

University of Northern Colorado Annual Debt Report

Summary of FY23 Debt Activity

Table 1 summarizes the overall changes in debt from FY22 to FY23, resulting in total debt outstanding on June 30, 2023 of \$138.9 million. These changes resulted in an overall net decrease in debt of \$2.2 million.

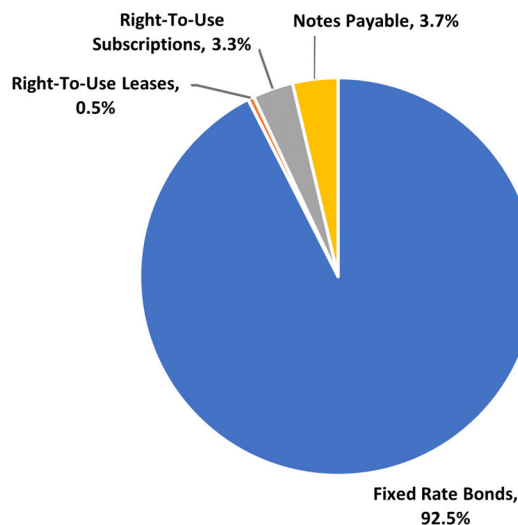
Table 1. Fiscal Year 2022-23 Change in Total Debt Outstanding

Outstanding total debt, as of July 1, 2022	\$ 141,153,900
Right-to-use lease additions (GASB 87)	41,593
Right-to-use lease payments	(483,767)
Right-to-use subscriptions additions (GASB 96)	6,109,012
Right-to-use subscriptions payments	(1,551,905)
Notes payable additions	260,447
Notes payable payments	(632,925)
Bond payments	(5,600,000)
Noncash bond premium/ discount amortization	(377,105)
Total decrease in outstanding debt	(2,234,650)
Outstanding total debt, as of June 30, 2023	\$ 138,919,250

Current Debt Portfolio

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

Figure 1. Long Term Debt (\$138.9 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 FY18 (a)	UNC FY19 (a)	UNC FY20 (a)	UNC FY21 (a)	UNC FY22 (a)	UNC FY23 (a)	A3 Institutions (b)	A2 Institutions (b)	A1 Institutions (b)
Reserves and Liquidity									
Monthly Days Cash on Hand	71.9	76.5	98.9	123.2	150.3	146.2	160.0	188.0	213.0
Total Cash & Investments	\$169,711	\$170,637	\$200,218	\$210,694	\$216,089	\$226,239	\$139,186	\$206,284	\$363,734
Operating Performance									
Operating Cash Flow Margin	7.30%	9.40%	14.00%	15.40%	19.50%	16.40%	14.90%	12.00%	13.30%
Debt & Leverage									
Financial Leverage (Spendable Cash & Investments to Total Debt)	0.53x	0.53x	0.76x	0.70x	0.80x	0.86	0.95x	1.03x	1.71x
Debt Service Coverage by Operating Cash Flow	1.60x	1.80x	2.80x	2.60x	4.00x	2.70x	4.0x	2.9x	3.3x

(a) Moody's Calculated Ratios as published. Source: MFRA as of 11/8/2023

(b) Moody's Median Report for Public Higher Education Institutions (FY22 data and financial information). Published June 29, 2023

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	There after
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
Total Debt Service	13,747,506	13,119,559	12,662,539	12,352,377	11,650,794	114,841,782

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 FY23 preliminary CFI of 1.94 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. FY23 CFI Calculation

2023				
RATIO	RATIO VALUE	STRENGTH FACTOR	WEIGHTING FACTOR	SCORE
Primary Reserve	0.4657	3.50	35%	1.23
Net Operating Revenues	-0.0231	-1.78	10%	(0.18)
Viability	0.7679	1.84	35%	0.64
Return on Net Assets	0.0248	1.24	20%	0.25
Composite Financial Index 2023				1.94

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	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Primary Reserve 35%	3.74	3.21	2.80	2.48	2.37	1.94	1.86	2.64	3.46	3.73	3.50
Net Oper Rev 10%	-1.24	-3.15	-4.36	-4.04	-3.98	-2.14	-1.27	0.96	3.29	5.12	-1.78
Viability 35%	1.63	1.50	1.40	1.23	1.08	0.97	0.96	1.27	1.54	1.83	1.84
Return on Net Asset 20%	1.55	0.26	-1.26	-2.27	2.93	3.99	-0.16	1.66	5.34	1.09	1.24
Composite Financial Index	2.07	1.39	0.78	0.44	1.40	1.60	0.83	1.80	3.15	2.68	1.94

Figure 2.

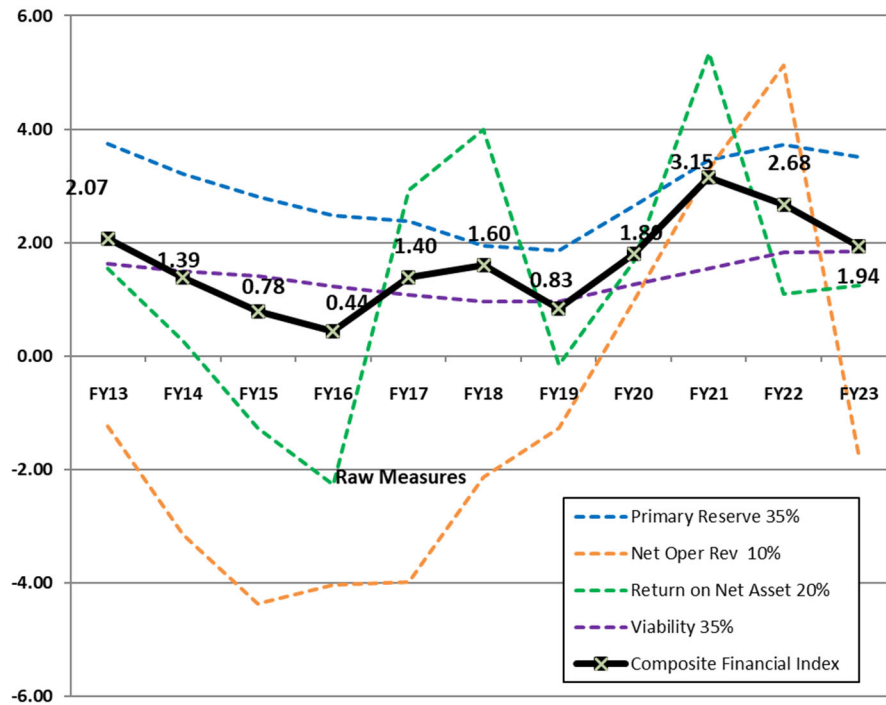
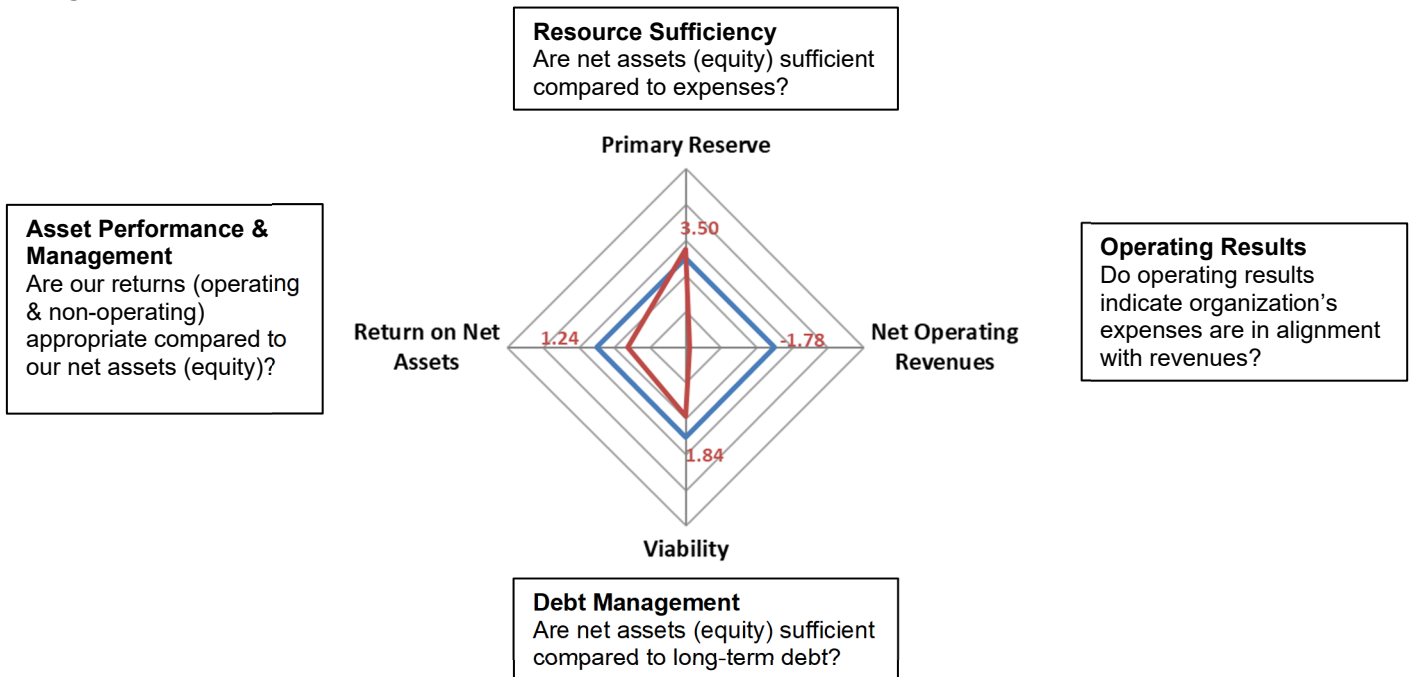


Figure 3 is the recommended graphical representation of UNC’s CFI, showing how each of the factors (in red) on a 1-10 scale compare to a square of 3.0 strength factors (in blue). The 3.0 levels are used as threshold measures for normal levels of financial health.

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 2022-23 Audited Financial Statements within 270 days of the completion of our fiscal year. We anticipate the submission for FY23 to occur in January 2024, following final completion of the audit and approval by the State. The University has complied with all other continuing disclosure requirements during FY23 on all of the University's outstanding bond issues.

Subsequent Event

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

	Interest Rate/ Coupon Rate	Effective Rate	Final Maturity	Original Amount	Outstanding Balance FY23
Notes Payable					
Energy Performance Contract note payable with payments of \$717,672 annually, issued January 29, 2016	2.69%	-	1/29/2031	\$8,850,000	\$4,918,150
Dell Technologies computer hardware note payable with payments of \$55,996 annually, issued September 8, 2022	3.69%	-	11/15/2026	\$260,477	\$204,451
Total Notes Payable Outstanding					\$5,122,601

Bonds Payable					
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	\$7,020,000
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	\$21,540,000
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	\$4,565,000
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	\$24,185,000
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	\$32,675,000
Unamortized Premium for Fixed Rate Bonds					\$5,032,723
Total Bonds Payable Outstanding					\$128,547,723

Right-To-Use Leases (per GASB 87)					
Jetz Service Company, Inc. Equipment Lease (laundry equipment in residence halls) with payments of \$143,592 annually, issued January 1, 2017	Not Provided	-	6/30/2024	\$428,996	\$143,728
BTT, LLC Building Lease (Extended Campus Loveland) with payments of \$340,320 annually, issued December 18, 2019	Not Provided	-	12/31/2024	\$1,185,300	\$509,322
NDTCO lease (garage space) with payments of \$625 monthly, issued February 1, 2023.	Not Provided	-	12/31/2028	\$41,593	\$38,769
Total Right-To-Use Leases Outstanding					\$691,819

Appendix A - Long Term Debt Schedule (continued)

	Interest Rate/ Coupon Rate	Effective Rate	Final Maturity	Original Amount	Outstanding Balance FY23
Right-To-Use Subscriptions (per GASB 96)					
Anthology Inc. (student engagement software) with payments beginning at \$16,000 annually, beginning November 1, 2021	Not Provided	-	10/31/2024	\$33,498	\$16,969
Blackbaud Inc. (Higher Ed Pro software) with payments of \$85,702 annually, beginning September 19, 2021	Not Provided	-	9/18/2024	\$169,361	\$84,036
Cornerstone OnDemand Inc. (Performance software) with payments of \$23,810 annually, beginning September 30, 2021	Not Provided	-	9/29/2024	\$47,038	\$23,347
Cornerstone OnDemand Inc. (Learning and Recruiting software) with payments of \$44,400 annually, beginning December 31, 2021	Not Provided	-	9/29/2024	\$76,608	\$32,653
Hyland Software (OnBase information management software) with payments of \$94,110 annually, beginning November 1, 2021	Not Provided	-	10/31/2024	\$185,762	\$92,281
Oracle Credit Corp (Oracle software) with payments of \$20,672 annually, beginning May 20, 2021	Not Provided	-	5/19/2024	\$40,942	\$20,270
Oracle America Inc. (Oracle software) with payments of \$27,858 quarterly, beginning July 1, 2021	Not Provided	-	6/30/2026	\$427,457	\$322,354
Qualys Inc. (vulnerability management software) with payments of \$8,724 annually, beginning June 30, 2021	Not Provided	-	6/29/2024	\$17,278	\$8,554
Rave Wireless Inc. (mobile safety software) with payments of \$18,400 annually, beginning April 1, 2020	Not Provided	-	3/31/2025	\$36,168	\$18,042
Technolutions Inc. (admissions software) with payments of \$5,000 semi-annually, beginning June 15, 2021	Not Provided	-	6/30/2026	\$38,473	\$28,850
TouchNet Information Systems Inc. (payment software) with payments beginning at \$134,952 annually, beginning July 1, 2021	Not Provided	-	6/30/2026	\$575,930	\$435,579
Vivantech, Inc. dba Streamlyne (research software) with payments of \$42,960 annually, beginning June 1, 2019	Not Provided	-	5/31/2024	\$81,575	\$38,615
Watermark Insights, LLC (SmartCataglog software) with payments beginning at \$13,650 annually, beginning May 1, 2020	Not Provided	-	4/30/2025	\$31,808	\$16,269
HonorLock, Inc. (auto proctoring software) with payments beginning at \$15,000 annually, beginning August 1, 2021	Not Provided	-	7/31/2024	\$31,029	\$15,604
EasyVista, Inc. (SAAS service mgmt software) with payments of \$66,605 annually, beginning September 25, 2022	Not Provided	-	9/24/2025	\$193,606	\$127,001

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Appendix A - Long Term Debt Schedule (continued)

	Interest Rate/ Coupon Rate	Effective Rate	Final Maturity	Original Amount	Outstanding Balance FY23
Right-To-Use Subscriptions (per GASB 96) continued					
Ellucian Company LP (mobile platform) with payments beginning at \$9,604 annually, beginning July 1, 2022	Not Provided	-	6/30/2024	\$19,492	\$9,888
Ellucian Company LP (Banner HR and Finance software) with payments beginning at \$133,754 annually, beginning July 1, 2022	Not Provided	-	6/30/2025	\$416,559	\$282,805
Ellucian Company LP (Banner document mgmt and other software) with payments beginning at \$298,687 annually, beginning July 1, 2022	Not Provided	-	6/30/2027	\$1,572,105	\$1,273,418
Instructure (cloud storage) with payments beginning at \$230,899 annually, beginning July 1, 2022	Not Provided	-	6/30/2027	\$1,215,311	\$984,412
LinkedIn (LinkedIn Learning for Higher Education) with payments of \$25,300 annually, beginning July 1, 2022	Not Provided	-	6/30/2025	\$74,311	\$49,011
Velocity EHS (chemical management software) with payments beginning at \$10,007 annually, beginning August 29, 2022	Not Provided	-	8/28/2025	\$30,194	\$20,187
Watermark Insights, LLC (Faculty Success software) with payments beginning at \$42,687 annually, beginning July 1, 2022	Not Provided	-	6/30/2025	\$131,663	\$88,976
Appspace (platform and cloud storage) with payments of \$13,695 semi-annually, beginning May 16, 2023	Not Provided	-	5/15/2025	\$53,602	\$39,907
Terra Dotta LLC (study abroad, international, other softwares) with payments beginning at \$48,079 annually, beginning July 1, 2022	Not Provided	-	6/30/2029	\$339,082	\$291,398
Watermark Insights, LLC (Student Learning and Licensure software) with payments of \$48,000 annually, beginning February 1, 2023	Not Provided	-	1/31/2026	\$147,943	\$147,943
Teamwork Innovations, Inc. (athletics platform) with payments beginning at \$12,300 annually, beginning July 1, 2021	Not Provided	-	6/30/2026	\$81,459	\$61,810
JumpForward, LLC (athletics software) with payments of \$13,900 annually, beginning July 1, 2022	Not Provided	-	6/30/2025	\$40,758	\$26,928
Total Right-To-Use Subscriptions					\$4,557,107
Total Long-Term Debt					\$138,919,250