

# 2015 DEBT CAPACITY

#### **PURPOSE**

To demonstrate Arizona State University's ability to finance additional capital investment through debt instruments and to fund the related debt service (principal and interest).

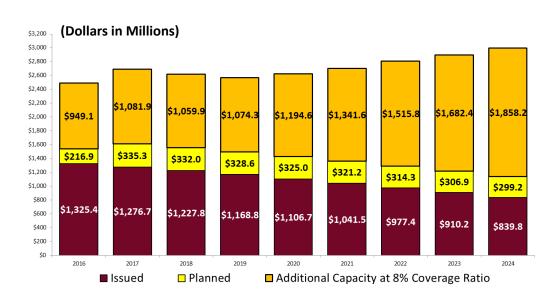
### PROJECTED DEBT CAPACITY

Maximum Projected Ratio of Debt Service to Total Expenditures Excluding/Including SPEED debt

4.9%/ 5.4%

Based upon planned financing of approved, CDP and CIP projects totaling \$336.9 million, the maximum projected debt ratio is 4.9 percent in FY 2019, relative to the statutory debt limit of 8 percent. Outstanding debt in FY 2019 is projected to be \$1.5 billion, with total annual debt service of \$122.9 million. The 4.9 percent ratio is within the range used by bond rating firms to confirm an institution's creditworthiness and is below the 8 percent statutory maximum.

Currently outstanding (issued) debt declines from \$1.3 billion in FY 2016 to \$839.8 million in FY 2024 as debt is retired. Outstanding planned debt includes future financing of approved, CDP, and CIP projects. Additional debt capacity represents debt that can be issued in any given year based on the statutory 8 percent debt ratio maximum.



#### **CREDIT RATINGS**

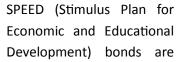
Positive rating factors include ASU's solid enrollment growth and continuing demand driven by strong brand recognition, a growing research pres-ence, demonstrated successful financial flexibility, and consistent positive operating results.

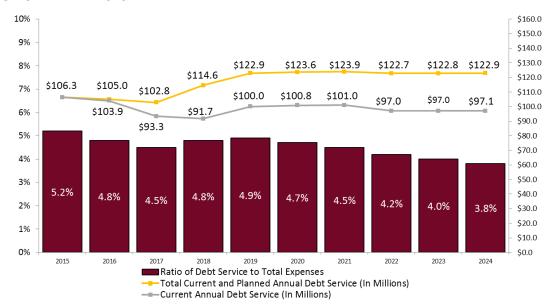
Offsetting factors include high debt levels with narrow reserves relative to debt, and sustained weak state support for operations.

	NIO	oay's	Standard & Poor's (S&P)			
Fiscal Year	Rating	Outlook	Rating	Outlook		
2010	Aa3	Stable	AA	Negative		
2011	Aa3	Stable	AA	Negative		
2012	Aa3	Stable	AA	Stable		
2013	Aa3	Stable	AA	Stable		
2014	Aa3	Stable	AA	Stable		
2015	Aa3	Stable	AA	Negative		

### RATIO OF DEBT SERVICE TO TOTAL EXPENSES

Annual debt service on system revenue bonds and COPs is projected to increase from \$106.3 million in FY 2015 to a maximum of \$123.9 million in FY 2021. The ratio of debt service to total expenses peaked in FY 2015 at 5.2 percent and the projected future maximum is 4.9 percent in FY 2019.





funded up to 80 percent by state lottery revenues, with the balance funded by the University. SPEED debt service is excluded from the statutory debt ratio, but if SPEED debt service of \$11.9 million is included, the FY 2016 projected debt ratio increases to 5.4%.

## **FUTURE PROJECTS**

	Project	Amount to
	Budget	be Financed
Classroom and Academic Renovations	10,000,000	10,000,000
Research Laboratory/Faculty Startup	10,000,000	10,000,000
Building Campus and Infrastructure En-		
hancements	17,000,000	17,000,000
Biodesign C	120,000,000	120,000,000
Student Pavilion	39,900,000	39,900,000
Sun Devil Stadium Renovations	190,300,000	140,000,000
	387,200,000	336,900,000

Future debt financed projects include those approved in the FY 2016 Capital Development Plan (CDP), the first year of the FY 2017-2019 Capital Improvement Plan (CIP), and projects that have received ABOR Project Approval. These planned projects are included in the future Debt Capacity assumptions.

### REVENUE ASSUMPTIONS

The Financial Services Office projects revenues and expenditures through FY 2024 using historical data from the audited financial statements and projections from various internal sources. FY 2016 projections are based on the University's approved budget.

	Revenue Growth Assumptions								
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	
Revenues									
State Appropriations (General Fund)	10.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Tuition and Fees	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Grants and Contracts	8.5%	9.0%	9.5%	10.0%	9.0%	8.0%	8.0%	8.0%	
Financial Aid Grants	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Private Gifts	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Technology and Research Initiative	4.1%	4.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Auxiliary Enterprises	3.0%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Other Sources	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	