

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).

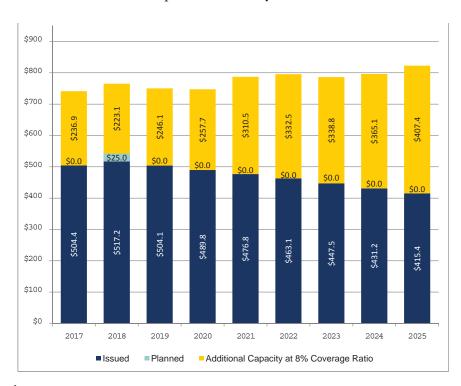
PROJECTED DEBT CAPACITY

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

5.4% / 7.4%

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

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.



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.

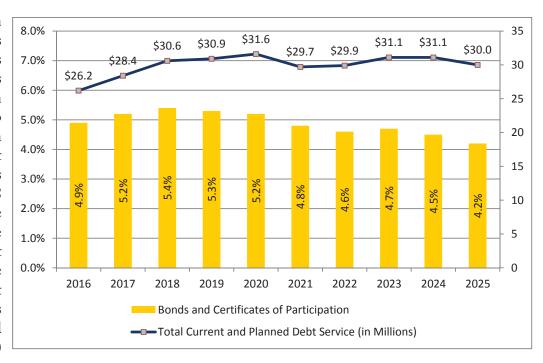
Offsetting factors include strong enrollment competition, sustained weak state support for operations, a high debt load and thin balance sheet resources.

Standard & Poor's

	Moody's			(S&P)			
Fiscal Year	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

debt service Annual 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 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.

FUTURE PROJECTS

	Project	Amount to		
	Budget	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 Growth Assumptions

REVENUE ASSUMPTIONS

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.

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues									
State Appropriations (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%