

Temple Finance Presentation for the Faculty Senate

Tony Wagner, SVP, CFO and Treasurer
November 19, 2008

Independent Third-Party Debt Rating*

Investment Grade Bonds	Aaa	U of Michigan; U of Texas; U of Virginia
	Aa1	
	Aa2	PSU; Pitt; Penn; Maryland
	Aa3	Rutgers; PA/SSHE
	A1	Temple University
	A2	
	A3	
	Baa1	
	Baa2	
	Baa3	TUHS

Junk Bonds	Ba1	Non-Investment/Speculative Grade
	Ba2	
	Ba3	

* Moody's Investment Service Long-term Debt Rating

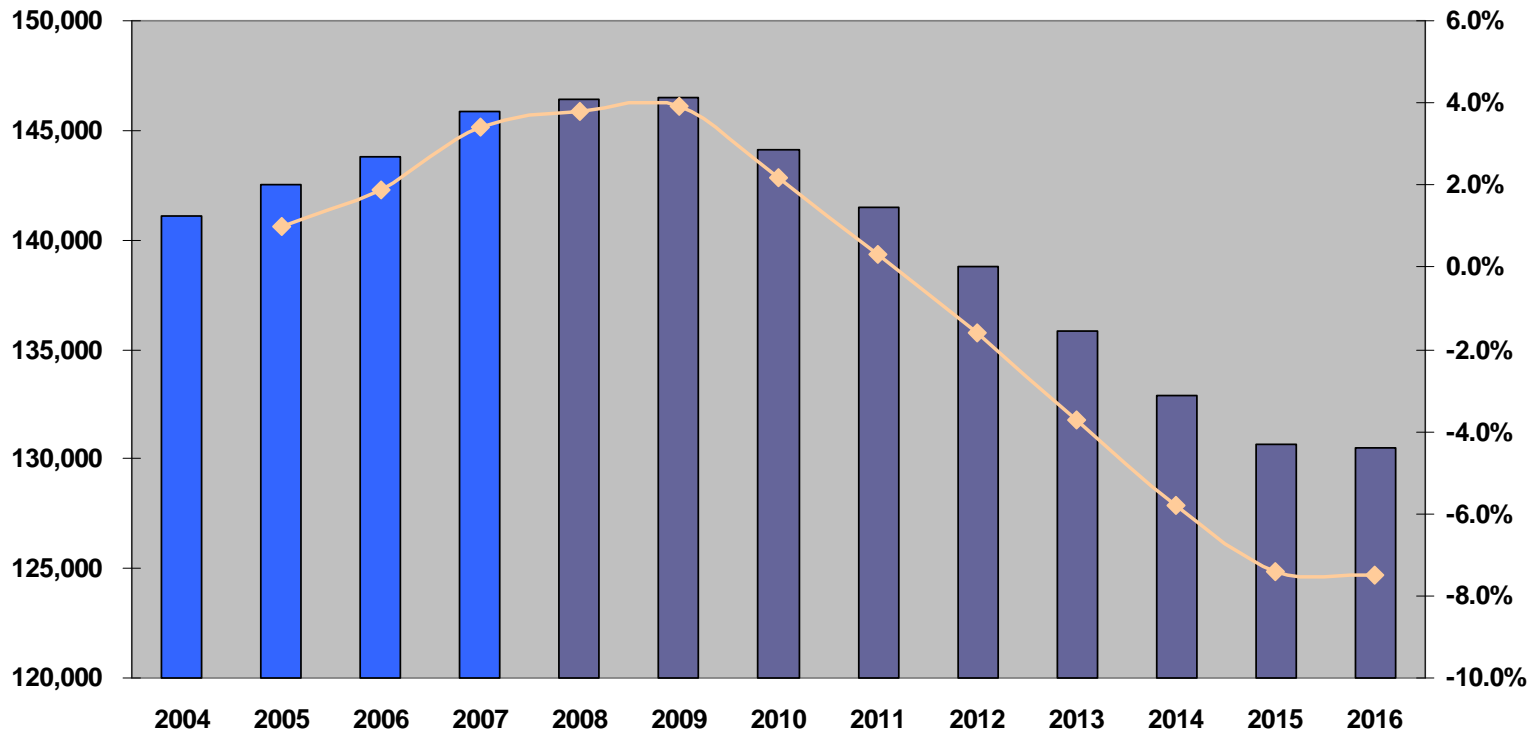
Temple's Financial Health

- According to Moody's Investor Service, an independent 3rd party rating agency, Temple's balance sheet is solid but middle of the pack as compared to Universities on previous slide.
- Unfortunately, the Health System was recently down-graded to the lowest investor grade and is at risk of falling to junk bond status.
- Moody's quote: *"Temple University operates a clinical faculty practice plan, which remains part of the security of the University bonds. We will continue to assess the relationship between Temple University and TUHS including the potential impact of any strategic or operational measures to be taken by the Health System to attempt to restore its operations and cash flow to more positive performance."*

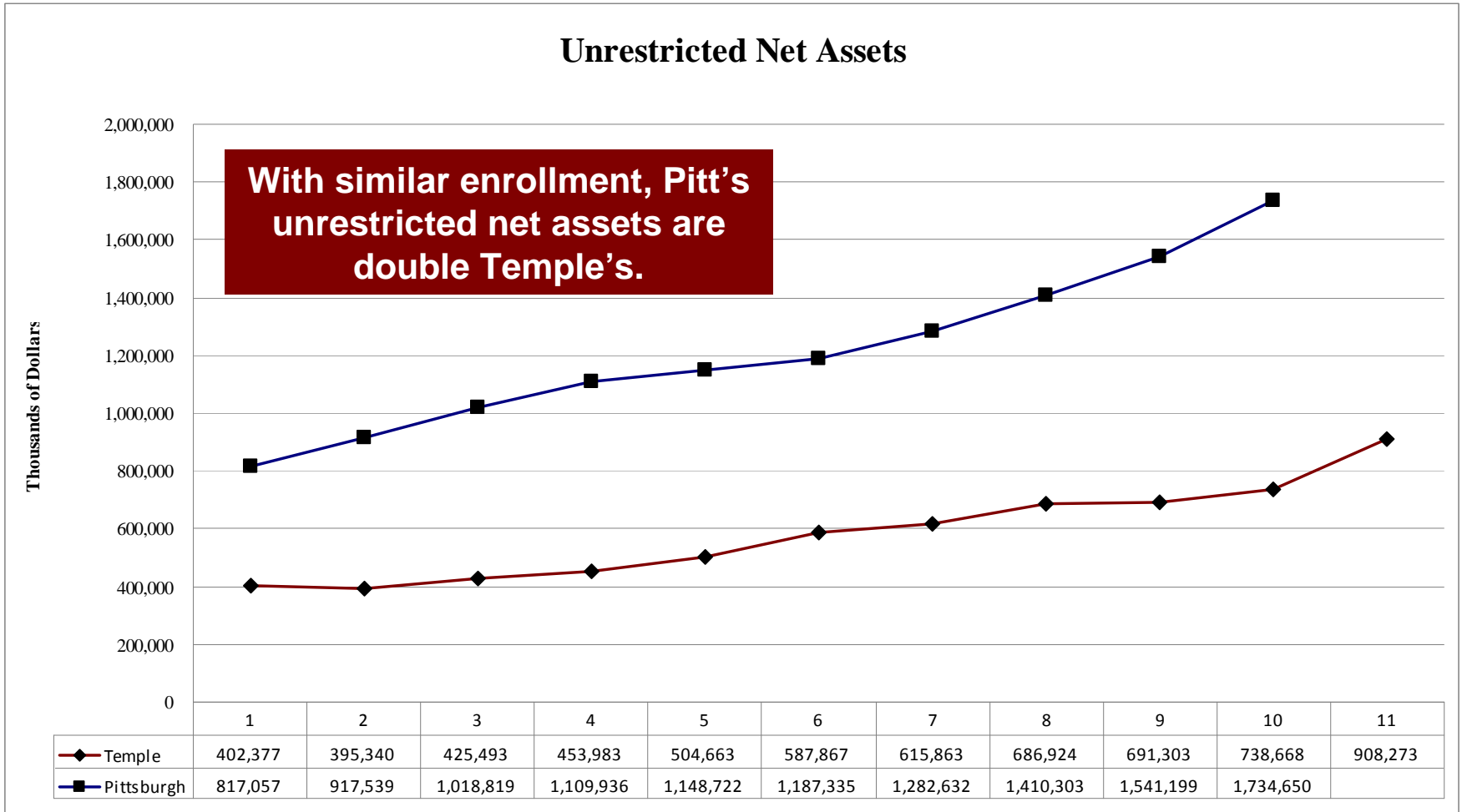
Moody's Outlook

- According to Moody's, *“as a sector Higher Education generally does not closely follow the national economic cycle”*
 - Moody's definition of the sector includes a diverse mix of colleges and universities throughout the country including private, public and community colleges
- Moody's acknowledges performance will vary among the different regions and segments of this sector
 - For example:
 - Demographics/enrollment is favorable nationwide but projected to dip more than 13% in the northeast region and almost 10% within Temple's cohort
 - Temple's revenues have more exposure to the tightening credit markets as its students rely more heavily on loans
 - Unlike private institutions, many public universities are losing a significant portion of their funding as states experience revenue shortfalls
- How the unprecedented financial crisis will affect all universities is still not fully understood

Shrinking Cohort Means Increasing Competition



Wealth: Pitt vs. Temple



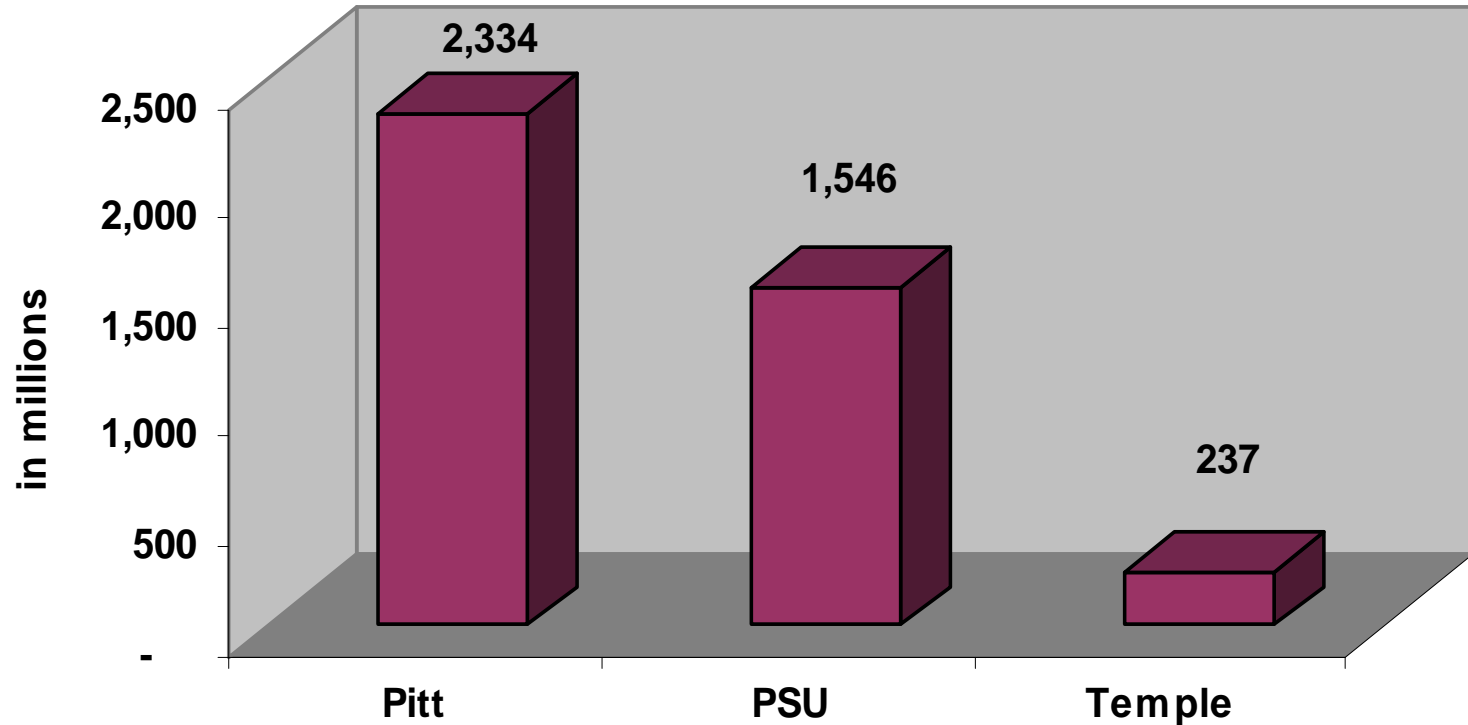
Source: Temple University-only Financial Statements and University Pittsburgh-only Financial Statements

Wealth & Temple's Endowment

- 4.5% Spending Rule yields modest spend
 - \$8.5 million in FY08
 - Represents <2% of the Operating Budget
 - Not an offset to E&G spending
- MV declining due to market conditions
 - \$237 million at June 30th
 - \$220 million at September 30th
 - Further declines in October and November

Temple's Endowment Severely Lags our Peers...

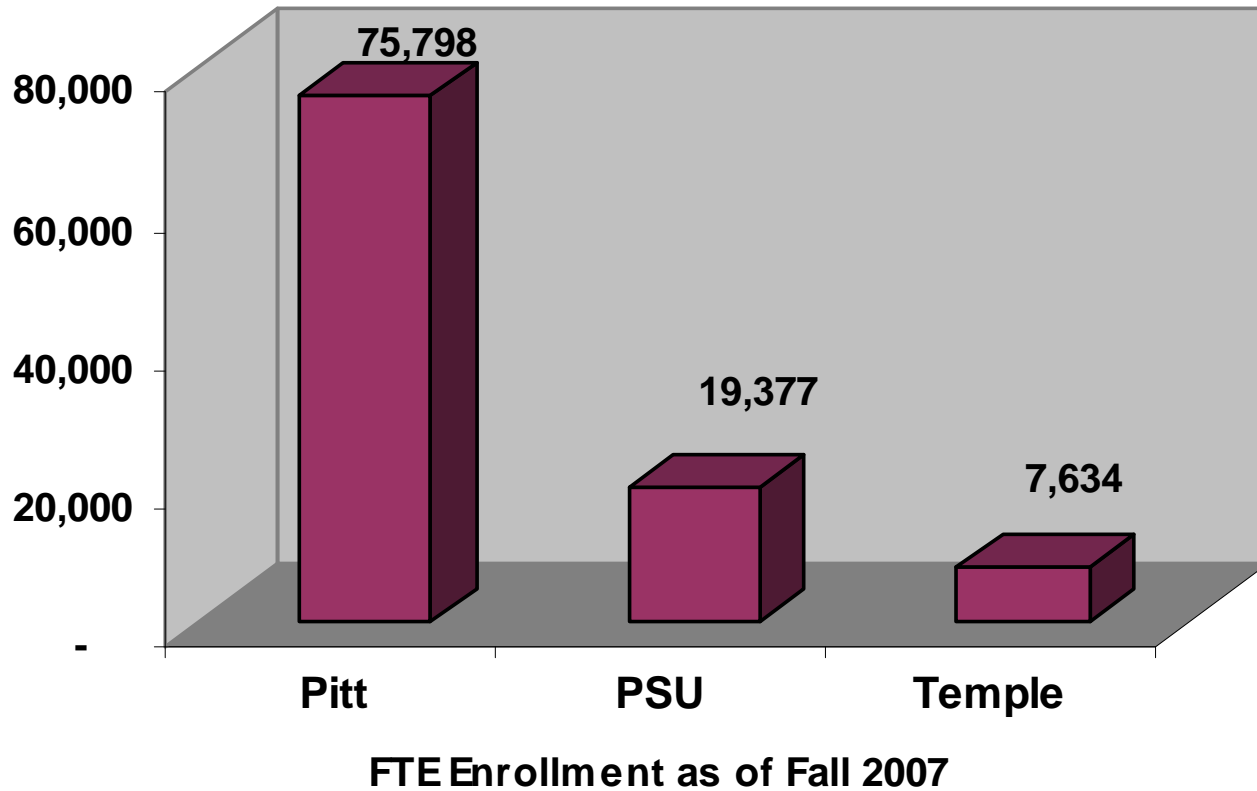
TOTAL ENDOWMENT



as of June 30, 2008

....Which Affects Endowment Per Student

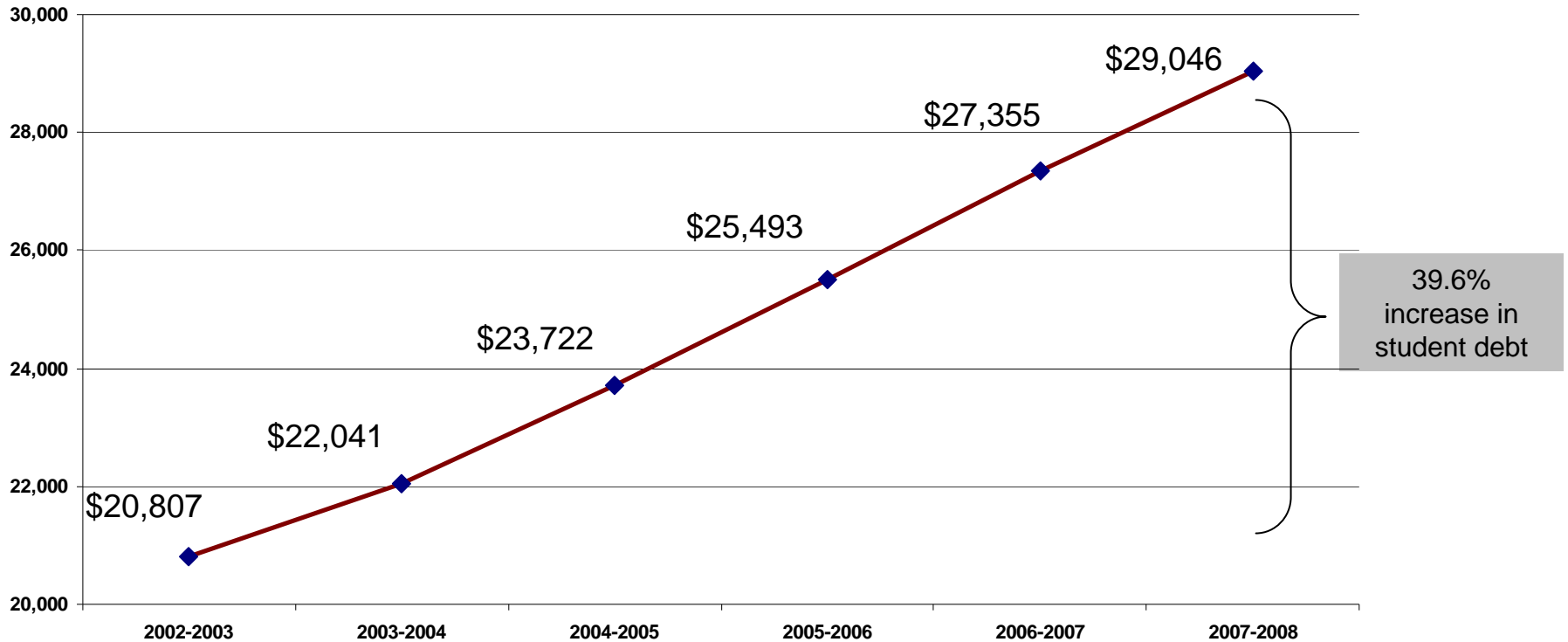
Endowment per FTE Student



STUDENT DEBT

- Total loans in 2007-2008 were \$282 million which represented 54% of tuition revenue
- The ongoing global credit crisis is a grave concern for Temple and our students
- Student debt has increased 39.6% since 2002-03

Shifting the Burden Increasing Student Debt

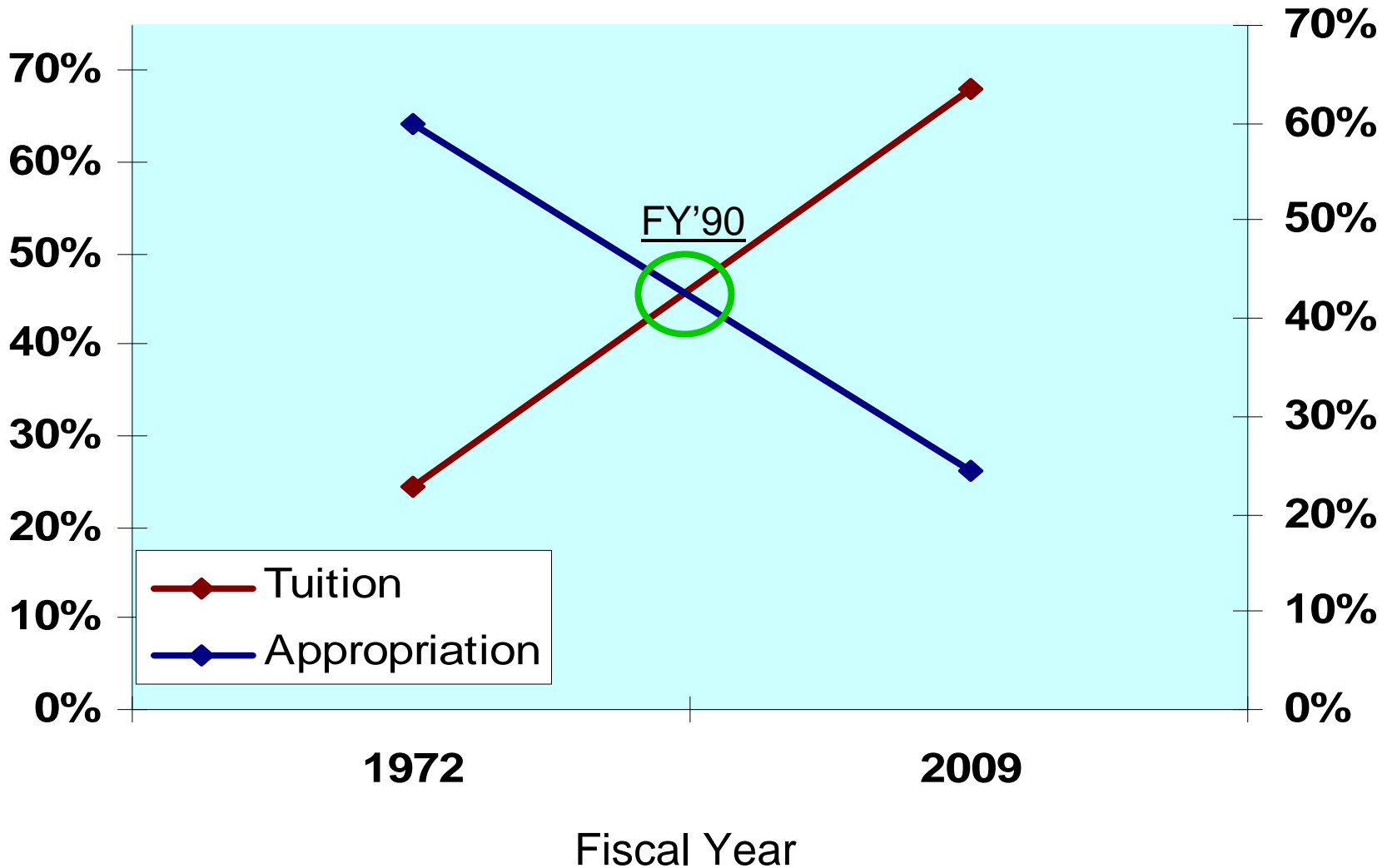


Temple ranks 5th among public universities in undergraduate debt

ACCESS TO LOANS

- Unsubsidized and alternative private loans used by our students total \$199.3 million
- Lenders are increasing credit score requirements and interest rates making these loans more difficult to get and more expensive.
- Waning state support for over three decades is shifting the burden to Temple's students

Complete Reversal in the Relationship between Appropriation and Tuition

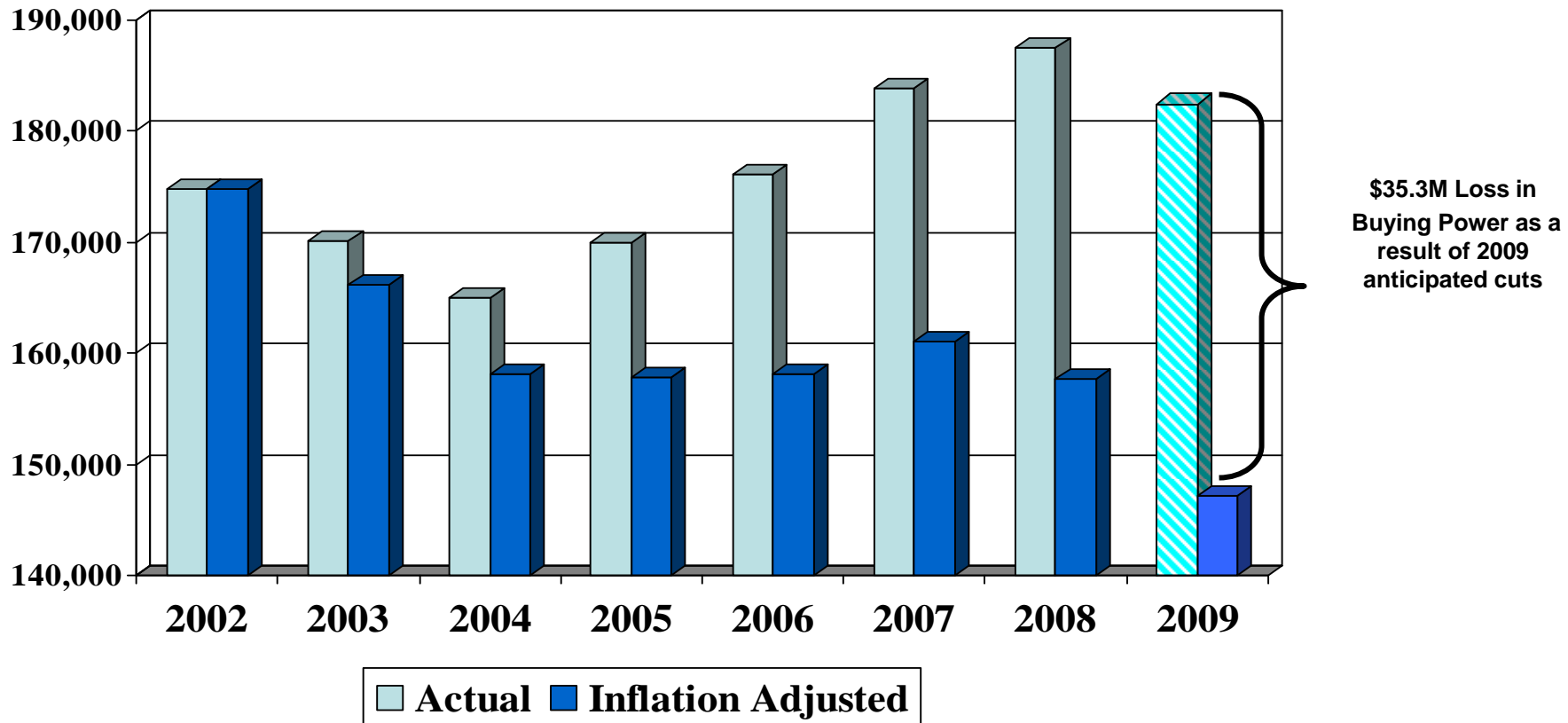


* Excluding patient care

Appropriation Cuts

- With State revenues down almost \$600 million at the end of October, which on an annualized basis could grow to well over \$1 billion by the end of FY 2009, Temple has cut \$12 million this year and must plan for additional cuts in FY 2010
- Salary and benefits are 66% of Temple's budget, the single most important cost driver, and tuition will disproportionately cover their increases
- With the current year cuts from the State, Temple has lost over \$35 million in buying power to inflation since 2002.

Commonwealth Appropriation Losing Buying Power (\$000)

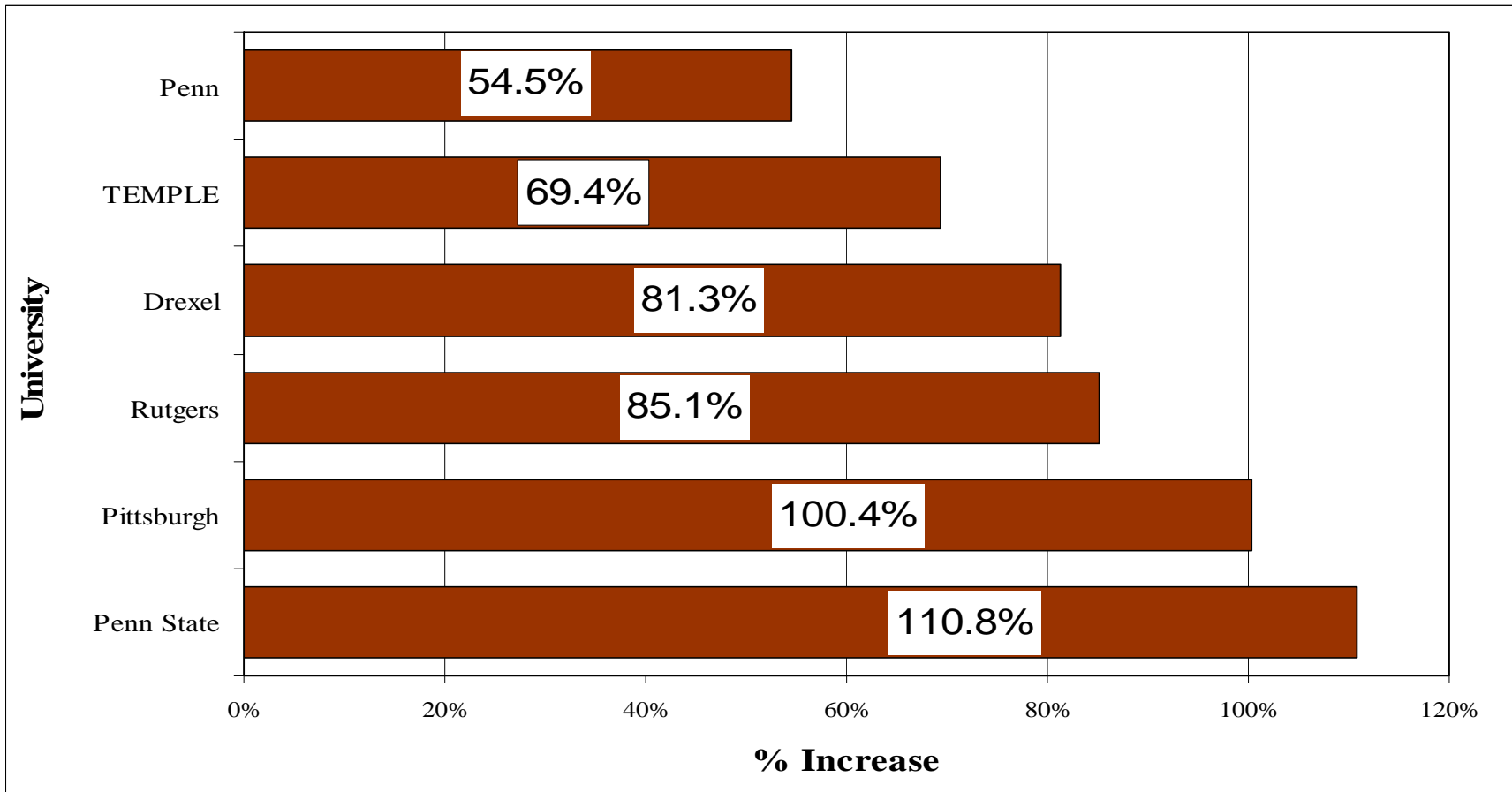


Temple's Commitment to Affordability

- Shown on the next slide, Temple's cumulative tuition increases over the last decade have been well below key comparators. This is especially important given the heavy debt load of our students.

Temple's Commitment to Affordability

Tuition and Fees: Percent Increase Between 1998-99 and 2007-08



KEY RISK FACTORS

- The accelerating trend of falling State support will put significant strain on tuition
- A key consideration concerns whether the broader economic crisis will impact enrollment
- Despite growing financial pressure, tuition increases must be very conservative until the extent of the State cuts and economic fallout is better understood
- Once again, salary and benefits are 66% of Temple's budget and the single most important cost driver

www.temple.edu/budget/