



# MEMORANDUM

May 10, 2023

## Utah Tech University – Financial Ratio Report Follow-up

In the March 2023 USHE Board meeting, the Board reviewed OCHE's annual report on institution financial health metrics and discussed factors contributing to adverse readings by select institutions. Following the discussion, the Board instructed the Commissioner's Office to engage with Utah Tech University (UTU) staff and further examine the causes of UTU's sub-industry standard viability ratio and implications for institution financial planning. This memo and related materials contain follow-up information per the Board's direction.

### Viability Ratio

The Viability Ratio measures how many times an institution can cover its entire long-term debt obligation using its total expendable net assets. A ratio of 1:1 or greater indicates that an institution has sufficient expendable net assets to satisfy debt obligations. As the ratio falls below 1:1, the institution's ability to respond to adverse conditions from internal resources diminishes. As seen in Table 1, Utah Tech University's viability ratio has declined in recent years, as increases in long-term debt have outpaced growth in expendable net position.

Table 1: Utah Tech University Expendable Net Position, Long-Term Debt & Viability Ratio, FY 2018-2022			
Fiscal Year	Expendable Net Position	Total Long-Term Debt	Viability Ratio
2018	\$31,071,739	\$49,639,653	0.63
2019	\$29,253,990	\$48,564,802	0.60
2020	\$28,211,253	\$91,537,856	0.31
2021	\$44,737,078	\$100,190,587	0.45
2022	\$44,577,904	\$166,997,643	0.27

Table 2 reflects Utah Tech's debt issuances and outstanding balances by recent-year project. Note that nearly 75% of Utah Tech's FY 2022 outstanding long-term debt is sourced to student housing projects.

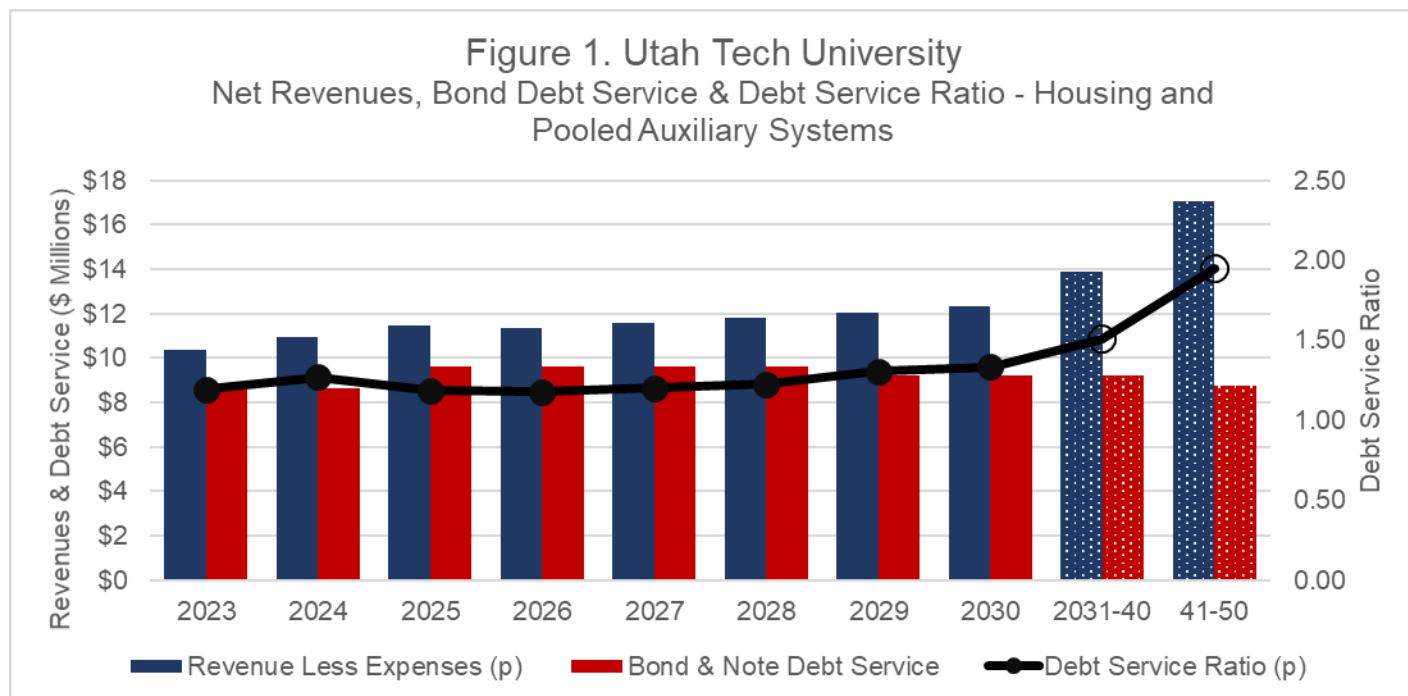
**Table 2: Utah Tech University Revenue Bond Issuance, FY 2015-2022**

Fiscal Year	Project	Original Amount	Balance as of June 30, 2022
2015	Student Housing	\$21,315,000	\$18,670,000
2017	Human Performance Center	\$20,770,000	\$19,615,000
2019	Student Housing Phase II	\$42,040,000	\$41,300,000
2020	Greater Zion Stadium	\$10,050,000	\$10,050,000
2022	Student Housing Phase III	\$65,075,000	\$65,075,000
<i>Recent Debt Totals</i>		<i>\$159,250,000</i>	<i>\$154,710,000</i>
<i>FY 22 Total Long-Term Debt</i>			<i>\$166,997,643</i>

In response to its declining viability ratio and to mitigate the risk of debt repayment default, Utah Tech University established a general revenue pledge against its original Campus View Suites student housing bond and each subsequent bond issuance, committing \$500,000 annually to an institutional bond reserve. Moreover, with an 18% growth in budget-related FTE from the academic year 2018-19 to 2021-22, UTU was able to respond to capital facility growth needs in an especially tight local housing market with debt incurred at favorable interest rate levels.

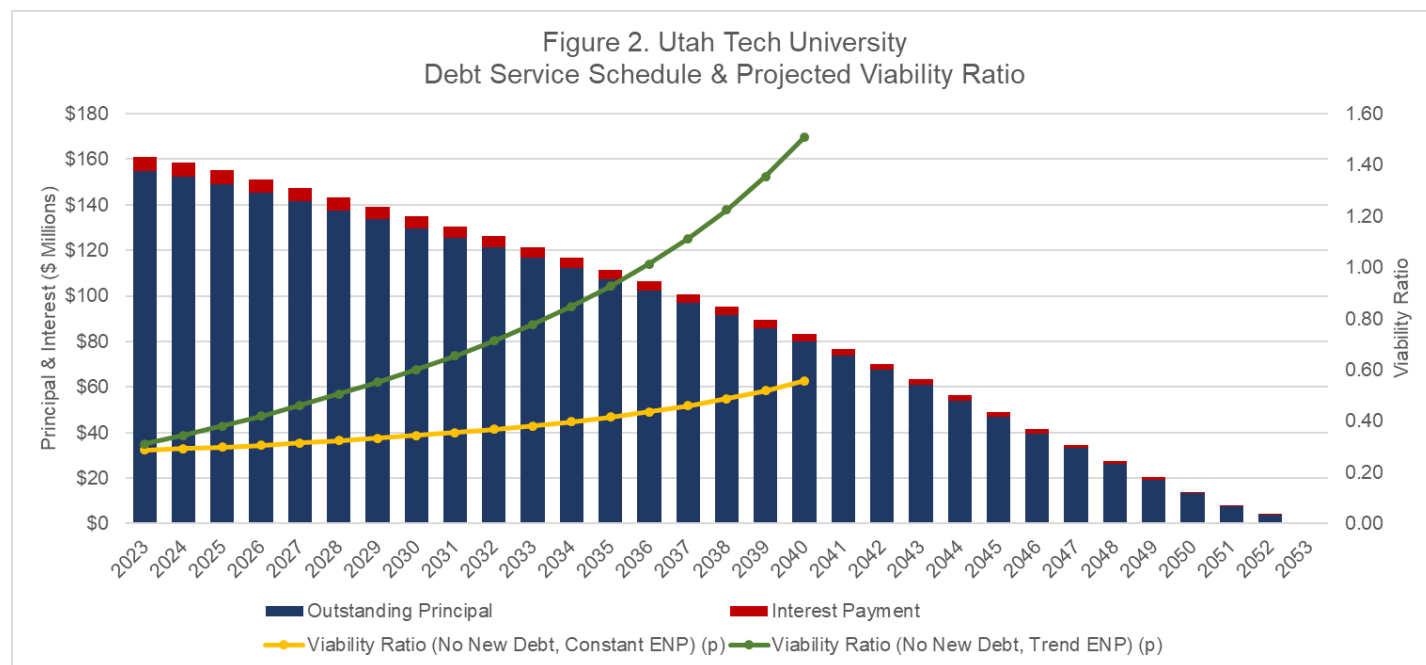
### Bond Pool Projected Net Revenues and Debt Service Ratio

To demonstrate current and projected financial solvency against recent capital projects and major debt holdings, UTU developed projections of annual revenues, expenditures, and bond payments through FY 2023 across its following operations: Housing, Building Fees, Avenna Center, Greater Zion Stadium, Campus Store, Food Service, and Road Scholar tours. Figure 1 below depicts these projections along with a derived annual bond debt service ratio. The debt service ratio measures how many times an institution can cover its annual debt service payments with available net revenues.



## Debt Service Schedule & Projected Viability Ratio

At current debt levels and without incurring any new debt, Utah Tech University will have the existing bond principal retired by the year 2053, as seen in Figure 2. Since the viability ratio is a function of long-term debt and expendable net position, Figure 2 shows two projections for UTU's viability ratio through FY 2040, one version showing how the viability ratio improves if expendable net assets hold constant (yellow) and another if expendable net assets grow on their previous five-year trend through FY 2040 (green).



## Discussion

In recent years, Utah Tech University has experienced notable growth pressures, with a corresponding impact on capital facility needs and accompanying long-term debt. While the viability ratio is only a single measure of an institution's fiscal health, conservative projections suggest that UTU's viability ratio will remain below the industry standard of 1:1 over the next five to ten-year budget window. UTU has identified this possibility and has taken action to backstop against potential default. With [credible long-term population projections](#) showing a 110% increase in the college-age population in Washington County through the year 2060, strategic financial planning to successfully address UTU's current and future growth challenges should continue to be a priority for the institution and the Board.

## Commissioner's Recommendation

This is an information item only; no action is required.

## Attachments

## Utah Tech University FY 2022 Debt Schedule

**Table 11d: Maturities of Long Term Debt Principal and Interest**

Year Ending June 30	Notes Payable	Bonds Payable	Total Principal	Total Interest	Total Principal and Interest
2023	\$ 607,563	\$ 1,910,000	\$ 2,517,563	\$ 6,143,885	\$ 8,661,448
2024	422,381	1,970,000	2,392,381	6,216,466	8,608,847
2025	376,182	3,135,000	3,511,182	6,119,958	9,631,140
2026	387,084	3,285,000	3,672,084	5,962,807	9,634,891
2027	398,304	3,415,000	3,813,304	5,798,136	9,611,440
2028	409,820	3,575,000	3,984,820	5,626,265	9,611,085
2029	-	3,760,000	3,760,000	5,435,606	9,195,606
2030	-	3,945,000	3,945,000	5,247,606	9,192,606
2031	-	4,160,000	4,160,000	5,050,356	9,210,356
2032	-	4,315,000	4,315,000	4,875,706	9,190,706
2033	-	4,495,000	4,495,000	4,696,625	9,191,625
2034	-	4,675,000	4,675,000	4,524,850	9,199,850
2035	-	4,845,000	4,845,000	4,345,187	9,190,187
2036	-	5,050,000	5,050,000	4,149,650	9,199,650
2037	-	5,265,000	5,265,000	3,943,550	9,208,550
2038	-	5,450,000	5,450,000	3,740,837	9,190,837
2039	-	5,670,000	5,670,000	3,531,312	9,201,312
2040	-	5,875,000	5,875,000	3,311,206	9,186,206
2041	-	6,120,000	6,120,000	3,076,662	9,196,662
2042	-	6,370,000	6,370,000	2,831,400	9,201,400
2043	-	6,595,000	6,595,000	2,600,112	9,195,112
2044	-	6,835,000	6,835,000	2,364,437	9,199,437
2045	-	7,075,000	7,075,000	2,120,000	9,195,000
2046	-	7,370,000	7,370,000	1,824,600	9,194,600
2047	-	6,475,000	6,475,000	1,516,294	7,991,294
2048	-	6,745,000	6,745,000	1,242,750	7,987,750
2049	-	6,985,000	6,985,000	988,275	7,973,275
2050	-	6,025,000	6,025,000	724,300	6,749,300
2051	-	5,710,000	5,710,000	511,550	6,221,550
2052	-	3,730,000	3,730,000	304,400	4,034,400
2053	-	3,880,000	3,880,000	155,204	4,035,204
<b>Totals</b>	<b>\$ 2,601,334</b>	<b>\$ 154,710,000</b>	<b>\$ 157,311,334</b>	<b>\$ 108,979,992</b>	<b>\$ 266,291,326</b>

Source: Utah Tech University Annual Financial Report for the Year End June 30, 2022



## Housing Expansion (Campus View Suites Phase III) Financial Impact

Projected Completion: Fall 2024

		FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31-FY40	FY41-FY50
Description		(Actual)	(Actual)	(Projected)								(Annual Avg)	(Annual Avg)
<b>Housing (New)<sup>1</sup></b>	Revenue	\$ -	\$ -	\$ -	\$ -	\$ 3,250,000	\$ 3,350,000	\$ 3,450,000	\$ 3,550,000	\$ 3,650,000	\$ 3,760,000	\$ 4,400,000	\$ 5,600,000
	Expenditures	-	-	-	-	(500,000)	(515,000)	(530,000)	(545,000)	(560,000)	(575,000)	(680,000)	(860,000)
	Capitalized Interest	-	-	2,800,000	2,970,000	300,000	-	-	-	-	-	-	-
	Bond Payment	-	-	(2,800,000)	(2,970,000)	(4,035,000)	(4,035,000)	(4,035,000)	(4,035,000)	(4,035,000)	(4,035,000)	(4,035,000)	(4,035,000)
	Operating Income	-	-	-	-	(985,000)	(1,200,000)	(1,115,000)	(1,030,000)	(945,000)	(850,000)	(315,000)	705,000
<b>Housing (Existing)<sup>2</sup></b>	Revenue	2,553,808	5,004,471	5,250,000	5,750,000	6,250,000	6,440,000	6,630,000	6,830,000	7,030,000	7,240,000	8,550,000	11,150,000
	Expenditures	(1,067,115)	(1,316,605)	(1,425,000)	(1,550,000)	(1,650,000)	(1,700,000)	(1,750,000)	(1,800,000)	(1,850,000)	(1,905,000)	(2,250,000)	(2,930,000)
	Bond Payment	(1,224,600)	(3,091,000)	(3,430,000)	(3,430,000)	(3,430,000)	(3,430,000)	(3,430,000)	(3,430,000)	(3,430,000)	(3,430,000)	(3,430,000)	(2,940,000)
	Operating Income	262,093	596,866	395,000	770,000	1,170,000	1,310,000	1,450,000	1,600,000	1,750,000	1,905,000	2,870,000	5,280,000
	<b>Housing Operating Income (Net)</b>	<b>262,093</b>	<b>596,866</b>	<b>395,000</b>	<b>770,000</b>	<b>185,000</b>	<b>110,000</b>	<b>335,000</b>	<b>570,000</b>	<b>805,000</b>	<b>1,055,000</b>	<b>2,555,000</b>	<b>5,985,000</b>
<b>Student Building Fees</b>	Revenue	1,970,277	2,092,439	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000
	Expenditures	-	(51,155)	(40,000)	-	-	-	-	-	-	-	-	-
	HPC Building O&M	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)
	Bond Payment	(1,248,325)	(1,252,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
	Operating Income	216,952	284,284	255,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000
<b>Avenna Center</b>	Debt Service Reserve	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600
	Bond Payment	(474,518)	(480,393)	(130,000)	-	-	-	-	-	-	-	-	-
	Operating Income	16,082	10,208	360,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600	490,600
<b>Greater Zion Stadium</b>	Revenue	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
	Bond Payment	-	-	(515,000)	(515,000)	(515,000)	(515,000)	(515,000)	(515,000)	(515,000)	(515,000)	(515,000)	(515,000)
	Operating Income	500,000	500,000	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
<b>Utilities Infrastructure</b>	E&G Utilities Budget	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000
	Note Payment	(310,000)	(310,000)	(310,000)	(310,000)	(310,000)	(310,000)	(310,000)	(310,000)	-	-	-	-
	Operating Income	-	-	-	-	-	-	-	-	310,000	310,000	310,000	310,000
<b>Campus Store</b>	Revenue	3,668,749	4,053,991	3,700,000	3,775,000	3,850,000	3,925,000	4,000,000	4,080,000	4,160,000	4,245,000	4,740,000	5,660,000
	Expenditures	(3,428,407)	(3,878,539)	(3,500,000)	(3,575,000)	(3,650,000)	(3,725,000)	(3,800,000)	(3,880,000)	(3,960,000)	(4,045,000)	(4,520,000)	(5,400,000)
	Operating Income	240,342	175,452	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	220,000	260,000
<b>Food Service<sup>3</sup></b>	Revenue	1,648,886	2,914,936	3,100,000	3,190,000	3,285,000	3,385,000	3,485,000	3,590,000	3,700,000	3,810,000	4,250,000	5,080,000
	Expenditures	(1,521,095)	(2,672,644)	(3,050,000)	(3,140,000)	(3,235,000)	(3,335,000)	(3,435,000)	(3,540,000)	(3,650,000)	(3,760,000)	(4,200,000)	(5,010,000)
	Operating Income	127,791	242,292	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	70,000
<b>Road Scholar<sup>4</sup></b>	Revenue	697,234	3,967,892	4,050,000	4,150,000	4,255,000	4,360,000	4,470,000	4,580,000	4,695,000	4,810,000	5,370,000	6,410,000
	Expenditures	(405,076)	(3,158,303)	(3,350,000)	(3,450,000)	(3,555,000)	(3,660,000)	(3,770,000)	(3,880,000)	(3,995,000)	(4,110,000)	(4,590,000)	(5,490,000)
	Note Payments (Tour Buses)	(247,645)	(247,645)	(247,645)	(169,170)	(110,663)	(110,663)	(110,663)	(110,663)	-	-	-	-
	Operating Income	44,513	561,944	452,355	530,830	589,337	589,337	589,337	589,337	700,000	700,000	780,000	920,000
<b>Total Operating Income</b>		<b>\$ 1,407,773</b>	<b>\$ 2,371,045</b>	<b>\$ 1,697,955</b>	<b>\$ 2,321,430</b>	<b>\$ 1,794,937</b>	<b>\$ 1,719,937</b>	<b>\$ 1,944,937</b>	<b>\$ 2,179,937</b>	<b>\$ 2,835,600</b>	<b>\$ 3,085,600</b>	<b>\$ 4,685,600</b>	<b>\$ 8,315,600</b>

<sup>1</sup>\$300,000 estimated residual capitalized interest in FY25

<sup>2</sup>Campus View Suites Phase II opened Fall 2021 (FY22). Residual capitalized interest covered a portion of Campus View II FY22 bond payment. Rent rates to be increased by 10% per year FY24-FY25, 3% per year thereafter.

<sup>3</sup>Dining Services experienced greatly reduced campus foot traffic in FY21. Campus population returned to normal levels in Fall 2021 (FY22). Revenue also increased in FY22 due to FSU conferences.

<sup>4</sup>Road Scholar conducted no tours during FY21. FY21 revenue came from bus rentals and HEERF funding. Tour operations resumed in Fall 2021 (FY22).