

EXECUTIVE SUMMARY

Item Name: Annual Capital Plan for Northern Arizona University

☒ Action Item

Requested Action: Northern Arizona University (NAU) asks the board to approve its Annual Capital Plan (ACP), as described in this executive summary. The ACP includes no new projects and no resubmitted projects. Excluding third-party projects, the ACP has no financial impact.

Background/History of Previous Board Action

Capital Improvement Plan FY 2024 – FY 2027

September 2022

Prior Year Activity

- There were no major capital projects ongoing nor substantially completed within the last 12 months.
- Since there hasn't been any activity in the last 12 months, there aren't any details listed in Exhibit 1.

Overview and Alignment with Enterprise and University Goals and Objectives

- The NAU ACP does not include any projects and has no financial impact.
- NAU has developed the ACP to align with the currently under-way university campus master plan process, and the Enterprise and NAU 2025 Elevating Excellence strategic plan goals.

Annual Capital Plan Projects

No projects are proposed for ACP approval so information for Exhibits 2 and 3 and the Project Justification Reports have not been included.

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Fiscal Impact and Management

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

Other Projects

- NAU anticipates no third-party projects, component unit projects, or commercial long-term leases that require board approval to be entered into in the next year.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its September 14, 2023, meeting and recommended forwarding the item to the full board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.2, each university shall submit an annual ACP for the upcoming 12-month period in accordance with the calendar and form approved by the executive director of the board.
- ACPs are reviewed by the University Governance and Operations Committee and approved by the board.
- Approval of the ACP authorizes the university to seek legislative review for debt-funded or third-party projects, if applicable. A university cannot proceed with financing or execute construction contracts for a project until the committee has reviewed and the board has approved the Individual Project and Financing phase.

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							
N/A							
Substantially Completed University Projects							
N/A							
Substantially Completed Third-Party Projects							
N/A							
*Values as of 6/30/2023							

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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			N/A						
Subtotal									
Resubmitted Projects									
No resubmitted projects			N/A						
Subtotal									
Third Party Projects									
No new projects			N/A						
Subtotal									
TOTAL			N/A						

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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

Intentionally omitted – no submitted projects

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EXHIBIT 5
Debt Capacity Report
Fiscal Year 2023 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

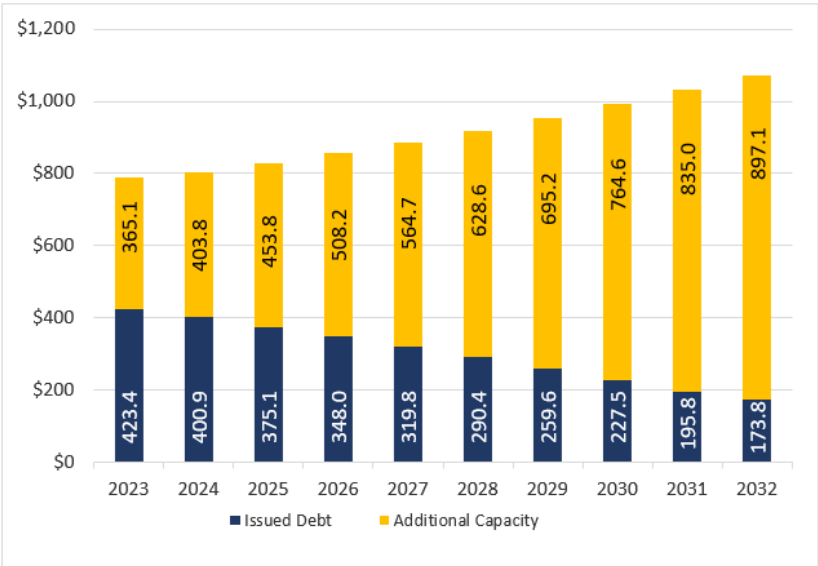
Maximum Projected Debt
Service to Total Expenditures

Excluding/Including
SPEED debt

4.8% / 6.3%

Currently outstanding (issued) debt at the end of FY 2023 is \$423.4 million. Outstanding debt in FY 2024 is projected to be \$400.9 million. The maximum projected debt ratio is 4.8 percent in FY 2025. The 4.8 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 \$32.9 million will occur in FY 2030 at 4.3 percent.

Currently outstanding (issued) debt declines from \$423.4 million in FY 2023 to \$173.8 million by FY 2032 as debt is retired. Additional debt capacity represents debt that can be issued in any given year based on the statutory 8 percent debt ratio maximum.



FUTURE PROJECTS

No future debt financed projects are currently planned.

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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.

Fiscal Year	Moody's		Standard & Poor's	
	Rating	Outlook	Rating	Outlook
2017	A1	Stable	A+	Stable
2018	A1	Stable	A+	Stable
2019	A1	Stable	A+	Stable
2020	A1	Stable	A+	Negative
2021	A1	Stable	A+	Stable
2022	A1	Stable	A+	Stable
2023	A1	Stable	A+	Stable

RATIO OF DEBT SERVICE TOTAL EXPENSES

Annual debt service on system revenue bonds and COPs is projected to increase from \$29.3 million in FY 2023 to a maximum of \$32.9 million in FY 2030. The ratio of debt service to total expenses is expected to reach a maximum in FY 2025 at 4.8 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 \$9.9 million is included, the highest projected debt ratio increases to 6.3 percent in FY 2025.

