

**RECOMMENDATION**

It is recommended that the Board of Trustees approve a lease-financing arrangement for the roof replacement at Arlington Park apartments.

**BACKGROUND**

In June 2023, the Board approved the FY24 capital budget which included the Arlington Park Apartments roof structure repair. Some work has already begun, though most will take place starting in late February 2024 with completion in August 2024.

We are prepared to fund the project with institutional funds, however, there are benefits to financing the project over five or seven years. As such, we requested a quote from First American Financial Corporation, under a Master Agreement, to finance the project. For minimal cost over the financing term, UNC maintains the benefit of a strong cash position to hedge against uncertainties in the future.

The total of the financing requires Board approval as it is greater than \$250,000.



Responsible Staff

2/14/24

Date



President

2/15/24

Date

Board Action

Date



UNIVERSITY OF  
**NORTHERN  
COLORADO**

## Memo

To: Dale Pratt  
From: Leila McCamey  
CC: Blaine Nickeson, Nate Reinhard  
Date: February 23, 2024  
Re: Request for financing approval for Arlington Park Apartments roof replacement

Comments: Financial Services is requesting approval to finance \$5,635,000 for the roof replacement at Arlington Park Apartments. The Board of Trustees provided approval to move forward with the project in the June 2023 board meeting. Construction is scheduled to begin in late February and be completed prior to the start of Fall 2024 semester.

Financing this project preserves the flexibility to utilize our cash balance for other priorities and hedges against uncertainties in the future.

We remain committed to lowering our overall debt load. UNC's debt level was \$133.7 million for bonds and notes payable at the beginning of FY24. Debt service payments are around \$11.6 million, of which \$7.2 million is toward principal. After adding the requested financing for Arlington Park and considering debt service payments to be made during the year, the projected debt value at the end of FY25 will be \$131.9 million, with debt service increasing annually by \$0.9 million or \$1.3 million based on 7- or 5-year payment terms.

Attached, you will find the cost comparisons between financing and paying cash for the project. Thank you for considering the financing arrangement for this project.



Comparison between financing options

5-Year Comparison		7-Year Comparison	
<b>Compound Interest Earned</b>		<b>Compound Interest Earned</b>	
Present Value	5,635,000	Present Value	5,635,000
Interest Rate <sup>(1)</sup>	3.08%	Interest Rate <sup>(1)</sup>	3.08%
Term (years)	5	Term (years)	7
Compounding Period	Monthly	Compounding Period	Monthly
Future Value	0	Future Value	0
<b>Total Interest Earned</b>	<b>418,432</b>	<b>Total Interest Earned</b>	<b>582,760</b>
<b>Compound Interest Paid</b>		<b>Compound Interest Paid</b>	
Loan Amount	5,635,000	Loan Amount	5,635,000
Interest Rate <sup>(2)</sup>	4.87%	Interest Rate <sup>(2)</sup>	4.87%
Term (years)	5	Term (years)	7
Compounding Period	Quarterly	Compounding Period	Quarterly
Total Payments	6,305,812	Total Payments	6,603,461
<b>Total Interest Paid</b>	<b>670,812</b>	<b>Total Interest Paid</b>	<b>968,461</b>
<b>Net Difference</b>	<b>252,380</b>	<b>Net Difference</b>	<b>385,701</b>
Closing Costs	84,525	Closing Costs	84,525
<b>Total Cost Over 5 Years</b>	<b>\$ 336,905</b>	<b>Total Cost Over 7 Years</b>	<b>\$ 470,226</b>

Net difference between 5 and 7 year payments \$ 133,322

(1) Actual interest rate for December 2023 is 4.17%. The rate used here for illustration is the average of the most recent 18 months earned through UNC's account with the State Treasury.

(2) Fixed interest rate quoted as of January 31, 2024 and is subject to change  
Closing costs equal 1.5% of principal (\$84,525 on \$5.635m)



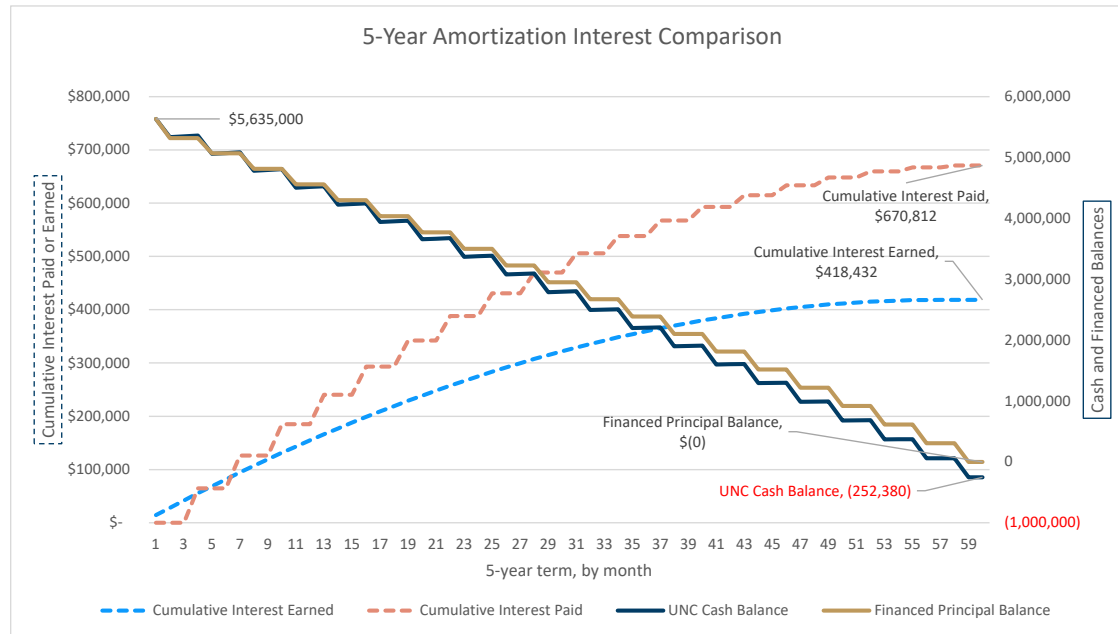
Calculation by period of interest earned on cash versus interest expense accrued through financing

5-Year Term

Month	5/1/2024	6/1/2024	7/1/2024	8/1/2024	9/1/2024	10/1/2024	11/1/2024	12/1/2024	1/1/2029	2/1/2029	3/1/2029	4/1/2029
Period	1	2	3	4	5	6	7	8	57	58	59	60
Beginning Cash	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000
Cash <b>UNC Cash Balance</b>	5,635,000	5,334,013	5,347,704	5,361,429	5,059,740	5,072,727	5,085,747	4,783,350	59,574	59,727	(252,380)	(252,380)
Cash Outlay	(315,450)	0	0	(315,450)	0	0	(315,450)	0	0	(312,259)	0	0
3.08% Interest Earned	14,463	13,691	13,726	13,761	12,987	13,020	13,053	12,277	153	153	0	0
UNC Cash Balance	5,334,013	5,347,704	5,361,429	5,059,740	5,072,727	5,085,747	4,783,350	4,795,628	59,727	(252,380)	(252,380)	(252,380)
<b>Cumulative Interest Earned</b>	\$ 14,463	\$ 28,154	\$ 41,880	\$ 55,641	\$ 68,627	\$ 81,647	\$ 94,701	\$ 106,978	\$ 418,279	\$ 418,432	\$ 418,432	\$ 418,432
Financing <b>Financed Principal Balance</b>	\$ 5,635,000	\$ 5,319,550	\$ 5,319,550	\$ 5,319,550	\$ 5,068,865	\$ 5,068,865	\$ 5,068,865	\$ 4,815,129	\$ 308,503	\$ 308,503	\$ (0)	\$ (0)
4.87% Interest Pmt	0			64,766				61,713		3,756		
Principal Pmt	315,450			250,685				253,737		308,503		
Ending Balance	5,319,550	5,319,550	5,319,550	5,068,865	5,068,865	5,068,865	4,815,129	4,815,129	308,503	(0)	(0)	(0)
<b>Cumulative Interest Paid</b>	\$ -	\$ -	\$ -	\$ 64,766	\$ 64,766	\$ 64,766	\$ 126,479	\$ 126,479	\$ 667,056	\$ 670,812	\$ 670,812	\$ 670,812

\* Refer to the source spreadsheet for full amortization

Net Cost of Financing \$ (252,380)



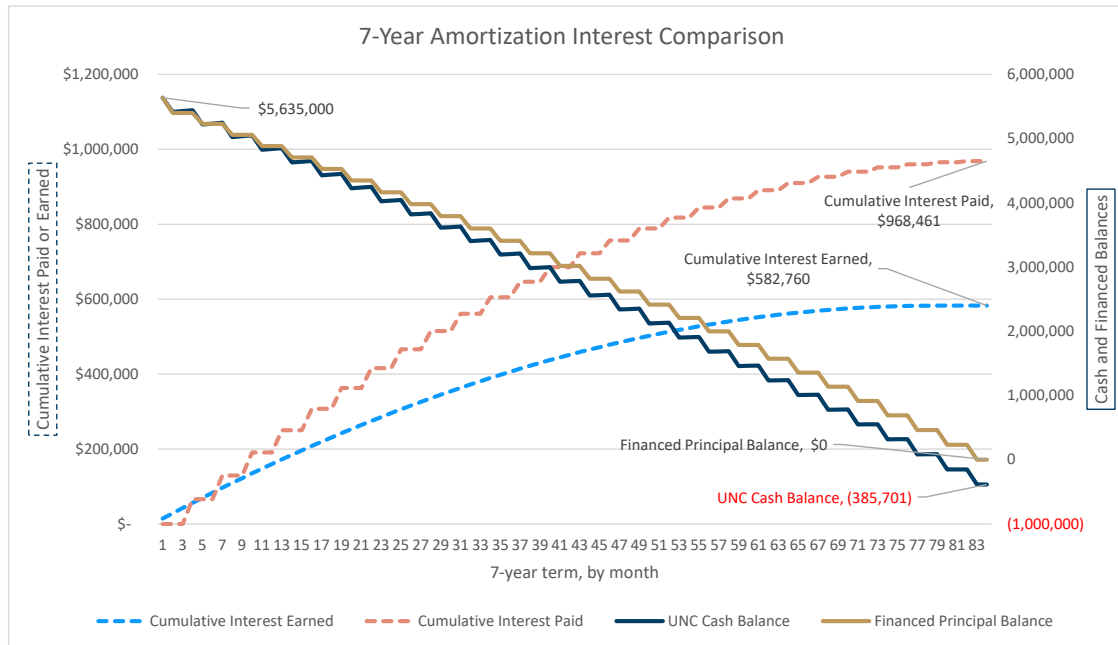


Calculation by period of interest earned on cash versus interest expense accrued through financing

7-Year Term

Month Period	5/1/2024	6/1/2024	7/1/2024	8/1/2024	9/1/2024	*	10/1/2030	11/1/2030	12/1/2030	1/1/2031	2/1/2031	3/1/2031	4/1/2031
	1	2	3	4	5		78	79	80	81	82	83	84
Beginning Cash	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000		\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000	\$ 5,635,000
Cash <b>UNC Cash Balance</b>	5,635,000	5,413,625	5,427,520	5,441,451	5,219,579		85,535	85,755	(149,863)	(149,863)	(149,863)	(385,701)	(385,701)
Cash Outlay	(235,838)	0	0	(235,838)	0		0	(235,838)	0	0	(235,838)	0	0
3.08% Interest Earned	14,463	13,895	13,931	13,966	13,397		220	220	0	0	0	0	0
UNC Cash Balance	5,413,625	5,427,520	5,441,451	5,219,579	5,232,976		85,755	(149,863)	(149,863)	(149,863)	(385,701)	(385,701)	(385,701)
<b>Cumulative Interest Earned</b>	\$ 14,463	\$ 28,358	\$ 42,289	\$ 56,255	\$ 69,652		\$ 582,540	\$ 582,760	\$ 582,760	\$ 582,760	\$ 582,760	\$ 582,760	\$ 582,760
Financing <b>Financed Principal Balance</b>	\$ 5,635,000	\$ 5,399,162	\$ 5,399,162	\$ 5,399,162	\$ 5,229,059		\$ 463,200	\$ 463,200	\$ 233,001	\$ 233,001	\$ 233,001	\$ 0	\$ 0
4.87% Interest Pmt	0			65,735				5,639			2,837		
Principal Pmt	235,838			170,103				230,198			233,001		
Ending Balance	5,399,162	5,399,162	5,399,162	5,229,059	5,229,059		463,200	233,001	233,001	233,001	0	0	0
<b>Cumulative Interest Paid</b>	\$ -	\$ -	\$ -	\$ 65,735	\$ 65,735		\$ 959,985	\$ 965,624	\$ 965,624	\$ 965,624	\$ 968,461	\$ 968,461	\$ 968,461

\* Refer to the source spreadsheet for full amortization



Net Cost of Financing \$ (385,701)



## Loan Amortization Schedule - 5-Year Term

Loan Information	
Loan Amount	5,635,000.00
Annual Interest Rate	4.87%
Term of Loan in Years	5
First Payment Date	5/1/2024
Payment Frequency	Quarterly
Compound Period	Quarterly
Payment Type	Beginning of Period
Rounding	On

Summary	
Rate (per period)	1.218%
Total Payments	6,305,811.69
Total Interest	670,811.69
Est. Interest Savings	-

**Quarterly Payment**      **315,450.12**  
Annual payments      1,261,800.47

Lease Rate Factor/Index Rate      0.0559805  
Quarterly Pmt      315,450.12

### Amortization Schedule

No.	Due Date	Payment Due	Additional Payment	Interest	Principal	Balance
						5,635,000.00
1	5/1/24	315,450.12		0.00	315,450.12	5,319,549.88
2	8/1/24	315,450.12		64,765.52	250,684.60	5,068,865.29
3	11/1/24	315,450.12		61,713.43	253,736.69	4,815,128.60
4	2/1/25	315,450.12		58,624.19	256,825.93	4,558,302.67
5	5/1/25	315,450.12		55,497.34	259,952.78	4,298,349.89
6	8/1/25	315,450.12		52,332.41	263,117.71	4,035,232.19
7	11/1/25	315,450.12		49,128.95	266,321.17	3,768,911.02
8	2/1/26	315,450.12		45,886.49	269,563.63	3,499,347.39
9	5/1/26	315,450.12		42,604.55	272,845.57	3,226,501.82
10	8/1/26	315,450.12		39,282.66	276,167.46	2,950,334.37
11	11/1/26	315,450.12		35,920.32	279,529.80	2,670,804.57
12	2/1/27	315,450.12		32,517.05	282,933.07	2,387,871.50
13	5/1/27	315,450.12		29,072.34	286,377.78	2,101,493.72
14	8/1/27	315,450.12		25,585.69	289,864.43	1,811,629.30
15	11/1/27	315,450.12		22,056.59	293,393.53	1,518,235.77
16	2/1/28	315,450.12		18,484.52	296,965.60	1,221,270.17
17	5/1/28	315,450.12		14,868.96	300,581.16	920,689.01
18	8/1/28	315,450.12		11,209.39	304,240.73	616,448.29
19	11/1/28	315,450.12		7,505.26	307,944.86	308,503.43
20	2/1/29	312,259.46		3,756.03	308,503.43	0.00



## Loan Amortization Schedule - 7-Year Term

Loan Information	
Loan Amount	5,635,000.00
Annual Interest Rate	4.87%
Term of Loan in Years	7
First Payment Date	5/1/2024
Payment Frequency	Quarterly
Compound Period	Quarterly
Payment Type	Beginning of Period
Rounding	On

Summary	
Rate (per period)	1.218%
Total Payments	6,603,461.06
Total Interest	968,461.06
Est. Interest Savings	-

**Quarterly Payment**      **235,837.89**  
Annual payments      943,351.56

Lease Rate Factor/Index Rate      0.0418523  
Quarterly Pmt      235,837.71

### Amortization Schedule

No.	Due Date	Payment Due	Additional Payment	Interest	Principal	Balance
						5,635,000.00
1	5/1/24	235,837.89		0.00	235,837.89	5,399,162.11
2	8/1/24	235,837.89		65,734.80	170,103.09	5,229,059.02
3	11/1/24	235,837.89		63,663.79	172,174.10	5,056,884.92
4	2/1/25	235,837.89		61,567.57	174,270.32	4,882,614.60
5	5/1/25	235,837.89		59,445.83	176,392.06	4,706,222.54
6	8/1/25	235,837.89		57,298.26	178,539.63	4,527,682.91
7	11/1/25	235,837.89		55,124.54	180,713.35	4,346,969.56
8	2/1/26	235,837.89		52,924.35	182,913.54	4,164,056.02
9	5/1/26	235,837.89		50,697.38	185,140.51	3,978,915.51
10	8/1/26	235,837.89		48,443.30	187,394.59	3,791,520.92
11	11/1/26	235,837.89		46,161.77	189,676.12	3,601,844.80
12	2/1/27	235,837.89		43,852.46	191,985.43	3,409,859.37
13	5/1/27	235,837.89		41,515.04	194,322.85	3,215,536.52
14	8/1/27	235,837.89		39,149.16	196,688.73	3,018,847.79
15	11/1/27	235,837.89		36,754.47	199,083.42	2,819,764.37
16	2/1/28	235,837.89		34,330.63	201,507.26	2,618,257.11
17	5/1/28	235,837.89		31,877.28	203,960.61	2,414,296.50
18	8/1/28	235,837.89		29,394.06	206,443.83	2,207,852.67
19	11/1/28	235,837.89		26,880.61	208,957.28	1,998,895.39
20	2/1/29	235,837.89		24,336.55	211,501.34	1,787,394.05
21	5/1/29	235,837.89		21,761.52	214,076.37	1,573,317.68
22	8/1/29	235,837.89		19,155.14	216,682.75	1,356,634.93
23	11/1/29	235,837.89		16,517.03	219,320.86	1,137,314.07
24	2/1/30	235,837.89		13,846.80	221,991.09	915,322.98
25	5/1/30	235,837.89		11,144.06	224,693.83	690,629.15
26	8/1/30	235,837.89		8,408.41	227,429.48	463,199.67
27	11/1/30	235,837.89		5,639.46	230,198.43	233,001.24
28	2/1/31	235,838.03		2,836.79	233,001.24	0.00