EXECUTIVE SUMMARY

Item Name: **Capital Development Plan (NAU)**

☒ Action Item

Requested Action: Northern Arizona University asks the board for approval of its Capital Development Plan (CDP), which does not include any projects. The CDP has no financial impact, as described in this executive summary.

Previous Board Action

- Capital Improvement Plan FY2021 – FY2023 September 2019

Prior Year Activity

- One project totaling $17,409,327 was substantially completed within the last 12 months.
- One third-party project began or continued construction activity in the last 12 months.
- Detail on completed and ongoing projects are listed in Exhibit 1.

Overview and Alignment with Enterprise and University Goals and Objectives

- The NAU CDP does not include any projects and has no financial impact.
- In last year's Capital Improvement Plan submittal, the new Interdisciplinary Science and Technology Building (formerly Multi-Discipline STEM Academic/Research Building) was included as a FY 2021 first year priority. This project has been strategically delayed to FY 2022 due to COVID19.
- NAU has developed the CDP to align with university's campus master plan, and the system Enterprise and university strategic goals and objectives.

Contact Information:
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Capital Development Plan Projects

- No projects are being proposed for CDP approval so information has not been included in Exhibits 2 and 3 and Project Justification Reports have not been included.

Fiscal Impact and Management

- The NAU CDP has no fiscal impact.
- **Debt Ratio Impact:** There is no impact to NAU's debt ratio.

Committee Review and Recommendation

The Finance, Capital and Resources Committee reviewed this item at its September 10, 2020 meeting, no action was taken since the CDP does not include any new projects.

Statutory/Policy Requirements

- Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual CDP for the upcoming year in accordance with the calendar approved by the executive director of the board.
- CDPs are reviewed by the Finance, Capital and Resources Committee and approved by the board.
- Approval of the CDP allows universities to complete design and planning, execute construction and financing agreements, and begin construction as outlined in policy.

EXECUTIVE SUMMARY

EXHIBIT 1

Northern Arizona University

Capital Project Status Report

Project Name	Square Footage	Total Budget	Direct Construction Budget	Percent Work Complete	Percent to Gift Target *	Date last Board Approval	Original / Revised Occupancy Date
Ongoing University Projects							
N/A							
Ongoing Third-Party Projects							
Student Athlete High Performance Center	70,000	N/A	N/A	12%	N/A	Sep-19	Sep-21
Substantially Completed University Projects							
Science Annex 3rd/4th Floor Renovation	34,115	$ 7,409,327	$ 3,700,000	100%	60%	Jan-18	Aug-19
Substantially Completed Third-Party Projects							
N/A							
***Values as of 6/30/2020**							

EXECUTIVE SUMMARY

EXHIBIT 2

Northern Arizona University

Capital Project Status Report

Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service	Debt Ratio	Gift Target	Current Gifts (cash/ pledges)
New Projects									
No new projects									
Subtotal									
Resubmitted Projects									
No resubmitted projects									
Subtotal									
Third Party Projects									
No new projects									
Subtotal									
TOTAL									

EXECUTIVE SUMMARY

EXHIBIT 3

CAPITAL DEVELOPMENT PLAN - ANNUAL DEBT SERVICE BY FUNDING SOURCE											
Project	**Amount Financed**	**CIF**	**TUI**	**AUX**	**ICR**	**OLF**	**SLP**	**FGT**	**DFG**	**OTH**	**TOTAL ANNUAL DEBT SERVICE**
New Projects											
No new Projects											
Subtotal											
Resubmitted Projects											
No resubmitted projects											
Subtotal											
Third Party Projects											
No new projects											
Subtotal											
Total											

OPERATION AND MAINTENANCE BY FUNDING SOURCE										
Project	**TOTAL ANNUAL O&M**	**301**	**TUI**	**AUX**	**ICR**	**OLF**	**GFA**	**FGT**	**DFG**	**OTH**
New Projects										
No new Projects										
Subtotal										
Resubmitted Projects										
No resubmitted projects										
Subtotal										
Third Party Projects										
No new projects										
Subtotal										
Total										

EXHIBIT 4
Debt Capacity Report
Fiscal Year 2020 Unaudited

PURPOSE

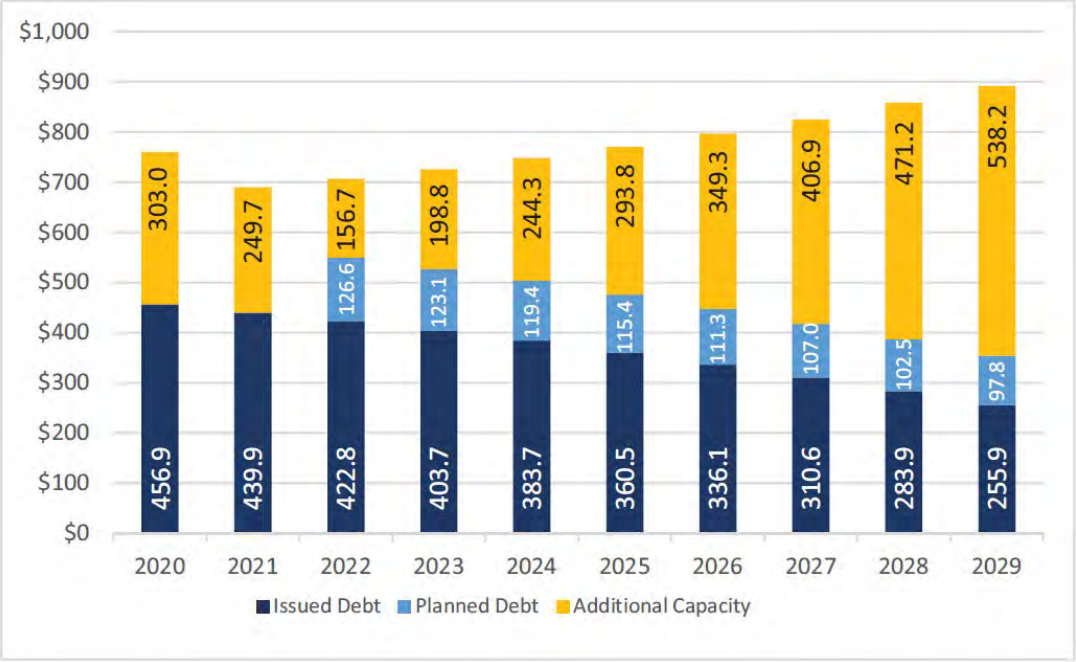
To demonstrate Northern Arizona University's ability to finance additional capital investment through debt instruments and to fund the related debt service (principal and interest).

PROJECTED DEBT CAPACITY

Maximum Projected Debt Service to Total Expenditures Excluding/Including SPEED debt
6.32% / 7.99%

Currently outstanding (issued) debt at the end of FY 2020 is $456.9 million. Anticipating that all appropriate approvals are in place, the $130.0 million Interdisciplinary Science & Technology building will begin in FY 2022. Outstanding debt in FY 2021 is projected to be $439.9 million. The maximum projected debt ratio is 6.32 percent in FY 2025. The 6.32 percent ratio is within the range used by bond rating firms to confirm an institution's creditworthiness and is below the 8 percent statutory debt limit. Maximum total annual debt service of $39.8 million will occur in FY 2026 at 6.14 percent.

Currently outstanding (issued) debt declines from $456.9 million in FY 2020 to $255.9 million in FY 2029 as debt is retired. Outstanding planned debt includes future financings 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.



FUTURE PROJECTS

Future debt financed projects include those approved in the FY 2021 Capital Development Plan (CDP) with project approval and the first year of the FY 2022-2024 Capital Improvement Plan (CIP). These planned projects are included in the future Debt Capacity assumptions.

	Project Budget	Amount to be Financed
Interdisciplinary Science & Technology Building	$130,000,000	$130,000,000

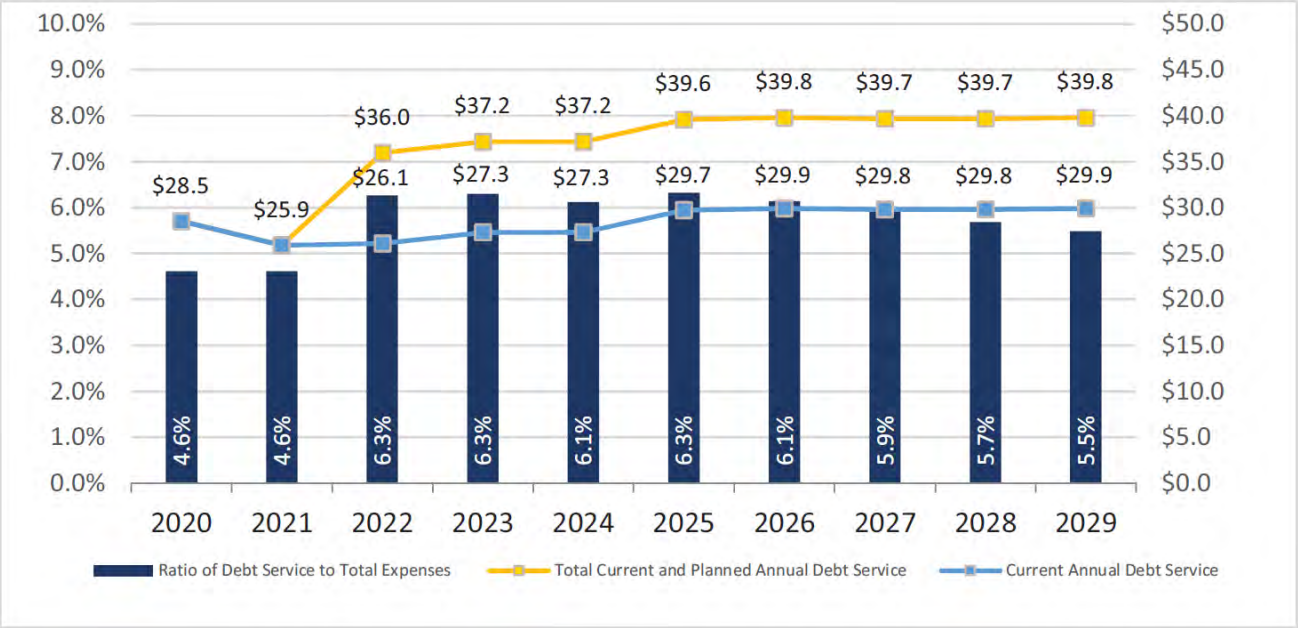
CREDIT RATINGS

Positive rating factors cited by agencies include NAU's presence as a large, comprehensive university; multiple years of growth in wealth, liquidity, and enrollment; good operating reserves; and a healthy history of monthly days cash on hand.

Offsetting factors include strong enrollment competition, high maximum annual debt service compared to agency medians and narrow reserves relative to debt.

	Moody's		Standard & Poor's	
Fiscal Year	Rating	Outlook	Rating	Outlook
2015	A1	Stable	A+	Stable
2016	A1	Stable	A+	Stable
2017	A1	Stable	A+	Stable
2018	A1	Stable	A+	Stable
2019	A1	Stable	A+	Stable
2020	A1	Stable	A+	Negative

RATIO OF DEBT SERVICE TOTAL EXPENSES

As a result of the planned project described above, annual debt service on system revenue bonds and COPs is projected to increase from $28.5 million in FY 2020 to a maximum of $39.8 million in FY 2026. The ratio of debt service to total expenses is expected to reach a maximum in FY 2025 at 6.32 percent. SPEED (Stimulus Plan for Economic and Educational Development) bonds are 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 $11.0 million is included, the highest projected debt ratio increases to 7.99 percent in FY 2022.

EXECUTIVE SUMMARY