## 2016 DEBT CAPACITY

## PURPOSE

To demonstrate Northern Arizona 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 Debt Service <br> to Total Expenditures <br> Excluding/Including SPEED debt |
| :---: |
| $5.4 \% / 7.4 \%$ |

The maximum projected debt ratio is 5.4 percent in FY 2018, relative to the statutory debt limit of 8 percent. Outstanding debt in FY 2018 is projected to be $\$ 517.2$ million, with total annual debt service of $\$ 30.6$ million. The 5.4 percent ratio is within the range used by bond rating firms to judge an institution's creditworthiness to service debt and is below the 8 percent statutory maximum.

Currently outstanding (issued) debt declines from $\$ 504.4$ million in FY 2017 to $\$ 415.4$ million in FY 2025 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 NAU's role as a large and growing public university with strong undergraduate enrollment growth over the past 12 years, conservative fixed rate debt structure and consistent growth of net tuition per student.

Offsetting factors include strong enrollment competition, sustained weak state support for operations, a high debt load and thin balance sheet resources.

Standard \& Poor's

| Fiscal Year | Moody's |  | (S\&P) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Rating | Outlook | Rating | Outlook |
| 2011 | A1 | Stable | A+ | Stable |
| 2012 | A1 | Stable | A+ | Stable |
| 2013 | A1 | Stable | A+ | Stable |
| 2014 | A1 | Stable | A+ | Stable |
| 2015 | A1 | Stable | A+ | Stable |
| 2016 | A1 | Stable | A+ | Stable |

## RATIO OF DEBT SERVICE TO TOTAL EXPENSES

Annual debt service on System Revenue Bonds (SRBs) and Certificates of Participation (COPs) is projected to increase from $\$ 26.2$ million in FY 2016 to a maximum of $\$ 31.6$ million in FY 2020. The ratio of debt service to total expenses is projected to peak in FY 2018 at 5.4 percent relative to the 8 percent statutory limit. The Annual Debt Service chart and the Ratio of Debt Service to Total Expenses chart exclude SPEED (Stimulus Plan for Economic and Educational Development)
 debt. If SPEED debt were included the year with the highest debt ratio would be FY 2018 with total annual debt service of $\$ 41.6$ million or 7.4 percent of total projected expenditures.

|  | Project <br> Budget | Amount to be Financed |
| :---: | :---: | :---: |
| Additional Engineering and Sciences Space | \$30,000,000 | \$25,000,000 |
| Total | \$30,000,000 | \$25,000,000 |

Future debt financed projects include those approved in the FY 2017 Capital Development Plan (CDP), the first year of the FY 2018-2020 Capital Improvement Plan (CIP), and projects that have received ABOR Project Approval. Theses planned projects are included in the future Debt Capacity assumptions.

## REVENUE ASSUMPTIONS

Revenue Growth Assumptions

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |

The Comptroller's Office projects revenues and expenditures for FY 2017 through FY 2025 based on the University Operating Budget projections included in the Operations and Financial Review.

## Revenues

| State Appropriations <br> (General Fund) | $6.2 \%$ | $5.0 \%$ | $5.0 \%$ | $5.0 \%$ | $6.0 \%$ | $6.0 \%$ | $6.0 \%$ | $5.0 \%$ | $5.0 \%$ |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Tuition and Fees | $6.2 \%$ | $5.0 \%$ | $4.0 \%$ | $3.5 \%$ | $3.5 \%$ | $3.5 \%$ | $3.5 \%$ | $3.5 \%$ | $3.5 \%$ |
| Grants and Contracts | $2.4 \%$ | $2.5 \%$ | $2.5 \%$ | $2.5 \%$ | $2.5 \%$ | $2.5 \%$ | $2.5 \%$ | $2.5 \%$ | $2.5 \%$ |
| Private Gifts | $(4.2 \%)$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ |
| Technology and Research |  |  |  |  |  |  |  |  |  |
| Initiative | $(1.0 \%)$ | $6.0 \%$ | $5.0 \%$ | $5.0 \%$ | $5.0 \%$ | $0.0 \%$ | $0.0 \%$ | $0.0 \%$ | $0.0 \%$ |
| Auxiliary Enterprises | $1.6 \%$ | $2.0 \%$ | $2.0 \%$ | $2.0 \%$ | $2.0 \%$ | $2.0 \%$ | $2.0 \%$ | $2.0 \%$ | $2.0 \%$ |
| Other Sources | $4.0 \%$ | $0.0 \%$ | $0.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ | $1.0 \%$ |

