UTAH TECH UNIVERSITY

Paul Morris
Vice President of Administrative Affairs
Paul.Morris@utahtech.edu
435.652.7504

February 3, 2023

Dr. David R. Woolstenhulme
Commissioner of Higher Education
60 South 400 West
Salt Lake City, Utah 84101

Subject: UT Financial Ratio Response

Dear Dr. Woolstenhulme:

Purpose

The purpose of this memo is to provide additional information relative to Utah Tech University's current Viability, Debt Burden, and Composite Index Ratio.

Explanation

Utah Tech University (UT) is rapidly growing and evolving as Utah's newest public university. This transformation, coupled with aged, inadequate, or non-existent infrastructure, has placed the institution in the position of needing to build new facilities that will accommodate a rapidly growing student-body. Many of the needed new facilities are self-support operations (new buildings that must be financed by bonds and repaid by user fees) as the State of Utah does not pay for these facilities. These new facilities consist of three new student housing buildings (1,450 student beds), about half of the Human Performance Center (student recreation portion of the building), and the East and West side improvements to Greater Zion Stadium.

UT's need to bond to build new facilities, over a relatively short period of time, at today's high construction cost negatively impacts the Viability, Debt Burden, and Composite Index ratios. On a more positive note, UT bonded for all these projects at historically low interest rates. As UT borrowed these funds with 30-year bonds, UT will greatly benefit by repaying the funds with significantly inflated dollars over the term of the bond. Further, as UT continues to evolve into a stronger economy of scale, the institution will improve these Ratios over time as the institution continues to increase in enrollments and appropriations, resulting in increased revenues (Expendable Net Assets) relative to debt levels.

To ensure that UT is able to make its debt service payments, UT put a bonding umbrella in place for the original Campus View Suites student housing bond that pledged nearly all of the institution's non-appropriated general (gross) revenues for repayment of bonds. This bonding umbrella gives the institution a debt coverage ratio far beyond the typical 1.1X. In fact, the debt coverage ratio for FY22 is 3.33X under the bonding umbrella. The advantage of the general revenue bond is to guard against technical default as the revenue committed to pay bond payments is not limited to the specific user fees. Although the bonding umbrella is a good safety net to support payment of the bonds, UT

UTAH TECH UNIVERSITY™

has been able to fund bond payments from the specific user fees. Further, UT has committed $500,000 annually to an institutional bond reserve. These funds are in addition to any reserve funds required as part of the bond agreements.

Sincerely,

Paul Morris

Paul Morris
VP of Administrative Affairs