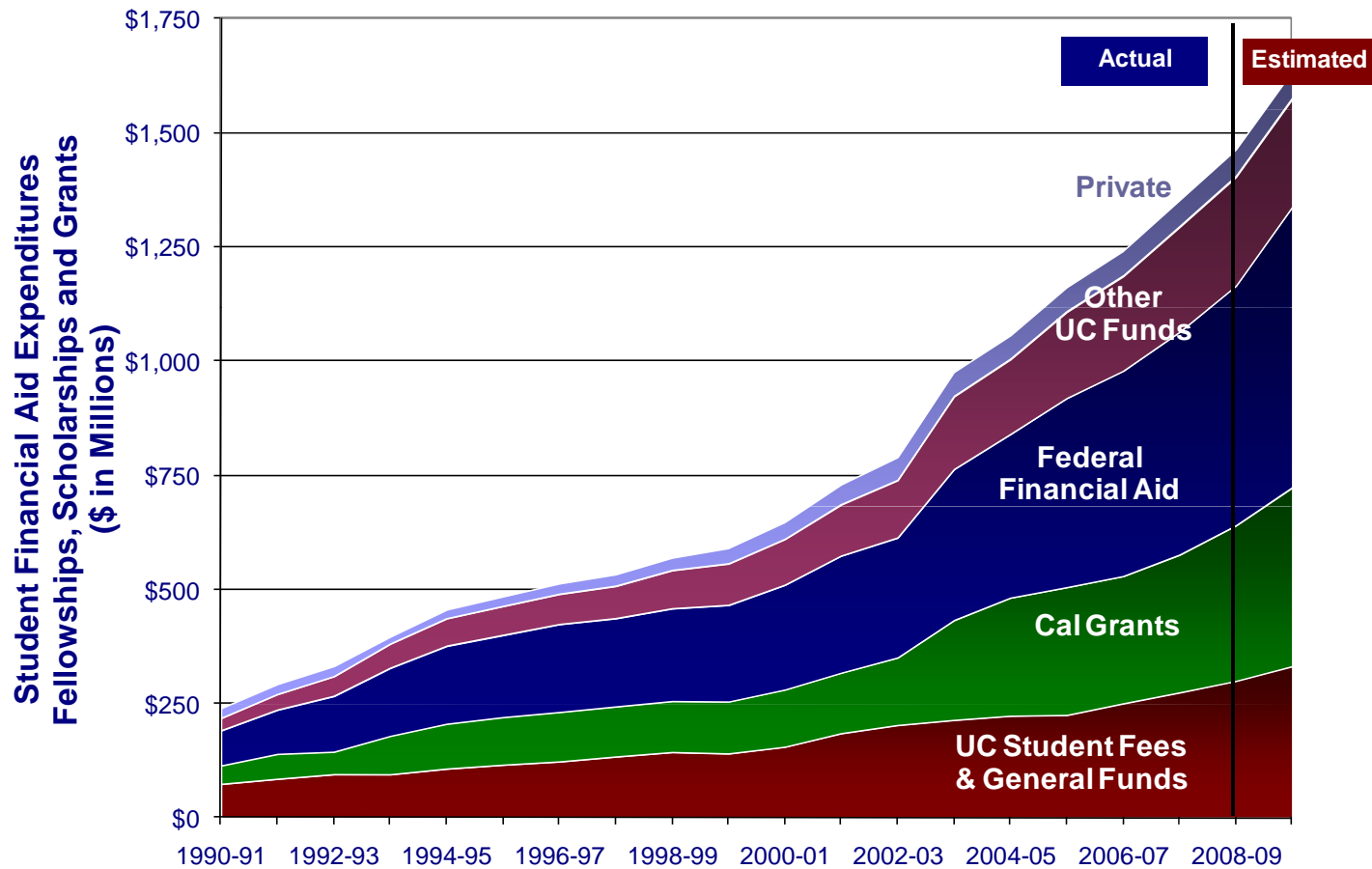
Fall 2009 Undergraduate Application and Admission Rates



- All campuses received more applications than they could admit – most, by a large margin.
- Seven campuses turned away over 40% of applicants.
- Out-of-State students are 11.3% (11,000) of all applicants, but only 6.5% of admitted students.



Fellowship, Scholarship, and Grant Resources Have Expanded



Source: UCOP Student Financial Support



Graduate Program Student Demand and Anticipated Trends

Graduate Admissions by Field
2006-2008 (Average)

Field	% Admitted
Academic Disciplines (Ph.D., MA)	24%
Professional Disciplines	17%
Business (M.B.A.)	16%
Law (J.D. Only)	18%
Medicine (M.D.)	5%
Other Professional Degree Programs	30%
Self-Supporting Programs (E.g., Exec. MBA)	36%

Academic Graduate Programs

- Programs will continue to be highly selective, highly ranked
- Enrollment will increase as percentage of overall UC enrollment

Professional Degree Programs

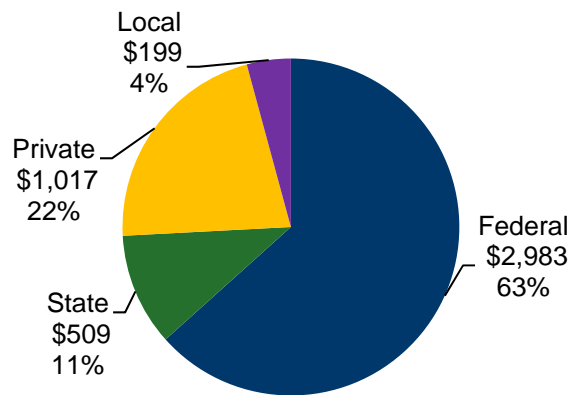
- Flexible fee policy allows fees to respond to market forces
- Anticipated growth – particularly in health professions



UC is a Major Research University

- The University generated net revenue of \$4.7 billion from grants and contracts in FY08-09.
- The University's federal grants and contracts net revenue is well diversified, receiving support from seven different agencies.
- The University's faculty has received a number of prominent science and research awards over the years.
 - University-affiliated researchers have received 58 National Medals of Science – about 10 percent of the medals presented – since Congress created the award in 1959.
 - Over 360 University researchers have been elected to the prestigious National Academy of Sciences, with more members than any other college or university at this time.

FY08-09 Grants and Contracts Net Revenue
(\$ in Millions)



Federal Grants and Contracts Net Revenue Sources
(\$ in Millions)

	FY09	FY08	FY07
Department of Health and Human Services	\$1,728	\$1,689	\$1,682
National Science Foundation	421	420	422
Department of Education	304	265	240
Department of Defense	197	174	164
National Aeronautics and Space Administration	86	82	84
Department of Energy (excluding national laboratories)	77	75	76
Other federal agencies	<u>170</u>	<u>206</u>	<u>213</u>
Total	\$2,983	\$2,911	\$2,881



UC's Financial Strength Benefits From Diverse Revenue Streams & Substantial Investment Assets

- **Diverse revenues sources** fund UC's \$21 billion operating budget
 - In FY08-09, the Medical Centers comprised 29% of UC's revenue base
 - Contracts and grants accounted for 25%
 - State appropriations comprised only **13%**
 - Student fees represented 11%
- UC maintains **significant liquidity** in its investment portfolio
 - The market value of University's investment assets, including UC Retirement Plan, totaled **\$53.4 billion** as of December 31, 2009
 - The General Endowment Pool totaled **\$5.8 billion** as of December 31, 2009
 - The Short-term Investment Pool and Total Return Investment Pool totaled **\$10.0 billion** as of December 31, 2009*

Note: All values are approximate.

* Inclusive of loans made in the mortgage origination program. The Total Return Investment Pool was established on August 1, 2008 as a balanced fund with \$1.518 billion of investments formerly held in the Short Term Investment Pool.



II. Medical Centers



The Medical Centers are at the Core of UC & Its Mission

- The **Medical Centers are integral** to the University's teaching, research and service missions
 - The 5 medical centers support the clinical teaching and research programs of the University's 17 medical and health sciences schools
 - One of the **largest health sciences training programs in the nation** with 14,000 students and 5,000 physicians
 - o Approximately 60% of medical school graduates in California were educated by UC Schools of Medicine
 - o UC annually trains 40% of all interns and residents statewide
- The nature of the ownership structure allows the University to **maintain control over its Medical Centers**
 - Medical Center CEOs report directly to the campus chancellor
- The **University provides support and liquidity** to its Medical Centers
- The Medical Centers are **financially strong** and transfer a significant amount of money to the University's health sciences programs



UC Medical Centers Have a Significant Presence Throughout the State

- Five medical centers comprising the **fourth largest delivery system** in California
 - 2,925 available beds
 - 8 acute care hospitals
 - 2 psychiatric hospitals
- With approximately 5,000 faculty physicians, **systemwide UC faculty practice group is the second largest in the country**



UC Davis Medical Center (613 beds)
UC Davis Medical Center Hospital



UC San Francisco Medical Center (722 beds)
UCSF Medical Center at Parnassus (Moffitt/Long)
UCSF Medical Center at Mt. Zion Hospital
UCSF Langley Porter Psychiatric Hospital



UC Irvine Medical Center (392 beds)
UC Irvine Douglas Hospital



UC Los Angeles Medical Center (845 beds)
Ronald Reagan UCLA Medical Center
Santa Monica UCLA Medical Center
UCLA Resnick Neuropsychiatric Hospital



UC San Diego Medical Center (552 beds)
UCSD Thornton Hospital
UCSD Medical Center - Hillcrest Hospital



Note: Map shows licensed beds.

The Medical Centers Offer Nationally Ranked Clinical & Academic Programs

- Hospitals highly-ranked by *U.S. News & World Report* in 2009
 - UCLA Medical Center is ranked the **3rd Best Hospital** in the Nation
 - UCSF Medical Center is ranked the **7th Best Hospital** in the Nation
- **Five** National Cancer Institute Comprehensive Cancer Centers
- National Institutes of Health funding for medical schools for 2008
 - UCSF School of Medicine is ranked **2nd**
 - UCLA School of Medicine is ranked **9th**
 - UCSD School of Medicine is ranked **12th**
- UC health professional schools highly-ranked by *U.S. News & World Report* in 2009
 - **All five** Schools of Medicine are in the Top 50 for research training, including three in the Top 20
 - **Four of the five** Schools of Medicine rank in the Top 50 for primary care training, including two in the Top 20



FY08–09 Medical Centers' Systemwide Summary

- The Medical Centers demonstrated uniformly strong performance
 - **Higher volume**
 - **More favorable contract rates**
 - **Medi-Cal Waiver optimization**
 - **Revenue cycle initiatives**
 - **Price increases**
 - **Cost containment**
- Concentration of tertiary and quaternary services
 - Case Mix Index ranges from **1.54 to 1.94**
- Financial results:
 - **Operating Income increased \$181 million to \$441.5 million**
(69% growth over FY07-08)
 - Net Income increased \$171 million to \$399 million¹
(75% growth over FY07-08)
- **Negligible impact** of State funding cuts on the Medical Centers

¹ Net income is operating revenue less operating expenses less non-operating revenue (expenses).
Source: Audited financial statements of the Medical Centers.



The Medical Centers' Net Patient Revenue Grew over the Past Two Years

- Pledged Revenues consist mostly of Net Patient Revenues, which increased significantly from FY06-07 to FY08-09
 - UC Davis: **Increased \$133 million (14%)** to \$1.06 billion
 - UC Irvine: **Increased \$91 million (19%)** to \$559 million
 - UCLA: **Increased \$332 million (31%)** to \$1.40 billion
 - UC San Diego: **Increased \$142 million (23%)** to \$771 million
 - UC San Francisco: **Increased \$266 million (20%)** to \$1.63 billion
- The Medical Centers experienced substantial growth in contract and commercial insurance revenue from FY06-07 to FY08-09
 - UC Davis: **Increased \$77 million (13%)** to \$681 million (64% of total NPR)
 - UC Irvine: **Increased \$70 million (36%)** to \$265 million (47% of total)
 - UCLA: **Increased \$241 million (36%)** to \$914 million (65% of total)
 - UC San Diego: **Increased \$81 million (26%)** to \$395 million (51% of total)
 - UC San Francisco: **Increased \$193 million (22%)** to \$1.06 billion (65% of total)
- Additional details can be found in the Medical Centers' MD&A and financial statements

Note: All values are approximate.

Source: Audited financial statements of the Medical Centers.



III. Recent Developments



UC Management Has Responded Swiftly to Budgetary Challenges Presented by the Unprecedented Cuts in State Funding

- ***FY08-09 & FY09-10 student fee increases***
 - In addition, in FY09-10 The Regents approved two sequential 15% increases for undergraduate and graduate professional students, a mid-year increase and another taking effect FY10-11
- ***Curtailed freshmen enrollment by 2,300*** in FY09-10
 - Reduced enrollment that was not funded by the State
- ***Employee furloughs*** / salary reduction
 - Progressive furloughs based on salary
- ***Campus and systemwide*** layoffs and programmatic reductions
- ***Restructuring*** of UC General Revenue Debt authorized by The Regents (authorized up to \$75 million in each of FY09-10 and FY10-11)
 - Move to better align the debt structure with the lives of the underlying assets
- ***Other initiatives*** including strategic sourcing initiative and energy savings



State Budget Update

- The Governor's Budget (January 2010) for FY10-11 included \$371 million in additional money for UC (total \$3.0 billion) plus funding for Cal Grants
- In addition, the Governor supports a constitutional amendment that would guarantee UC and CSU 10 percent of the state general fund while shifting funding from state prisons.
- The Governor's commitment to fund Cal Grants for UC students means eligible low-income students will receive enough money from the state program to cover the recently approved midyear and FY10-11 fee increases.

Impact of Governor's 2010-11 Budget on UC

- **\$305 million restored from FY09-10 cuts**
- **\$51.3 million for enrollment growth, contingent upon influx of federal funds**
- **\$14.1 million for retiree health benefits**
- **Funding for Cal Grants (not in budget yet)**



Commission on the Future of UC

Examining Key Questions:

- How can UC best meet the needs of California and at the same time maintain access, quality and affordability in a time of diminishing resources?
- What educational delivery models will both maintain quality and improve efficiency for the University's future?
- What is the appropriate size and shape of the University going forward?
- How can traditional and alternative revenue streams be maximized in support of the University's mission?



Pension & OPEB

- Pension
 - Funded status of the UCRP has been declining
 - Investment returns approximately (19%) for FY08-09
 - Employer and employee contributions scheduled to resume in April 2010
 - Unfunded liability currently \$1.9 billion (7/1/09 valuation)

- Retiree Health
 - Pay-as-you-go costs increasing
 - \$225 million in FY07-08
 - \$234 million in FY08-09
 - Unfunded liability currently \$14.5 billion (7/1/09 valuation)

- Task Force-Sustainable Retirement Benefits
 - Comprehensive, long-term approach to UC's obligations
 - Recommendations regarding long-term funding, benefits policy and benefits design alternatives



IV. University Advancement



Private Support to the University Remains Strong

- Total private support to The Regents and Campus Foundations has grown from approximately \$830 million in FY99 to \$1.307 billion in FY09, a 57% increase. In FY08, total private support was \$1.609 billion.
- Additions to endowments grew from \$150 million to \$288 million over the same period, a 92% increase.
- Seven campuses are currently in the midst of fundraising campaigns with a total goal of \$5.6 billion. Five campuses completed campaigns over the past four years that raised over \$5.9 billion.
- For private support received in FY09, approximately \$288 million (22%) went to endowments held by The Regents and Campus Foundations. Campus improvement funds totaled \$148.5 million (11.4%); an additional \$845.5 million (64.7%) supported other aspects of current operations. Unrestricted funds totaled \$25.2 million and comprised 2% of total private support.

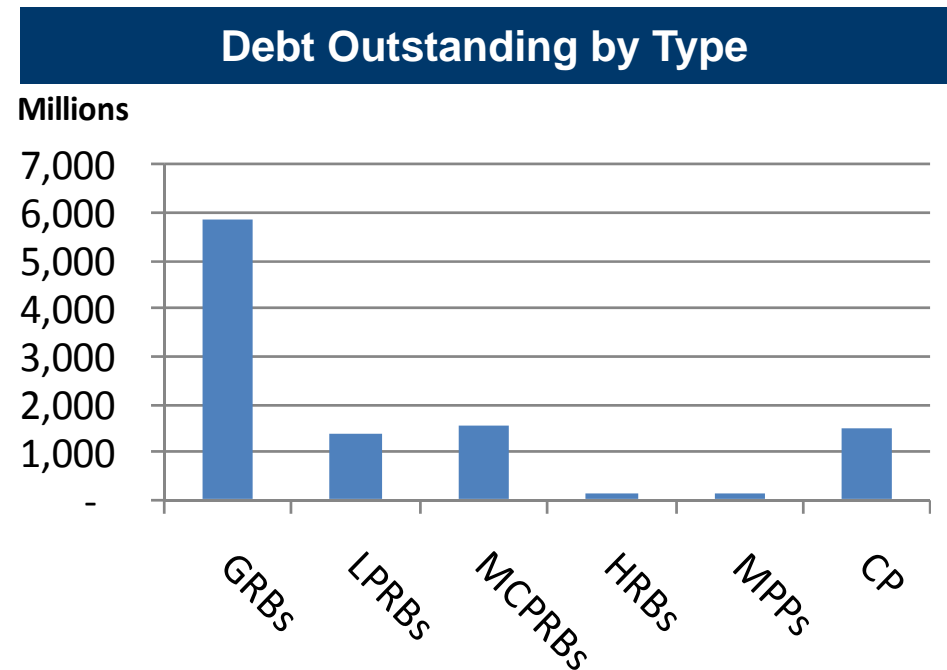


V. Debt Overview



Debt Currently Outstanding [update for weighted coupon]

- As of March 1, 2010 the University had approximately **\$10.6 billion outstanding** (includes an assumption of \$1.5 billion in CP outstanding)
- **Weighted Average Cost of Capital** = Approx. 4.41%
- **Average life** = Approx. 17.0 years
- **Debt consists of:**
 - General Revenue Bonds (GRBs)
 - Limited Project Revenue Bonds (LPRBs)
 - Med. Center Pooled Revenue Bonds (MCPRBs)
 - Hospital Revenue Bonds (HRBs)
 - Multiple Purpose Project Revenue Bonds (MPPs)
 - Commercial Paper (CP)



Regents of the University of California – Bond Ratings

- The University of California is currently rated by Moody's and Standard & Poor's.
 - **General Revenue Bonds – Aa1/AA (stable)**
 - The University's primary borrowing vehicles for financing of projects critical to the University's mission of education and research
 - **Limited Project Revenue Bonds – Aa2/AA- (stable)**
 - Financing vehicle auxiliary projects such as housing and parking
 - **Medical Center Pooled Revenue Bonds – Aa2/AA- (stable)**
 - Financing vehicle for the University's academic medical center projects
 - **Commercial Paper – P-1/A-1+**
 - University's main interim financing vehicle
 - **Multiple Purpose Projects (phasing out indenture) – Aa2/AA (stable)**
 - **Hospital Revenue Bonds (prior standalone hospital bonds) – Aa3/A+ (stable)**

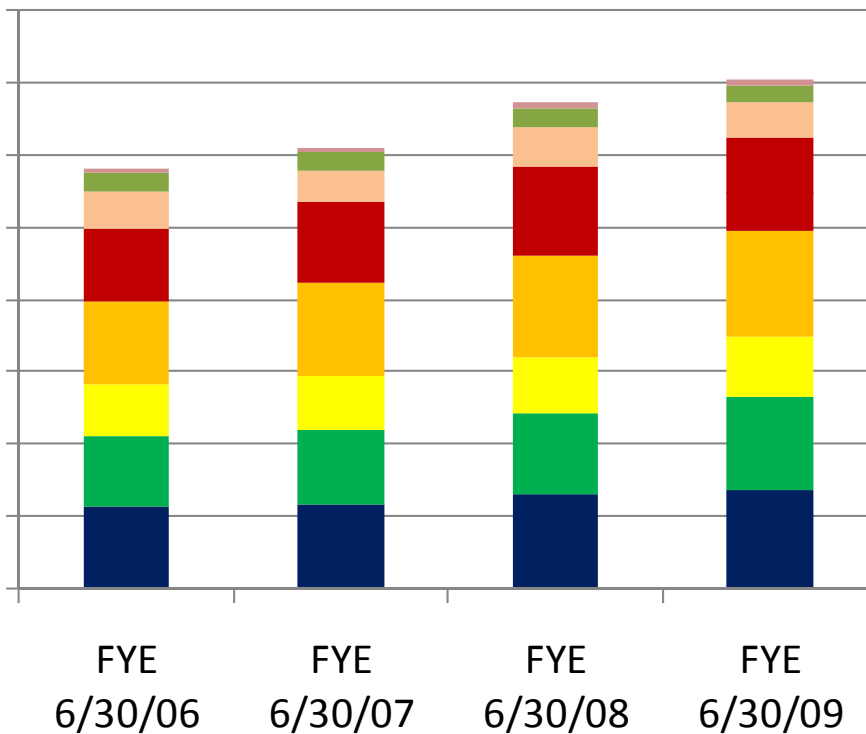


Growth in UC General Revenues categories has remained fairly consistent over the last 4 years

University of California General Revenues FY06-09

Millions

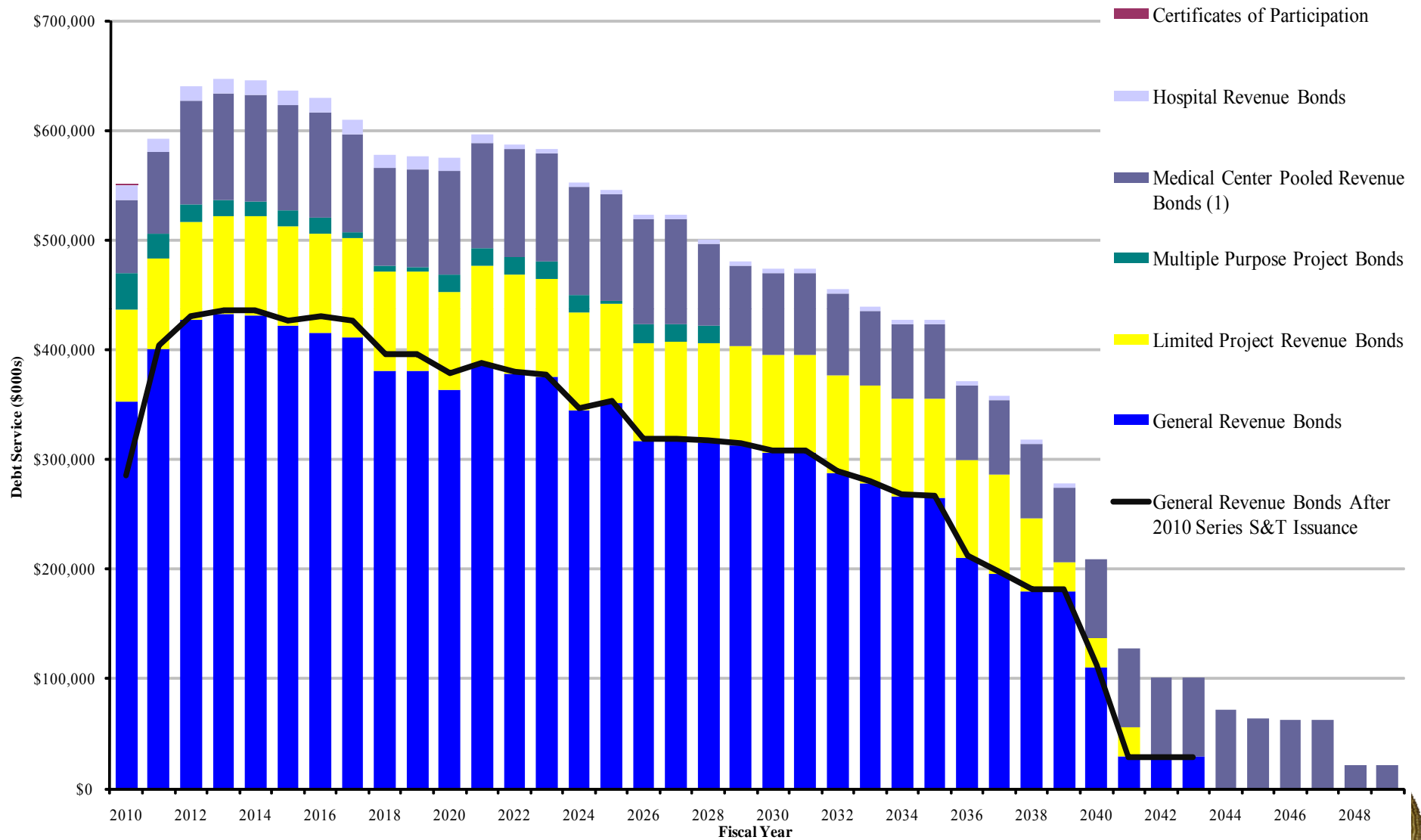
\$8,000
\$7,000
\$6,000
\$5,000
\$4,000
\$3,000
\$2,000
\$1,000
\$-



- Certain Other Nonoperating Revenues
- Unrestricted Investment Income
- Other Operating Revenues
- Sales and Services - Auxiliary Enterprises
- Sales and Services - Educational Activities
- Facilities and Admin Cost Recovery from Contract and Grants
- Other Student Fees
- Education Fee



The Regents of the University of California Debt Service Profile



* As of 3/31/10. Excludes capitalized interest payments, campus-originated leases and State Lease Revenue Bonds.

(1) Assumes fixed payor swap rates for interest rate on underlying floating rate bonds.

VI. Conclusion



Conclusion

- From its beginnings as a land-grant institution chartered in 1868, UC has been a valuable partner in the development of many of California's leading industries such as agriculture, biotechnology and telecommunications.
- The University of California contributes to the State's economic vitality and quality of life of all Californians through its educational opportunities, groundbreaking research and valuable cultural resources.
- Driving the next wave of California's economic growth, UC is taking a global role in developing new industries from nanotechnology to digital media to green technology.
- The University offers education in 150 academic disciplines with more departments ranked in the top 10 nationally than at any other public or private university.
- UC's medical centers perform hundreds of clinical trials every year, resulting in new drugs and disease treatments.

