Campus Debt

- Money borrowed to pay for construction
- Mostly funded by General Revenue Bonds
  - Our campus general revenues are pledged to pay principal and interest
Debt Capacity

- Amount of debt an institution can incur at a particular credit rating level
- Measures the lending market’s assessment of an institution’s financial health
- Directly impacts the cost of financing
- UC seeks a “AA” rating on core credit
Definitions

- **Debt Service**
  - Annual cost of debt (principal and interest)
  - Similar to a mortgage payment

- **Debt Coverage**
  - Ratio of net revenues in excess of debt service
## Campus Debt Profile

- **Current campus debt**: $596 million
  - **Education & General**: $172 million (29%)
  - **Student Housing**: $369 million (62%)
  - **Parking**: $41 million (7%)
  - **Auxiliary Others**: $14 million (2%)
- **Annual Debt Service**: $39 million
Debt Service to Operations Ratio

- Debt service divided by total operating expenses
- Maximum ratio = 6.0%
- 2010-11 debt service - $39 million
- 2010-11 operating expenses – $773 million
- $39 / $773 = 5.1%
Metrics

- **Debt Coverage**
  - Must be greater than 1.75
  - 2010-11 net revenues - $112 million
  - 2010-11 debt service - $39 million
  - \( \frac{112}{39} = 2.86 \)
Expendable Resources to Debt

- Campus expendable assets (endowments, gifts, etc.) divided by total debt
- Must be greater than 100%
- 2010-11 expendable assets - $329 million
- 2010-11 total debt - $596 million
- \( \frac{329}{596} = 55\% \)
Debt Affordability Test

- Debt Service to Operations $\leq 6.0\%$

AND

- Debt Coverage $\geq 1.75$

Or

- Expendable Resources to Debt $\geq 100\%$
UCSB Metrics

- **2010-11**
  - Debt Service to Operation: 5.1% ✓
  - Debt Coverage: 2.86 ✓
  - Expendable Resource to Debt: 55% ×
Projects are modeled at 30 year debt with a planning rate of 6.0%.
Each externally financed project approval requires Debt Affordability Model analysis.
The Debt Affordability Model identifies the poorest performing year in a 10 year window.
New projects cannot be approved if the metrics are exceeded.
10 Year Capital Plan – New Debt

Education & General

- Bioengineering Building: 43,400,000
- Student Services Building: 25,000,000
- UCen Expansion: 25,000,000
- Student Life Services: 25,000,000
- Recreation Facility: 25,000,000

Total: 143,400,000
## Student Housing

- Anacapa Fire Safety: $5,000,000
- Santa Cruz Fire Safety: $5,000,000
- Sierra Madre Housing: $70,000,000
- Faculty Club: $13,200,000
- Ortega Dining Commons: $10,000,000
- San Joaquin Housing: $167,500,000
- Mesa Verde Housing I: $84,000,000
- Mesa Verde Housing II: $84,000,000
- Mesa Verde Housing III: $84,000,000

**Total: $522,700,000**
Parking

- Parking Structure IV 15,000,000

Total 15,000,000
10 Year Capital Plan – New Debt

Faculty Housing

- KITP Residence: 5,000,000
- North Campus Phase III: 15,000,000
- North Campus Phase IV: 12,500,000
- North Campus Phase V: 17,000,000

Total: 49,500,000
### 10 Year Capital Plan – New Debt

- **New campus debt** $686 million
  - Education & General $143 million 21%
  - Student Housing $523 million 76%
  - Parking $15 million 2%
  - Faculty Housing $5 million* 1%

* No long term debt associated with faculty housing
## Debt Affordability Metrics

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Service to Operations Less than or equal to 6.0%</th>
<th>Debt Coverage Greater than 1.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>5.7%</td>
<td>3.96</td>
</tr>
<tr>
<td>2013-14</td>
<td>5.5%</td>
<td>4.14</td>
</tr>
<tr>
<td>2014-15</td>
<td><strong>6.0%</strong></td>
<td>3.85</td>
</tr>
<tr>
<td>2015-16</td>
<td>5.5%</td>
<td>4.30</td>
</tr>
<tr>
<td>2016-17</td>
<td><strong>6.0%</strong></td>
<td>3.95</td>
</tr>
<tr>
<td>2017-18</td>
<td>5.9%</td>
<td>3.92</td>
</tr>
<tr>
<td>2018-19</td>
<td>5.6%</td>
<td>3.98</td>
</tr>
<tr>
<td>2019-20</td>
<td>5.3%</td>
<td>4.16</td>
</tr>
<tr>
<td>2020-21</td>
<td>5.4%</td>
<td>3.96</td>
</tr>
<tr>
<td>2021-22</td>
<td>5.5%</td>
<td>3.78</td>
</tr>
</tbody>
</table>
Questions

?