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# University of Northern Colorado Annual Debt Report

## Summary of FY21 Debt Activity

Table 1 summarizes the overall changes in debt from FY20 to FY21, resulting in total debt outstanding on June 30, 2021 of \$145.6 million. Current year payments on the capital leases were \$2.2 million, the payments on the outstanding bonds were \$5.0 million and the current year amortization of bond discounts and premiums were \$447,835.

**Table 1. Fiscal Year 2020-21 Change in Total Debt Outstanding**

<b>Outstanding total debt, as of July 1, 2020</b>	<b>\$153,122,237</b>
Capital lease payments	(2,151,869)
Bond payments	(4,965,000)
Noncash bond premium/ discount amortization	(447,835)
<b>Total decrease in outstanding debt</b>	<b>(7,564,704)</b>
<b>Outstanding total debt, as of June 30, 2021</b>	<b>\$145,557,533</b>

### 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 2020-21 Audited Financial Statements within 270 days of the completion of our fiscal year. We anticipate the submission for FY21 to occur in January 2022, following final completion of the audit and approval by the State. The University has complied with all other continuing disclosure requirements during FY21 on all of the University's outstanding bond issues.

### Current Debt Portfolio

The University's debt portfolio includes capital leases, fixed rate bonds, and operating leases. Currently, there are no outstanding notes payable.

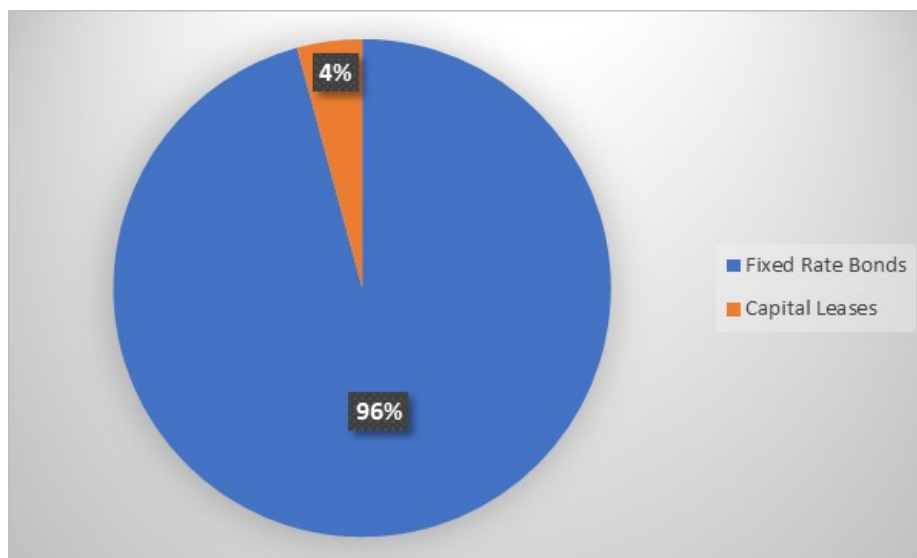
### Capital Leases & Bonds Payable

As shown in Table 2, the University has a variety of capital leases and bonds payable outstanding at June 30, 2021.

**Table 2. Long Term Debt Schedule**

	<b>Interest Rate/ Coupon Rate</b>	<b>Effective Rate</b>	<b>Final Maturity</b>	<b>Original Amount</b>	<b>Outstanding Balance FY21</b>
<b>Capital Leases</b>					
CISCO Software Lease with payments of \$86,000 annually, issued April 20, 2018	3.93%	-	5/1/2022	\$397,494	\$83,756
Energy Performance Contract Capital Lease with payments of \$717,672 annually, issued January 29, 2016	2.69%	-	1/29/2031	\$8,850,000	\$6,056,713
CISOC Network Lease with payments of \$300,131 annually, issued December 18, 2019	2.17%	-	12/18/2019	\$1,407,758	\$0
Dell Lease with payments of \$102,832 annually, issued January 31, 2020	2.66%	-	1/31/2020	\$475,596	\$0
<b>Total Capital Leases Outstanding</b>					<b>\$6,140,469</b>
<b>Bonds Payable</b>					
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	\$41,295,000
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	\$22,535,000
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	\$5,645,000
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	\$12,020,000
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	\$28,520,000
Unamortized Premium for Fixed Rate Bonds					\$7,892,064
<b>Total Bonds Payable Outstanding</b>					<b>\$139,417,064</b>
<b>Total Long-Term Debt</b>					<b>\$145,557,533</b>

**Figure 1. Long Term Debt (\$145.6 million)**



### Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2030. Total rental expenses for all operating leases for FY21 were \$1,286,350. The largest portion of operating leases relates to the rental of real property for the Lowry and Loveland Extended Campus locations. Rental expense for the Lowry location was \$598,659 in FY21 and the lease renews annually. Rental expense for the Loveland location was \$361,198 in FY21 and renews annually through 2024. The remainder of the operating leases relate to equipment and vehicle leases.

### Ratio Analysis and Comparisons

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

**Table 3. Debt Portfolio Financial Ratio in Comparison to Peers**

Financial Ratios	UNC FY16 (a)	UNC FY17 (a)	UNC FY18 (a)	UNC FY19 (a)	UNC FY20 (a)	UNC FY21 (a)	A3 Institutions (b)	A2 Institutions (b)	A1 Institutions (b)
<u>Reserves and Liquidity</u>									
Monthly Days Cash on Hand	90.3	98.0	71.9	76.5	98.9	92.8	100.0	148.0	173.0
Total Cash & Investments	\$161,468	\$170,311	\$169,711	\$170,637	\$200,218	\$210,694	\$99,078	\$143,942	\$258,615
<u>Operating Performance</u>									
Operating Cash Flow Margin	9.00%	6.30%	7.30%	9.40%	14.00%	15.30%	11.40%	10.50%	10.60%
<u>Debt &amp; Leverage</u>									
Financial Leverage (Spendable Cash & Investments to Total Debt)	0.59x	0.54x	0.53x	0.54x	0.76x	0.70x	.65x	.67x	1.20x
Debt Service Coverage by Operating Cash Flow	1.60x	1.10x	1.60x	1.80x	2.80x	2.30x	2.11x	1.61x	1.89x

(a) Moody's Calculated Ratios as published. Source: MFRA as of 10/22/2021

(b) Moody's Median Report for Public Higher Education Institutions (FY20 data and financial information). Published June 30, 2021

## 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 4 shows the future debt service requirements for capital leases and bonds. Table 5 shows the future minimum operating lease payments.

**Table 4. Future Minimum Debt Service Requirements (Principal and Interest)**

	2022	2023	2024	2025	Thereafter
Capital Lease Debt Service	803,668	717,668	717,668	717,668	4,006,979
Fixed Rate Bond Debt Service	10,507,653	10,503,392	11,190,672	11,224,330	148,953,652
<b>Total Debt Service</b>	<b>11,311,321</b>	<b>11,221,060</b>	<b>11,908,340</b>	<b>11,941,998</b>	<b>152,960,631</b>

	2022	2023	2024	2025	2026	2027-2031
Operating Leases	1,236,555	1,219,202	1,187,855	1,182,767	1,169,599	5,506,261

*Please note that this table does not tie to the amounts reported in the financial statements. Accounting standards require the reporting of minimum lease payments based on non-cancelable contract dates effective prior to fiscal year end.*

## Subsequent Events

On October 12, 2021, UNC's Board of Trustees convened a special meeting in which a resolution was reviewed and approved: Amended and Restated Eighth Supplemental Resolution to the Master Bond Resolution. The resolution provides approval of terms under which the institution may pursue the refinancing of certain outstanding series of bonds. The necessary request for proposal has been issued to banks and underwriters and responses have been received. Following review, if it is determined that favorable terms have been proposed and are attainable, actions will be taken to complete the offering and close the refinancing, which could be completed by the end of December, 2021.

## 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.

As shown in table 1, our FY21 preliminary CFI of 3.15 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 1. FY21 CFI Calculation

2021				
RATIO	RATIO VALUE	STRENGTH FACTOR	WEIGHTING FACTOR	SCORE
Primary Reserve	0.4600	3.46	35%	1.21
Net Operating Revenues	0.0428	3.29	10%	0.33
Viability	0.6414	1.54	35%	0.54
Return on Net Assets	0.1068	5.34	20%	1.07
Composite Financial Index 2021				3.15

Table 2 and Figure 1 on the next page show a ten-year history of the CFI, with each of the four strength factors. The FY21 CFI increased from 1.80 TO 3.15.

Table 2. Ten-year CFI and Strength Factor History

CFI Factor - Unweighted	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Primary Reserve 35%	3.62	3.67	3.74	3.21	2.80	2.48	2.37	1.94	1.86	2.64	3.46
Net Oper Rev 10%	2.78	1.63	-1.24	-3.15	-4.36	-4.04	-3.98	-2.14	-1.27	0.96	3.29
Viability 35%	1.45	1.55	1.63	1.50	1.40	1.23	1.08	0.97	0.96	1.27	1.54
Return on Net Asset 20%	3.77	0.03	1.55	0.26	-1.26	-2.27	2.93	3.99	-0.16	1.66	5.34
<b>Composite Financial Index</b>	<b>2.80</b>	<b>2.00</b>	<b>2.07</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>

Composite Financial Index

Figure 1.

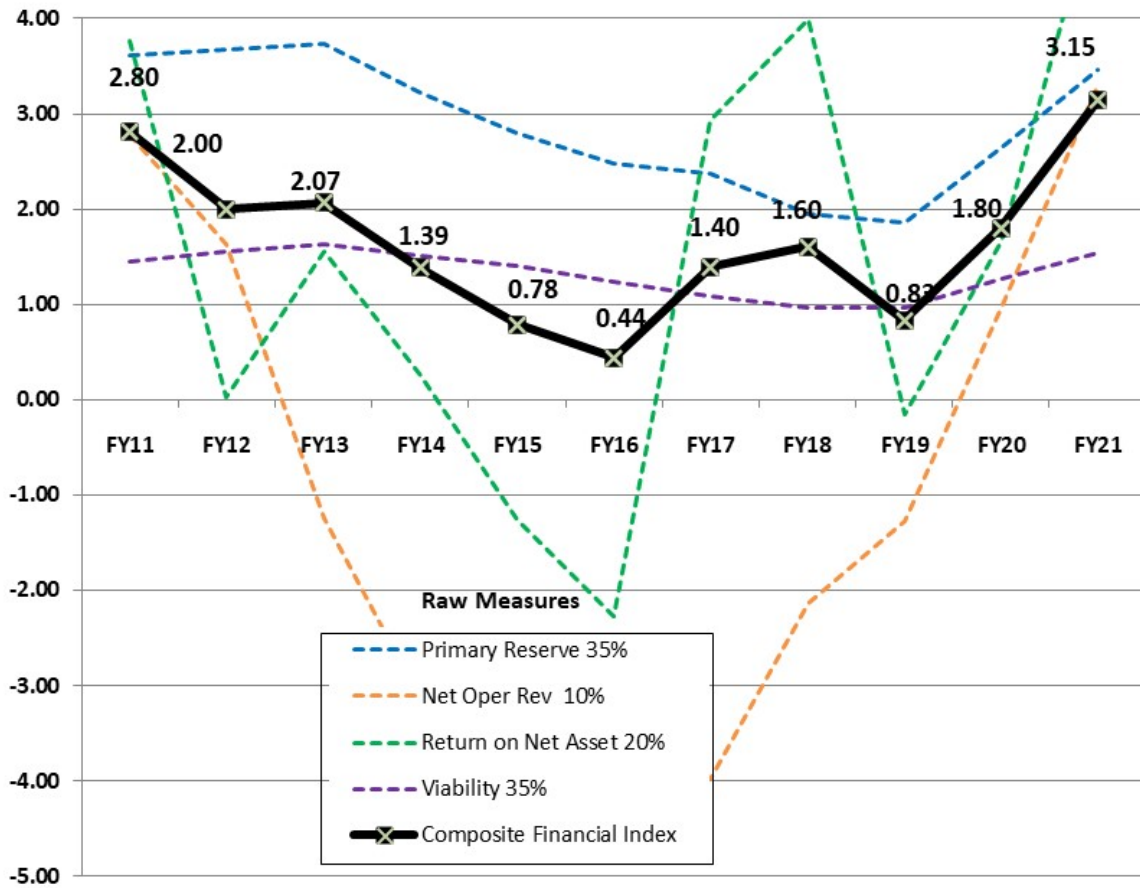


Figure 2 is the recommended graphical representation of UNC’s CFI, showing how each of the factors (in red) on a 1-10 scale compare to a square of 3.0 strength factors (in blue). The 3.0 levels are used as threshold measures for normal levels of financial health.

Figure 2.

