



## University of Northern Colorado Annual Debt Report

### Summary of FY24 Debt Activity

Table 1 summarizes the overall changes in debt from FY23 to FY24, resulting in total debt outstanding on June 30, 2024 of \$136.7 million. These changes resulted in an overall net decrease in debt of \$2.3 million.

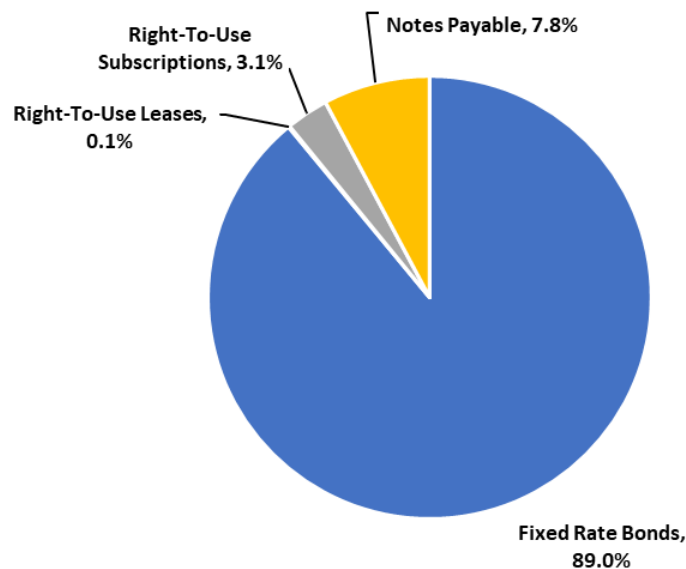
**Table 1. Fiscal Year 2023-24 Change in Total Debt Outstanding**

	Outstanding Debt			Ending Balance
	Beginning Balance	Additions	Deductions	
Bonds payable	128,547,723	-	6,902,106	121,645,617
Notes payable	5,122,601	6,125,341	700,116	10,547,826
Right-to-use leases payable	691,819	-	489,730	202,089
Right-to-use subscriptions payable	4,557,107	1,619,343	1,915,457	4,260,993
Total outstanding debt	<u>\$ 138,919,250</u>	<u>\$ 7,744,684</u>	<u>\$ 10,007,409</u>	<u>\$ 136,656,525</u>

### Current Debt Portfolio

The University’s debt portfolio includes fixed rate bonds, notes payable, right-to-use subscriptions, and right-to-use leases. See Appendix A for a complete listing of the University’s debt.

**Figure 1. Long Term Debt (\$136.7 million)**



## Ratio Analysis and Comparisons

Consistent with the debt policy, the following ratios provide an indication of our liquidity, leverage, and risk relative to other institutions.

**Table 2. Debt Portfolio Financial Ratio in Comparison to Peers**

Financial Ratios	UNC FY19 (a)	UNC FY20 (a)	UNC FY21 (a)	UNC FY22 (a)	UNC FY23 (a)	UNC FY24 (prelim.)	A3 Institutions (b)	A2 Institutions (b)	A1 Institutions (b)
<b>Reserves and Liquidity</b>									
Monthly Days Cash on Hand	76.5	98.9	123.2	150.3	133.6	109.3	181.0	151.0	169.0
Total Cash & Investments	\$170,637	\$200,218	\$210,694	\$216,089	\$226,239	\$232,461	\$163,847	\$177,766	\$324,092
<b>Operating Performance</b>									
Operating Cash Flow Margin	9.40%	14.00%	15.40%	19.50%	8.30%	5.80%	7.90%	7.30%	9.70%
<b>Debt &amp; Leverage</b>									
Financial Leverage (Spendable Cash & Investments to Total Debt)	0.53x	0.76x	0.70x	0.80x	0.90x	0.84x	1.04x	0.98x	1.62x
Debt Service Coverage by Operating Cash Flow	1.80x	2.80x	2.60x	4.00x	1.60x	0.88x	1.7x	1.8x	2.3x

(a) Moody's Calculated Ratios as published. Source: MFRA as of 11/15/2024

(b) Moody's Median Report for Public Higher Education Institutions (FY23 data and financial information). Published 06/06/2024

### Ratio Definitions

**Monthly Days Cash on Hand** measures the number of days a university is able to operate (cover its cash operating expenses) from unrestricted cash and investments that can be liquidated within one month.

**Operating Cash Flow Margin** measures net income (before non-cash expenses) relative to operating revenue to indicate the amount of cash a university generates to support its strategic and capital investments.

**Financial Leverage (Spendable Cash & Investments to Total Debt)** measures the university's ability to repay bondholders from spendable cash and investments that can be accessed over time or for a specific purpose.

**Debt Service Coverage** measures annual debt service burden on the annual operating budget.

## Debt Service Requirements

Table 3 shows the future debt service requirements for the University's debt.

**Table 3. Future Minimum Debt Service Requirements (Principal and Interest)**

	2024	2025	2026	2027	2028	Thereafter
Notes Payable Debt Service	773,664	773,664	773,664	773,664	717,668	1,853,975
Fixed Rate Bonds Debt Service	10,850,765	10,884,439	10,879,702	10,887,955	10,870,841	112,927,656
Right-To-Use Leases Debt Service	491,772	177,660	7,500	7,500	7,500	3,750
Right-To-Use Subscriptions Debt Service	1,631,305	1,283,796	1,001,673	683,258	54,785	56,401
<b>Total Debt Service</b>	<b>13,747,506</b>	<b>13,119,559</b>	<b>12,662,539</b>	<b>12,352,377</b>	<b>11,650,794</b>	<b>114,841,782</b>

## Composite Financial Index

The Composite Financial Index (CFI) is a tool developed by KPMG and Prager, Sealy and Co., LLC to help institutions monitor their financial health relative to strategic actions over time. The CFI includes four basic ratios to address resource sufficiency (Primary Reserve), operating results (Net Operating Revenues), debt management (Viability) and asset performance (Return on Net Assets). The ratios are then translated to a “strength factor” on a 1-10 scale and then weighted to come up with a single CFI. We believe it is a useful tool, but not a definitive indicator.

There are a few notable caveats. First, the tool is intended to be used as a relative indicator over time, giving consideration to strategic intentions. As we have discussed, while we are intentionally and strategically investing in improving student success, the use of reserves necessarily results in reduced ratios. Second, the calculations include both UNC and the UNC Foundation financial results, thus financial market performance has a significant effect on the net operating revenue and return on net asset ratios. Third, we exclude the GASB68 and GASB75 non-cash pension and OPEB expense and pension and OPEB liabilities from our calculations.

As shown in table 4, our FY24 preliminary CFI of 2.84 is based upon the four raw ratios, converted to a 1-10 scale strength factor and weighted as prescribed by the developers of the CFI.

**Table 4. FY24 CFI Calculation**

2024				
RATIO	RATIO VALUE	STRENGTH FACTOR	WEIGHTING FACTOR	SCORE
Primary Reserve	0.5398	4.06	35%	1.42
Net Operating Revenues	-0.0220	-1.70	10%	(0.17)
Viability	0.9403	2.25	35%	0.79
Return on Net Assets	0.0797	3.99	20%	0.80
Composite Financial Index 2024				2.84

Table 5 and Figure 2 on the next page show a ten-year history of the CFI, with each of the four strength factors.

**Table 5. Ten-year CFI and Strength Factor History**

CFI Factor - Unweighted	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Primary Reserve 35%	3.21	2.80	2.48	2.37	1.94	1.86	2.64	3.46	3.73	3.50	4.06
Net Oper Rev 10%	-3.15	-4.36	-4.04	-3.98	-2.14	-1.27	0.96	3.29	5.12	-1.78	-1.70
Viability 35%	1.50	1.40	1.23	1.08	0.97	0.96	1.27	1.54	1.83	1.84	2.25
Return on Net Asset 20%	0.26	-1.26	-2.27	2.93	3.99	-0.16	1.66	5.34	1.09	1.24	3.99
<b>Composite Financial Index</b>	<b>1.39</b>	<b>0.78</b>	<b>0.44</b>	<b>1.40</b>	<b>1.60</b>	<b>0.83</b>	<b>1.80</b>	<b>3.15</b>	<b>2.68</b>	<b>1.94</b>	<b>2.84</b>

Figure 2.

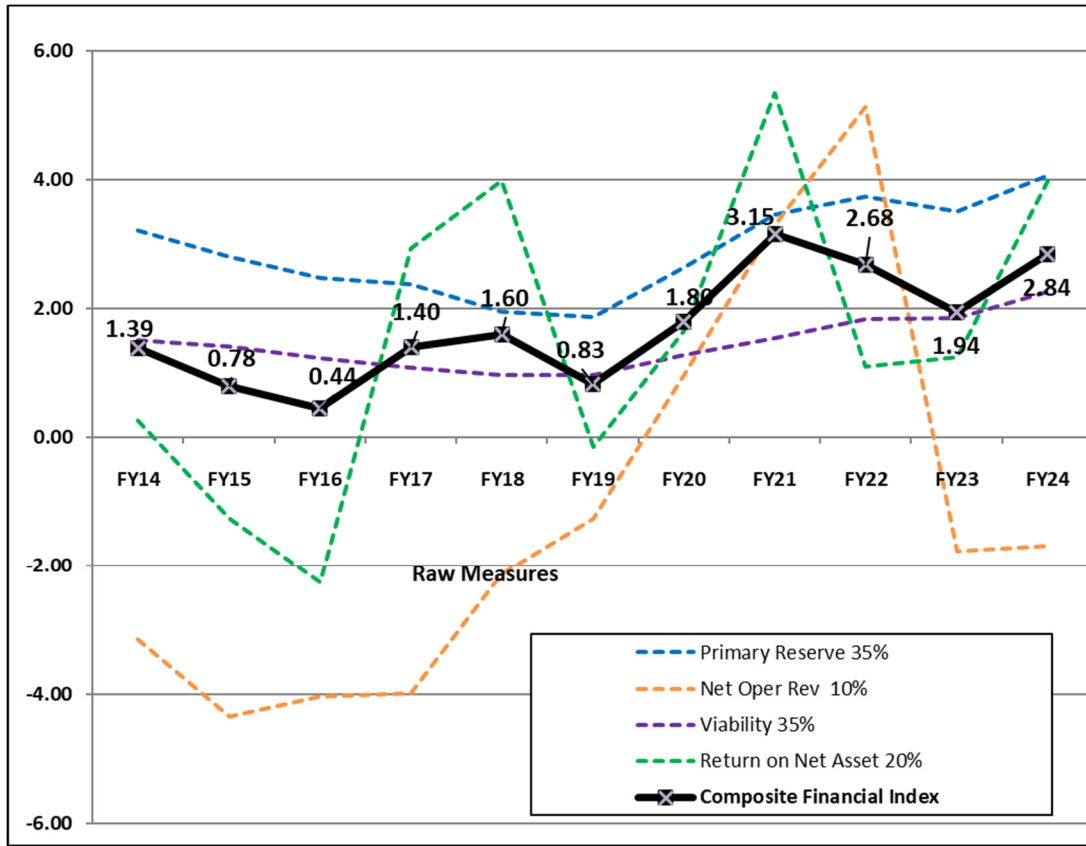
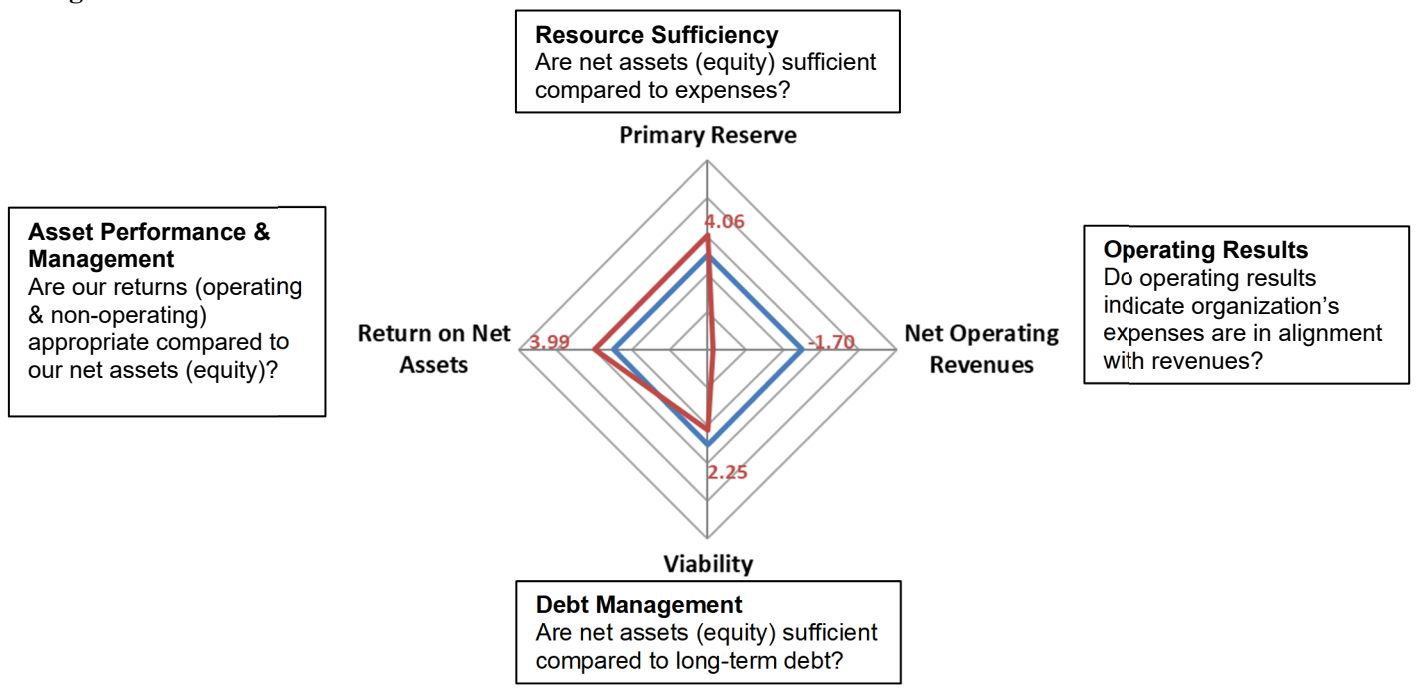


Figure 3 is the recommended graphical representation of UNC’s CFI, showing how each of the factors (in red) on a 1-10 scale compare to a square of 3.0 strength factors (in blue). The 3.0 levels are used as threshold measures for normal levels of financial health.

Figure 3.



## **Continuing Disclosure**

In association with outstanding bonds, the University is required to provide annual updates of certain financial and operating information, and other materially important information. Of particular importance, the University must provide the fiscal year 2023-24 Audited Financial Statements within 270 days of the completion of our fiscal year. We anticipate the submission for FY24 to occur in January 2025, following final completion of the audit and approval by the State. The University has complied with all other continuing disclosure requirements during FY24 on all of the University's outstanding bond issues.

## **Ratings**

On September 18, 2023, Standard & Poor's Global Ratings revised its outlook to stable from negative and affirmed its 'A-' underlying rating for the university's outstanding bond debt. They maintained the 'AA' long-term rating and stable outlook on the university's 2014A bonds based on UNC's participation in the Colorado Higher Education State Aid Intercept Program.

## Appendix A - Long Term Debt Schedule

### Bonds Payable

	Interest Rate/ Coupon Rate	Effective Rate	Final Maturity	Original Amount	Outstanding Balance FY24
Series 2014A - Institutional Enterprise Revenue Refunding Bonds, issued April 2, 2014, call date June 1, 2024	2.00% - 5.00%	4.38%	6/1/2035	\$52,465,000	\$4,830,000
Series 2015A - Institutional Enterprise Revenue Refunding Bonds, issued June 3, 2015, call date June 1, 2025	4.00% - 5.00%	4.25%	6/1/2025	\$21,510,000	\$21,510,000
Series 2016A - Institutional Enterprise Revenue Refunding Bonds, issued November 9, 2016, call date June 1, 2026	3.00% - 5.00%	4.00%	6/1/2026	\$23,470,000	\$21,020,000
Series 2018A - Institutional Enterprise Revenue Refunding Bonds, issued July 18, 2018, call date June 1, 2041	3.60% - 5.00%	3.67%	6/1/2041	\$7,110,000	\$3,990,000
Series 2018B - Institutional Enterprise Revenue Refunding Bonds, issued July 18, 2018, call date June 1, 2036	4.00% - 5.00%	3.30%	6/1/2036	\$12,020,000	\$11,340,000
Series 2019A - Institutional Enterprise Revenue Refunding Bonds, issued August 29, 2019, call date June 1, 2031	1.97 - 2.64%	2.48%	6/1/2031	\$32,855,000	\$21,945,000
Series 2021A - Institutional Enterprise Revenue Refunding Bonds Taxable Convertible to Tax-Exempt, issued August 29, 2019, call date June 1, 2035	1.77 - 2.29%	2.29%	6/1/2035	\$33,035,000	\$32,355,000
Unamortized Premium for Fixed Rate Bonds					\$4,655,617
<b>Total Bonds Payable Outstanding</b>					<b>\$121,645,617</b>

### Notes Payable

Contract Date	Vendor	Purchase Description	Term and Maturity	Interest Rate	Acquisition Price	Regular Payment	Balance at 6/30/24
1/29/2016	Banc of America Public Capital Corporation	Energy performance improvements in numerous buildings on campus including steam trap upgrades, control and lighting improvements, plumbing retrofitting, and a chiller replacement	15 years ending January 2031	2.69% fixed, tax-exempt	\$ 8,850,000	\$59,806 monthly with \$1 purchase option at end of term	\$ 4,375,507
9/8/2022	Dell Technologies	Computer hardware	4 years ending November 2026	3.69% fixed, tax-exempt	\$ 260,477	\$55,996 annually	\$ 148,455
10/26/2022	Cisco Systems	Computer hardware	5 years ending June 2028	6.99% fixed, tax-exempt	\$ 199,166	\$39,833 annually	\$ 104,554
4/26/2023	Cisco Systems	Computer hardware	5 years ending July 2028	0.0% for the entire term	\$ 355,388	\$71,078 annually	\$ 284,310
5/1/2024	CN Financing, Inc.	Arlington Park Apartments roof replacement	7 years ending May 2031	5.521% fixed, tax-exempt	\$ 5,635,000	\$490,730 semi-annually	\$ 5,635,000
<b>Total Notes Payable Outstanding</b>							<b>\$ 10,547,826</b>

## Appendix A - Long Term Debt Schedule (continued)

### Right-to-Use Leases (per GASB 87)

Contract Date	Vendor	Purchase Description	Term and Maturity	Incremental borrowing interest rate	Regular Payment	Balance at 6/30/24
12/18/2019	BTT, LLC	12,000 square feet of building space in Loveland, Colorado for office space and classrooms	5 years ending December 2024	0.287%	\$28,360 monthly	\$ 170,018
2/1/2023	NDTCO	1,200 square feet of garage space in Greeley, Colorado	6 years ending December 2028	2.247%	\$625 monthly	\$ 32,071
<b>Total Right-to-Use Leases Outstanding</b>						<b>\$ 202,089</b>

### Right-to-Use Subscriptions (per GASB 96)

Contract Date	Vendor	Purchase Description	Term and Maturity	Incremental borrowing interest rate	Regular Payment	Balance at 6/30/24
6/22/2022	Ellucian Banner	Banner document management and other software	5 years ending June 2027	2.372%	Annual payments beginning at \$298,687 for the first year with a 5% increase in	\$ 990,002
4/18/2022	Instructure	Cloud storage	5 years ending June 2027	2.372%	Annual payments beginning at \$230,899 for the first year with a 5% increase in	\$ 765,318
Various	Various	In addition to the two significant agreements detailed above, there are 18 other software agreements with various vendors, for a combined liability of \$2,505,673 at June 30, 2024.	Various	Various	Various	\$ 2,505,673
<b>Total Right-to-Use Subscriptions Outstanding</b>						<b>\$ 4,260,993</b>