



2015 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).

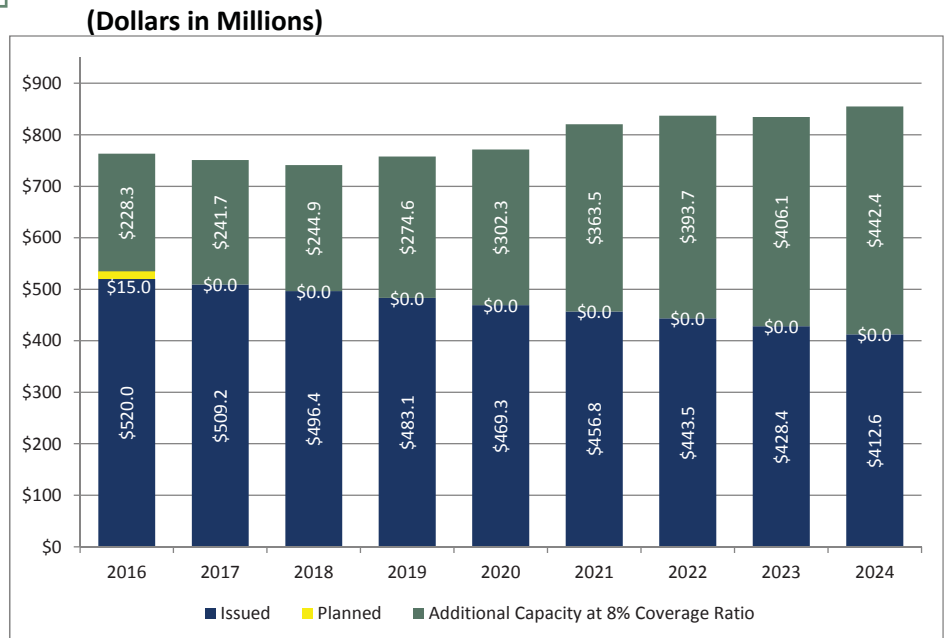
PROJECTED DEBT CAPACITY

Projected Debt Service as a Percentage of Total Expenditures excluding / including SPEED project financings

5.3% / 7.2%

The maximum projected debt ratio is 5.3 percent in FY 2018, relative to the statutory debt limit of 8 percent. Outstanding debt in FY 2018 is projected to be \$496.4 million, with total annual debt service of \$30.0 million. The 5.3 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 \$514.8 million in FY 2015 to \$412.6 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

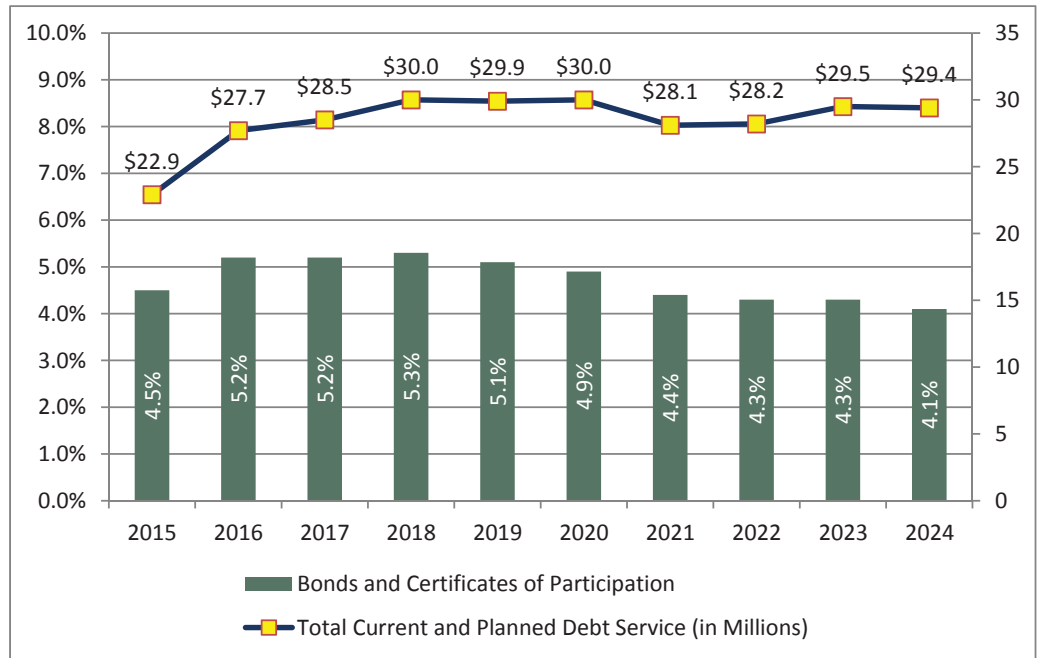
Positive rating factors include NAU’s role as a large and growing public university with strong undergraduate enrollment growth over past 10 years, conservative fixed rate debt structure and consistent positive operating results.

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

Fiscal Year	Moody’s		Standard & Poor’s (S&P)	
	Rating	Outlook	Rating	Outlook
2010	A2	Stable	A+	Stable
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

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 \$22.9 million in FY 2015 to a maximum of \$30.0 million in FY 2018. The ratio of debt service to total expenses is projected to peak in FY 2018 at 5.3 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 debt. If SPEED debt were included, the year with the highest debt ratio would be FY 2018 with total annual debt service of \$41 million or 7.2 percent of total projected expenditures.



	Project Budget	Amount to be Financed
South Dining Renovation	\$20,000,000	\$15,000,000
Total	\$20,000,000	\$15,000,000

FUTURE PROJECTS

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 Growth Assumptions

	2016	2017	2018	2019	2020	2021	2022	2023	2024
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Revenues

State Appropriations (General Fund)	-13.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Tuition and Fees	5.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Grants and Contracts	1.3%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Private Gifts	-1.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Technology and Research Initiative	-6.8%	4.1%	4.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Auxiliary Enterprises	-0.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Sources	5.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

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.