

EXECUTIVE SUMMARY

Item Name: Approval of Capital Development Plan (NAU)

Action Item

Requested Action: Northern Arizona University (NAU) asks the board to approve its Capital Development Plan (CDP), which does not include any projects. The CDP has no financial impact, as described in this executive summary.

Previous Board Action

- Capital Improvement Plan FY 2022 – FY 2024 September 2020

Prior Year Activity

- No projects were substantially completed within the last 12 months.
- One third-party project began or continued construction activity in the last 12 months.
- Detail on completed and ongoing projects are listed in Exhibit 1.

Overview and Alignment with Enterprise and University Goals and Objectives

- The NAU CDP does not include any projects and has no financial impact.
- NAU has developed the CDP to align with university's campus master plan, and the system Enterprise and university strategic goals and objectives.

Capital Development Plan Projects

- No projects are being proposed for CDP approval so information has not been included in Exhibits 2 and 3 and Project Justification Reports have not been included.

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Fiscal Impact and Management

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

Statutory/Policy Requirements

- Pursuant to ABOR Policy Chapter 7-107, each university shall submit an annual CDP for the upcoming year in accordance with the calendar approved by the executive director of the board.
- CDPs are reviewed by the Finance, Capital and Resources Committee and approved by the board.
- Approval of the CDP allows universities to complete design and planning, execute construction and financing agreements, and begin construction as outlined in policy.

Committee Review and Recommendation

The Finance, Capital and Resources Committee reviewed this item at its September 9, 2021 meeting, and recommended forwarding the item to the full board for approval.

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EXHIBIT 1

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							
Student Athlete High Performance Center	70,000	N/A	N/A	65%	N/A	Sep-19	Dec-21
Substantially Completed University Projects							
N/A							
Substantially Completed Third-Party Projects							
N/A							
*Values as of 6/30/2021							

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EXHIBIT 4
Debt Capacity Report
 Fiscal Year 2021 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

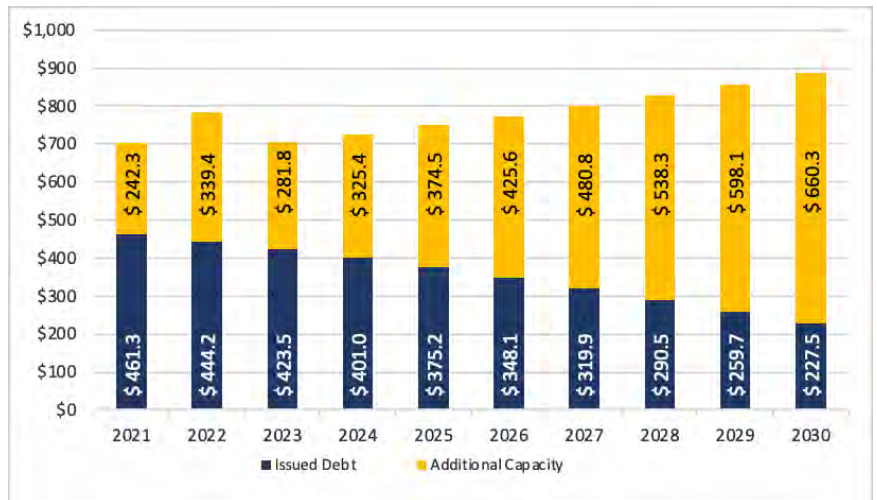
Maximum Projected Debt Service to Total Expenditures

Excluding/Including SPEED debt

5.3% / 7.0%

Currently outstanding (issued) debt at the end of FY 2021 is \$461.3 million. Outstanding debt in FY 2022 is projected to be \$444.2 million. The maximum projected debt ratio is 5.3 percent in FY 2025. The 5.3 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 \$32.8 million will occur in FY 2026 at 5.2 percent.

Currently outstanding (issued) debt declines from \$461.3 million in FY 2021 to \$227.5 million in FY 2030 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

NAU is proud to note that based on our strong performance and planning through the pandemic, Standard & Poor’s restored a “stable” outlook in 2021.

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
2016	A1	Stable	A+	Stable
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

RATIO OF DEBT SERVICE TOTAL EXPENSES

Annual debt service on system revenue bonds and COPs is projected to increase from \$26.1 million in FY 2021 to a maximum of \$32.8 million in FY 2026. The ratio of debt service to total expenses is expected to reach a maximum in FY 2025 at 5.3 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 \$11.1 million is included, the highest projected debt ratio increases to 7.0 percent in FY 2025.

