

EXECUTIVE SUMMARY – ACTION ITEM**ITEM 1.13: Northern Arizona University Requests Approval of its Annual Capital Plan, Including Waiver of ABOR Policy 7-102 Requiring Committee Review**

Requested Action: Northern Arizona University asks the board to approve its Annual Capital Plan, including waiver of ABOR Policy 7-102 requiring committee review, as described in this executive summary and supporting documents. The ACP includes no new projects and no resubmitted projects. Excluding third-party projects, the ACP has no financial impact.

Background

- Capital Improvement Plan FY2027 – 2030 September 2025
- Campus Master Plan November 2023

Prior Year Activity

- There were no major capital projects that were substantially completed within the last 12 months.
- There were no major capital projects that began or continued construction activity in the last 12 months.
- Detail on already-approved projects are listed in Exhibit 1.

Overview and Alignment with Enterprise and University Goals and Objectives

- The Northern Arizona University (NAU) Annual Capital Plan (ACP) does not include any projects and has no financial impact.
- NAU has developed the ACP to align with university's campus master plan, and the system Enterprise and university strategic goals and objectives.
- 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.

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, and commercial long-term leases that require board approval to be entered into in the next year.

Supporting Document/s

- Exhibit 1 – Capital Project Status Report
- Exhibit 2 – Annual Capital Plan Table – Intentionally Omitted
- Exhibit 3 – Annual Capital Plan Table – Intentionally Omitted
- Exhibit 4 – Campus Map of Projects – Intentionally Omitted
- Exhibit 5 – Debt Capacity Report

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.
- Pursuant to ABOR Policy 7-102.D, a university may request a waiver of ABOR Policy 7-102 as long as it is in the best interest of the university and it complies with applicable state laws.

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EXHIBIT 2

Intentionally Omitted - No submitted projects

EXHIBIT 3

Intentionally Omitted - No submitted projects

EXHIBIT 4

Intentionally Omitted - No submitted projects

EXHIBIT 5
Debt Capacity Report
Fiscal Year 2026 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

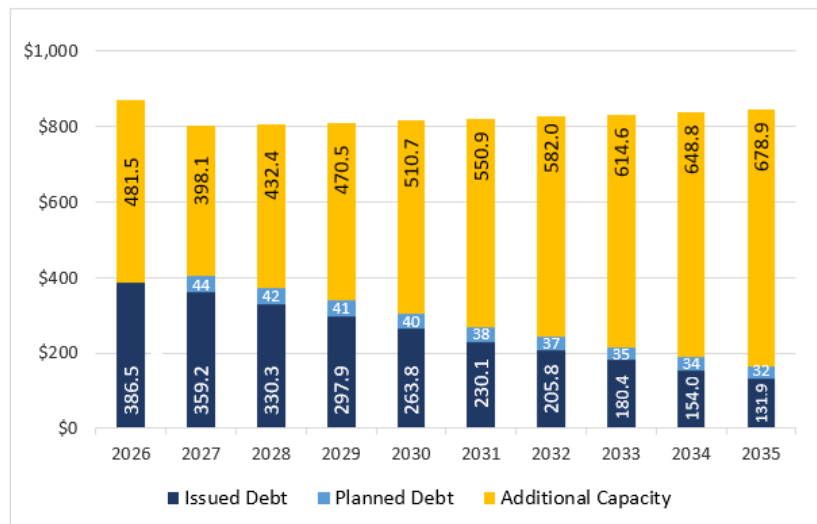
**Maximum Projected Debt Service to
Total Expenditures**

**Excluding/Including SPEED
debt**

4.9% / 7.4%

Currently outstanding (issued) debt at the end of FY 2026 is \$386.5 million. Outstanding debt in FY 2027 is projected to be \$403.0 million. The maximum projected debt ratio is 4.9 percent in FY 2030. The 4.9 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 \$32.7 million will occur in FY 2030.

Currently outstanding (issued) debt declines from \$386.5 million in FY 2026 to \$131.9 million by FY 2035 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 projects are proposed for ACP approval so Exhibits 2 and 3 and Project Justification Reports have not been included.

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
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
2024	A1	Stable	A+	Stable
2025	A1	Stable	A+	Stable
2026	A1	Stable	A+	Stable

RATIO OF DEBT SERVICE TOTAL EXPENSES

Annual debt service on system revenue bonds and COPs is projected to increase from \$30.1 million in FY 2026 to a maximum of \$32.7 million in FY 2030. The ratio of debt service to total expenses is expected to reach a maximum in FY 2030 at 4.9 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 \$11.7 million is included, the highest projected debt ratio increases to 7.4 percent in FY 2029.

