

University of Northern Colorado Annual Debt Report

Summary of FY20 Debt Activity

Table 1 summarizes the overall changes in debt from FY19 to FY20, resulting in total debt outstanding on June 30, 2020 of \$153.1 million. Current year payments on the capital leases were \$1.0 million, the payments on the outstanding bonds were \$5.0 million and the current year amortization of bond discounts and premiums were \$447,835. In August 2019, the University issued Series 2019A and used the proceeds to refund Series 2011A. These changes resulted in an overall net decrease in debt of approximately 2.6% or \$4.0 million.

Table 1. Fiscal Year 2019-20 Change in Total Debt Outstanding

Outstanding total debt, as of July 1, 2019	\$157,136,527
Capital lease additions	1,883,354
Capital lease payments	(971,491)
Bond payments	(5,000,000)
Bonds payable increase due to refinancing	2,265,000
Noncash bond premium/premium change due to refinancing	(1,743,318)
Noncash bond premium/ discount amortization	(447,835)
Total decrease in outstanding debt	(4,014,290)
Outstanding total debt, as of June 30, 2020	\$153,122,237

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. In FY20, the University complied with the fiscal year 2019-20 continuing disclosure requirements 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 payables.

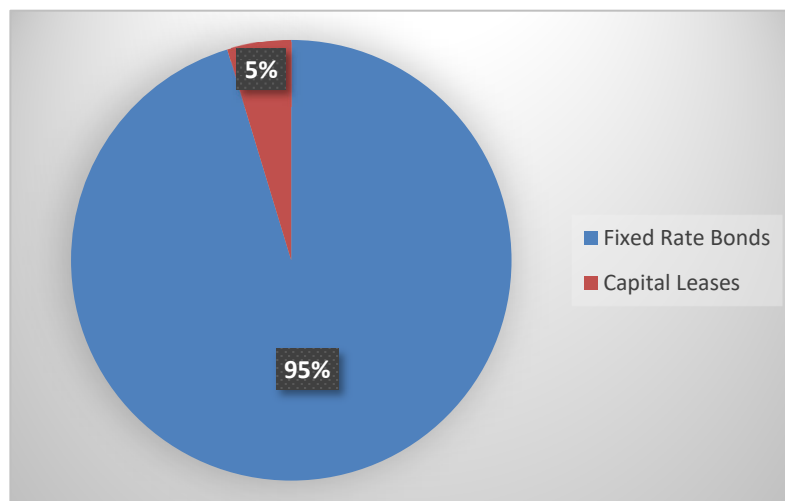
Capital Leases & Bonds Payable

As shown in Table 2, the University has a variety of capital leases and bonds payable outstanding at June 30, 2020.

Table 2. Long Term Debt Schedule

	Interest Rate/ Coupon Rate	Effective Rate	Final Maturity	Original Amount	Outstanding Balance FY20
Capital Leases					
CISCO Software Lease with payments of \$86,000 annually, issued April 20, 2018	3.93%	-	5/1/2022	\$397,494	\$165,329
Energy Performance Contract Capital Lease with payments of \$717,672 annually, issued January 29, 2016	2.69%	-	1/29/2031	\$8,850,000	\$6,603,456
CISOC Network Lease with payments of \$300,131 annually, issued December 18, 2019	2.17%	-	12/18/2019	\$1,407,758	\$1,138,156
Dell Lease with payments of \$102,832 annually, issued January 31, 2020	2.66%	-	1/31/2020	\$475,596	\$385,397
Total Capital Leases Outstanding					\$8,292,338
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	\$43,185,000
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	\$23,010,000
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	\$6,145,000
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	\$30,620,000
Unamortized Premium for Fixed Rate Bonds					\$8,339,899
Total Bonds Payable Outstanding					\$144,829,899
Total Long-Term Debt					\$153,122,237

Figure 1. Long Term Debt (\$153.1 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 FY20 were \$1,099,477. The largest portion of operating leases relates to the rental of real property for the Lowry, Loveland and Colorado Springs Extended Campus locations. Rental expense for the Lowry location was \$527,722 in FY20 and the lease renews annually. Rental expense for the Loveland location was \$468,342 in FY20 increasing 0% annually at \$28,360 monthly rent, expiring in 2024. Rental expense for the Colorado Springs location was \$103,413 in FY20, increasing at 2% annually and expiring in 2020. 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 FY15 (a)	UNC FY16 (a)	UNC FY17 (a)	UNC FY18 (a)	UNC FY19	UNC FY20	A3 Institutions (b)	A2 Institutions (b)	A1 Institutions (b)
Reserves and Liquidity									
Monthly Days Cash on Hand	121	90.3	98	71.9	76.5	147.4	117.0	146.0	170.0
Total Cash & Investments	\$174,079	\$161,468	\$170,311	\$169,711	\$170,637	\$200,218	\$116,838	\$136,953	\$220,639
Operating Performance									
Operating Cash Flow Margin	7.00%	9.00%	6.30%	7.30%	9.10%	11.10%	9.40%	10.90%	10.90%
Debt & Leverage									
Financial Leverage (Spendable Cash & Investments to Total Debt)	.66x	0.59x	0.54x	0.53x	0.54x	0.71x	.66x	.59x	1.24x
Debt Service Coverage by Operating Cash Flow	1.25x	1.6x	1.12x	1.57x	1.66x	2.11x	1.84x	1.99x	2.17x

(a) Moody's Calculated Ratios as published.

(b) Moody's Median Report for Public Higher Education Institutions (FY19 data and financial information). Published July 7, 2020

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)

	2021	2022	2023	2024	Thereafter
Capital Lease Debt Service	1,206,631	1,206,631	1,120,631	1,120,630	4,724,647
Fixed Rate Bond Debt Service	10,503,718	10,507,653	10,503,392	11,190,672	160,177,982
Total Debt Service	11,710,349	11,714,284	11,624,023	12,311,302	164,902,629

Table 5. Future Operating Lease Requirements

	2021	2022	2023	2024	2025	2026-2030
Operating Leases	1,276,530	1,252,345	1,232,190	1,200,843	1,195,966	4,568,057

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

At the start of Fiscal Year 2020, the University issued an RFP for copier rentals and managed print services jointly with the Colorado School of Mines, Metropolitan State University and the Auraria Higher Education Center. The institutions each provided review committee members who awarded the RFP to Lewan/Xerox which allows each institution to enter into individual five-year agreements to replace expiring agreements with Ricoh. The new agreement provides substantially lower equipment lease rates and nearly halves our cost per copy. As current agreements with Ricoh expire, and new ones are entered into with Lewan/Xerox, the University should see reduced costs. Additionally, the IM&T Department is working with the Deans, Department Heads, and ASCs to streamline the total fleet, ensuring that only essential equipment is replaced, ultimately resulting in fewer leases.