

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Internal Lending Program Quarterly Report

See attached information.

Average
Cost of
Debt
4.7%

Internal Lending Program Quarterly Report

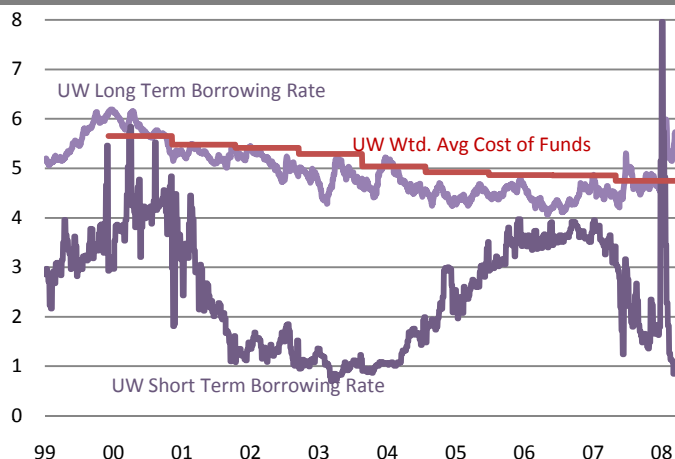
Quarter Ended December 31, 2008

Internal
Lending
Rate
5.5%

- Retail investors continue to drive the long term tax exempt market, as institutional buyers invest heavily in treasury securities. As a result, 10 year treasuries are yielding below 2.5%, further widening the already significant spread with muni's.
- For highly rated borrowers, liquidity has returned to the commercial paper market. Rates on tax-exempt commercial paper have been well below 2% for 1 month maturities, and weekly resets on variable rate bonds have been below 1%.
- The tax exempt yield curve shifted from inverted to quite steep in the last quarter with the spread between short and long term tax exempt bonds nearly 500 basis points as of 12/11/2008.
- If the UW were able to borrow long term today, the all-in interest rate would be about 5.5%.

(dollars in millions)

Interest Rates



Short term rates have declined significantly but the yield curve has steepened, putting the ILP rate on par with the long term external rate.

External Borrowing

Debt Issued to Fund ILP	Issued FY09	Total Outstanding	Wtd. Avg Rate	Wtd. Avg Maturity (yrs)
Commercial Paper	30	30	1.1%	0.01
Variable Rate	0	0	n/a	n/a
Fixed Rate	0	554	4.7%	13.8
ILP Total	30	584	4.5%	13.1
Non-ILP Debt	0	389	5.1%	12.9
Total Debt	30	973	4.7%	13.0

Note: FY09 authorized debt remaining \$70M of \$100M

The UW borrowed \$20 million in commercial paper and made \$7 million in principal payments in the quarter ending 12/31/08. In the near term the UW will continue to issue commercial paper to fund projects.

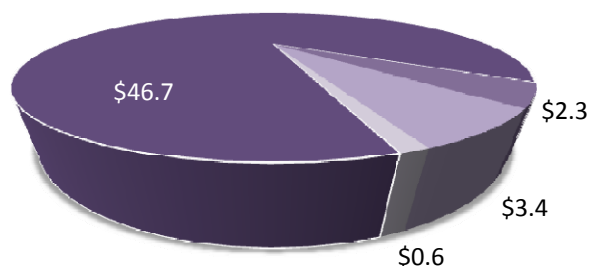
Internal Lending

	As of 6/30/08	FY09 to date	Total
Approved Project Budget			
Internal Loans	212	59	271
Cash	34	72	106
Total Approved Budget	246	131	377
Funded to Date			
Internal Loans	5	25	30
Cash	13	23	36
Total Funded to Date	18	48	66

The Board has authorized \$13.4 million in new loans in the quarter ending 12/31/08. ILP construction draws through FY end are expected to be an additional \$38 million.

Cash Position

Beginning Balance 07/08	\$42.9
Internal Payments	\$29.9
External Debt Service	(\$27.1)
Net Debt Proceeds	\$8.1
Expenses	(\$0.8)
Ending Balance 12/08	\$53.0



The majority of ILP balances are restricted project funds and debt service reserves. With just 6 months since inception, the ILP has very little in rate stabilization reserves. This could be a near term issue given a steepening yield curve.

Internal Lending Program - Approved Funding

Project Name	Date Approved	Debt	Cash	Total Approved Budget	Spent to date (all sources)
4545 ESCO	Feb-08*	4	0	4	94%
West Campus Garage	Oct-07	3	15	18	50%
UWMC Expansion	Feb-08	156	9	165	6%
AAALAC Projects	Mar-08	25	3	28	17%
Pediatric Dentistry	Mar-08	11	6	17	0%
Tower Improvements	Mar-08	13	0	13	66%
J-Wing	Jul-08	16	8	24	0%
PACCAR Business School	Jul-08	30	65	95	8%
AAALAC Budget Increase	Nov-08	7	0	7	0%
Cavalier Purchase	Dec-08	6	0	6	100%
Total		271	106	377	

Note: * Approved under delegated authority.

Project Funding By Source - Actual and Projected

