UTAH SYSTEM OF HIGHER EDUCATION

USHE BOARD OF REGENTS
FINANCE AND FACILITIES COMMITTEE
FRIDAY, December 13, 2019
STATE BOARD OF REGENTS OFFICE BUILDING

10:00 AM – 12:00 PM **FINANCE AND FACILITIES COMMITTEE**
Regent Wilford W. Clyde, Chair

ACTION:

1. Utah Valley University – Investment Policy Revision TAB A

DISCUSSION:

1. USHE – Institutional Financial Summary Discussion TAB B
2. USHE – Capital Development Process TAB C

INFORMATION:

1. USHE – Revenue Bond Results TAB D
2. USHE – Annual Report on Institutional Revenue Bond Indebtedness TAB E
3. UDHE – Debt Ratio Analysis TAB F

Projected times for the various meetings are estimates only. The Board Chair retains the right to take action at any time. In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify ADA Coordinator, 60 South 400 West, Salt Lake City, UT 84180 (801-321-7124), at least three working days prior to the meeting. TDD # 801-321-7130.

MEMORANDUM

TAB A

December 6, 2019

Utah Valley University – Investment Policy Revision

Regent policy R541, *Management and Reporting of Institutional Investments* governs the investment of institutional funds and requires the Board of Regents to approve changes to institutional investment policies. Utah Valley University proposes to revise its investment policy to:

- increase the range of investments in alternative investments
- change the threshold for investing in illiquid vehicles from 25% to 30%; and
- clarify the target for spending on endowment purposes to be up to 4% (depending on market conditions) and up to 2% in administrative operating expenses.

Utah Valley University's Board of Trustees approved the revision to the investment policy in their June 19, 2019 meeting. A letter from the institution describing the changes to the policy along with the final document and a redline of the changes is attached. University officials will be present at the meeting and be available to respond to Board questions.

Commissioner's Recommendations

The Commissioner recommends the Committee approve the revision to the Utah Valley University investment policy and add the item to the January 2020 Consent Calendar of the Board of Regents.

Attachments

UVU

UTAH VALLEY UNIVERSITY

VICE PRESIDENT FOR FINANCE & ADMINISTRATION

November 11, 2019

Utah System of Higher Education
c/o David Wolstenholme
Interim Commissioner Utah Higher Education
60 South 400 West
Salt Lake City, UT 84101

Interim Commissioner Wolstenholme:

Utah Valley University requests approval of the enclosed revised investment policy. The policy has been reviewed and approved by the investment committee and the Board of Trustees.

Utah State Board of Regents Policy R541-6.1 states:

> **6.1.** In accordance with the Uniform Prudent Management of Institutional Funds Act, an institution's board of trustees may adopt its own endowment investment policy. All such policies (including any associated investment guidelines or other policy direction) must meet the requirements of the Uniform Prudent Management of Institutional Funds Act, and must be formally approved by the Board of Regents. Institutions are not authorized to apply their own policies until both of the foregoing conditions have been met. Institutions following a separate trustee adopted and Regent approved endowment investment policy will be considered to be investing in accordance with the terms of this policy. Revisions to institutional endowment investment policies (including revisions to any associated investment guidelines or other policy direction) must also receive both trustee and Regent approval.

On June 19, 2019 Utah Valley University's Board of Trustees approved the enclosed investment policy for the UVU Foundation. Under the policy, the University proposes to increase the range of investments in alternative assets to 0-50% with a target of 42%. The investment policy meets the requirements of the Uniform Prudent Management of Institutional Funds Act.

Please feel free to contact me if you have any questions or concerns.

Sincerely,

Val Peterson
Vice President
Finance and Administration

800 WEST UNIVERSITY PARKWAY OREM, UTAH 84058-6703 MS 196 *phn* 801 863 8424 *fax* 801 226 5207

UTAH VALLEY UNIVERSITY FOUNDATION, INC.

INVESTMENT POLICY STATEMENT

Approved: *May 9, 2019*

TABLE OF CONTENTS

I. INTRODUCTION

The purpose of this document is to set forth the goals and objectives of the Utah Valley University Foundation, Inc. ("UVUF"), and to establish guidelines for the implementation of investment strategy. This Investment Policy supersedes all other policies and has been formulated to comply with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). In addition to providing specific restrictions on certain types of investments, the law requires certain issues to be addressed in the Investment Policy and the incorporation of specific language. Compliance with the law significantly expands the Investment Policy and provides for a greater level of detail and understanding.

UPMIFA modernizes the rules governing investments of funds held for charitable purposes by adopting a more well-defined prudent-investor standard. UPMIFA directs that investments be made "in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances, considering the purposes, terms, distribution requirements, and other circumstances of the institutional fund," and it lists a number of explicit factors that managers must consider "if relevant." UPMIFA also explicitly provides that institutions may invest in any kind of property or type of investment so long as the investment is prudent.

In making a determination to appropriate or accumulate assets in a Foundation, the board members, acting in good faith, are to apply the prudent person standard, and consider:

A. Duration and preservation of the Foundation.

B. Purposes of the organization and the Foundation.

C. General economic conditions.

D. Possible effect of inflation or deflation.

E. Expected total return from income and the appreciation of investments.

F. Other resources of the organization.

G. Investment Policy of the organization and spending policy.

UPMIFA requires those who manage and invest its funds to:

A. Act in good faith, with the care an ordinarily prudent person would exercise.

B. Incur only reasonable costs in investing and managing charitable funds.

C. Make a reasonable effort to verify relevant facts.

D. Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy.

E. Diversify investments unless, due to special circumstances, the purposes of the fund are better served without diversification.

F. Dispose of unsuitable assets.

G. Develop an investment strategy appropriate for the fund and the charity.

This Statement of Investment Policy and Objectives ("Policy") is intended to serve as an operating document to guide the investment activities of the Foundation and:

A. Define responsibilities among the various groups accountable for guiding the investment process and supervising outside investment professionals.

B. Define spending requirements from the Foundation.

C. Determine an appropriate return and risk level for the Foundation.

D. Establish allocation ranges for asset classes and investment styles deemed suitable for the Foundation.

E. Determine prudent diversification of assets.

F. Establish performance objectives and a regular review process.

II. BACKGROUND

Utah Valley University Foundation, Inc. was organized and incorporated in 1981 under Board of Regent policy as a support organization and "component part" of Utah Valley University for the purpose of stimulating voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the University. The endowment funds of Utah Valley University are segregated from the University's other assets and are held at and invested within the Utah Valley University Foundation. The Foundation has its own tax identification number and is a separate legal entity apart from the University.

The Foundation exists to help raise and manage private resources and to steward donors supporting the mission and priorities of the University as articulated by the Board of Trustees and the President and provide opportunities for students and a margin of institutional excellence unavailable with state funds.

The Foundation is dedicated to assisting the University in building the endowment and in addressing, through financial support, the long-term academic and other priorities of the University. The Board and its members provide advice and counsel to the University President and Vice President for Institutional Advancement concerning fundraising and externally focused programs as appropriate, and manage gift resources and institutional endowments consistent with governance policy as outlined in Regents Policy, University Policy and Utah Valley University Foundation Policy. To provide guidance and direct oversight of the investment management of the Foundation, the Board of Directors ("Trustees") have appointed the Investment Committee ("Committee") to oversee the investments of the Foundation. The Trustees have established these investment objectives and operating policies and procedures. The objectives and guidelines included in this document serve as a basis for communication among the Trustees, Committee, Investment Managers and the Investment Advisor appointed by the Committee, who are involved in the management of the Foundations' assets.

As stated in its articles of incorporation, the Foundation is a separately incorporated 501(c)(3) organization and is responsible for assisting the Office of Institutional Advancement in identifying and nurturing relationships with potential donors and other friends of Utah Valley University, and soliciting cash, securities, real and intellectual property, and other private resources for the support of the University and acknowledging and stewarding such gifts in accordance with donor intent and its fiduciary responsibilities.

III. MISSION

The mission of the Utah Valley University Foundation is to obtain financial support for Utah Valley University. This mission is accomplished through three objectives.

A. Serving as Ambassadors

Assist the University administration and involve members of the community in programs and activities of the University. Tell the story of the University to groups and individuals with such effectiveness that support for the institution is a natural consequence.

B. Fundraising

In cooperation with the University's Division of Institutional Advancement; plan, organize and execute advancement programs including planned giving, annual giving, campaigns, and other appropriate activities.

C. Fund Management

Invest the University's endowment with the purpose of realizing a return that is above the median performance of similarly managed university funds. Ensure that the endowment is properly accounted for and disbursed.

IV. DELEGATION OF RESPONSIBILITIES

The Board of Trustees has overall responsibility for the Foundation. The Trustees hereby assign operating and supervisory responsibility for the Foundation and the implementation of this Policy to the Committee in conjunction with the Investment Advisor. The Committee, in conjunction with the Investment Advisor, is responsible to ensure that Fund assets available for investment are managed:

A. Exclusively to support the purpose of the Foundation.

B. In a manner that reflects the long-term orientation of the Foundation.

C. Prudently and in full compliance with all policies, applicable laws and regulations.

D. Effectively, so as to increase over time the assets of the Foundation and enhance the long-term health and viability of the Foundation.

Specific responsibilities of the various groups and individuals within the Foundation and outside service professionals retained by the Foundation or Committee for the Foundation are outlined below:

A. Responsibilities of the Trustees

1. Approval of this Policy and amendments or supplements hereto.
2. Selection, appointment and removal of the Committee.
3. Oversee activities related to compliance of the Foundation's investments with this Policy.

B. Responsibilities of the Committee

1. Propose recommendations to the Trustees regarding any amendments or supplements to this Policy.
2. Selection, appointment and removal of an Investment Advisor.
3. Recommend and set long-term investment policies and objectives for the Foundation, in conjunction with the Investment Advisor, in furtherance of this Policy.
4. Monitor and evaluate the performance of all service providers by regular review of reports provided to the Committee and by meetings with the Investment Advisor in order to determine that Foundation assets are prudently and effectively managed.
5. Retain or dismiss outside professionals and service providers such as the custodian bank and the Investment Advisor.
6. Review reports from the Investment Advisor and investment managers regarding the status of Foundation funds and implementation of this Policy.
7. Meet regularly to evaluate whether this Policy, the investment activities, and the risk management controls and procedures established pursuant to this Policy continue to be consistent with meeting the Foundation's investment goals and objectives.

C. Responsibilities of the Investment Advisor

1. Oversee the day-to-day operational investment activities of the Foundation pursuant to this Policy and subject to additional policies and directives established by the Trustees and the Committee.
2. In conjunction with the Committee, establish long-term investment policies and objectives for the Foundation. This includes selecting asset classes, determining asset allocation ranges, investment manager selection and structure, and setting performance objectives for each investment manager.

3. Communicate the policies and objectives of this Policy to outside professionals such as the investment managers.
4. Work with investment managers and other outside professionals to further the overall goals and objectives of the Foundation.
5. As needed, reallocate Foundation assets among asset classes, investment styles and investment managers. Reallocated assets shall remain within allocation ranges previously approved by the Committee.
6. Review reports from outside professionals regarding the status of Foundation funds.
7. Issue regular performance reports to the Trustees and Committee and be available to review these reports with Trustees on a quarterly basis.
8. Review investment policies and objectives, and recommend appropriate changes.
9. Monitor and communicate to the Committee long-term capital market trends as well as trading activity, asset allocation targets/ranges, investment manager selection and structure, and performance objectives for each investment manager.
10. Implement all portfolio trades and changes within the guidelines of this policy.
11. Perform an annual fee review of all portfolio costs and strive to negotiate and reduce investment expenses where possible.
12. Manage the allocation of new contributions as well as periodic asset allocation rebalancing.
13. Research and select investment management firms who are appropriate to implement the Foundation's investment policies and objectives.
14. Monitor and assess investment managers, report on changes within the organizations, and implement manager changes as needed.
15. Measure, evaluate and report the investment managers' and total Fund performance results on a quarterly basis.
16. Provide other support to the Committee as requested or as appropriate in order to implement this Policy.

D. Responsibilities of the Investment Managers

The investment managers have full discretion to manage the assets of the Foundation in accordance with the investment objectives and guidelines expressed within their Investment Management Agreement and Portfolio Guidelines. For investment managers retained under a mutual fund or commingled fund agreement, however, it is expected that the strategy instead will operate under the specific guidelines outlined in its prospectus or offering memorandum. To the extent applicable to mutual funds in general, the provisions of this Policy with respect to investment managers shall apply to any mutual funds selected by the Investment Advisor.

Specific responsibilities include:

1. Communicate promptly with the Investment Advisor regarding all significant matters such as:
    a. major changes in the firm's investment outlook and strategy,
    b. shifts in portfolio construction
    c. changes in the firm's ownership, organizational structure or professional staffing, and
    d. other changes of a substantive nature.
2. Adhere to the investment policies and guidelines prescribed for the Foundation. Any specific concerns about the appropriateness of an investment should be clarified in writing, in advance of purchase.
3. Comply with all laws, legislation, and regulations that involve the Foundation as they pertain to the manager's duties, functions and responsibilities as a fiduciary.
4. For separate accounts, signify in writing its agreement to comply with all established guidelines.
5. Effect security trading on a best execution basis. Placement of orders should be based upon financial viability of the brokerage firm and the assurance of prompt and efficient execution.
6. Issue monthly and/or quarterly reports to the Investment Advisor with regards to portfolio performance.
7. Meet periodically with the Investment Advisor to report on the management of Foundation funds.
8. Fully disclose all fees and expenses on an annual basis.

E. Responsibilities of the Custodian Bank

1. Serve as custodian and act in a fiduciary capacity to the Foundation.
2. Provide safekeeping of securities entrusted to it; collect dividends and interest on these securities; make disbursements and manage cash flows as directed.
3. Arrange for timely settlement of all transactions made for the Foundation.
4. Provide complete and accurate accounting records including each transaction, income flow and cash flows by investment manager.
5. Issue, or make available via online access, monthly holding and transaction reports priced in accordance with industry standards.
6. Communicate effectively with the Investment Advisor to report on the administration of the Foundation.

V. INVESTMENT OBJECTIVES

The investment strategy of UVUF is designed to ensure the prudent investment of funds in such a manner as to provide for stable spending and liquidity to support the mission of the Foundation and to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss. Assets are to be invested under a total return concept of the UPMIFA, whereby net appreciation, realized and unrealized, in the fair value of the asset of the Foundation may be appropriated for expenditure. UPMIFA was adopted into state law under Utah Code 51-08 and is the governing regulation for the Foundation.

A. Risk Objectives

1. To accept an appropriate level of risk, as required to achieve UVUF's return objective as stated immediately below.
2. To use diversification to minimize exposure to company and industry specific risks in the aggregate investment portfolio.
3. To the extent possible, minimize the annual volatility of the asset base that supports the desired level of spending.

B. Return Objectives

1. As it pertains to the long-term endowment portfolio, attempt to achieve a total rate of return equal to or exceeding the Foundation's projected spending rate, plus operating

expenses, net of all investment management fees, while also attempting to meet inflationary expectations.

2. To protect the corpus of assets in real (i.e., inflation adjusted) terms while seeking growth of principal.
3. Maintain an adequate level of liquidity in order to meet the financial requirements of the Foundation.
4. Produce a reasonable risk-adjusted rate of return when compared to appropriate benchmarks or a blended index.

Investment objectives are necessary and appropriate to properly measure and evaluate the success of the investment program and the investment managers. Total investment return is defined as interest and/or dividends plus realized and unrealized capital appreciation or loss less investment-related fees and expenses. Performance will be evaluated net of investment management fees.

VI. INVESTMENT CONTRAINTS

A. Legal and Regulatory

The Trustees intend to manage the funds of the Foundation at all times in accordance with UPMIFA and the Prudent Investor Rule.

B. Time Horizon

The Foundation operates on a perpetual basis. The funds will be invested with a long-term time horizon (twenty years or more), consistent with the mission of the Foundation.

C. Liquidity

Given UVUF's long-term time horizon, liquidity for the purpose of spending will be a moderate concern. The Committee will continuously monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances. The Investment Committee intends to invest no more than 30% of UVUF's total assets in illiquid vehicles[1], subject to approval of this Investment Policy Statement by the Board of Regents as consistent with state legislation.

D. Tax Considerations

UVUF is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

[1] Illiquid vehicles are defined as those vehicles that do not allow withdrawals to occur on at least a monthly basis.

E. Prohibited Transactions

The Foundation will not directly engage in any short selling, securities lending, futures transactions, SWAP transactions, options trading, or margin utilization.

VII. RISK TOLERANCE

The following statements reflect the Trustees' understanding of capital market risk as well as measures adopted to control undue portfolio volatility:

A. The Trustees recognize that the primary fiduciary obligation regarding the Foundation is to maintain the inflation-adjusted principal value of the Foundation, within prudent risk guidelines, after meeting current and projected future spending requirements.

B. The Trustees fully recognize the likelihood of periodic market declines and are willing to accept the possibility of short-term declines in market value in order to achieve long-term investment return objectives.

C. The Investment Advisor will consider investments appropriate for the Foundation within a total portfolio context. Assets of the Foundation will be diversified to protect against large investment losses and to reduce the probability of excessive performance volatility at the total Fund level.

D. Assets will be diversified by allocating monies to various asset classes and investment styles within asset classes, and by retaining investment managers with complementary investment philosophies, styles and approaches.

E. A reasonable time horizon for evaluating total Fund investment performance shall be long-term (ten years or more). Absent special circumstances, time frames for evaluating the performance of investment managers will approximate a full market cycle.

VIII. SPENDING POLICY

UVUF's spending policy is set based on expectations set forth in UPMIFA and is benchmarked annually against peers based on data in the NACUBO/CommonFund Endowment Study. To ensure a stable and predictable level of spending from year to year on the stated endowment purposes (e.g, scholarships, programs, chairs, etc.), UVUF intends to spend up to 4.0%, depending on market conditions, of the Foundation's long-term endowment portfolio funds annually, based on the moving average of the Foundation's market value for the preceding three fiscal years.

Further, UVUF intends to spend up to 2.0% of the Foundation's long-term endowment portfolio funds annually for general and administrative (operating) expenses.

The Committee will review and approve the spending policy annually. Special situations may necessitate an amendment to the spending policy as deemed appropriate by the Committee.

IX. ASSET ALLOCATION GUIDELINES

The Investment Advisor shall determine the asset allocation strategy for the Foundation within the guidelines of the Board approved Investment Policy. The Investment Advisor will manage the asset allocation mix within the allocation ranges stated by the Policy. To implement this strategy, the Investment Advisor will select an asset allocation mix which will diversify investments among asset classes, and which is designed to meet the objectives of the Foundation.

A. Permissible Asset Classes

Because investment in any particular asset class may or may not be consistent with the objectives of the Foundation, the Trustees have specifically indicated the asset classes that may be utilized when investing the Foundation's assets in Appendix A.

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Foundation will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. Appendix B lists the expected return and volatility for each permissible asset class, and Appendix C lists expected correlations among major asset classes.

C. Long-Term Target Allocations

Based on the investment objectives and constraints of the UVUF, and on the expected behavior of the permissible asset classes, the Investment Advisor, along with the Committee, will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the Foundation's market value, surrounded by a band of permissible variation resulting from market forces or tactical portfolio shifts executed by the Investment Advisor.

The Foundation's target allocations for all permissible asset classes are shown in Appendix D. These long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the Foundation's asset allocation to deviate from the long-term targets, due to tactical asset allocation shifts, manager transitions, asset class restructurings, and other temporary changes in the Foundation's assets.

Deviations from targets that occur due to capital market changes are discussed within rebalancing procedures.

D. Rebalancing

In general, cash flows to and from the Foundation will be allocated in such a manner as to move each asset class toward the target allocation.

The Trustees recognize that, periodically, market forces may move the Foundation's allocations outside the target ranges. The Trustees also recognize that failing to rebalance the allocations could unintentionally change the Foundation structure and risk posture. However, the Trustees understand that constant rebalancing could result in a significant increase in explicit and implicit trading costs to the Foundation. Consequently, the Committee has delegated the authority to the Investment Advisor to rebalance the Fund's allocations when prudent.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify the assets that can be shifted and potential risks and costs of executing the shifts, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

X. EVALUATION AND REVIEW PROCESS

The Investment Advisor and the Committee will evaluate investment performance of the Foundation regularly to include the following:

A. The Foundation's asset allocation relative to this Policy and the capital market outlook.

B. The extent to which each investment manager has managed its portfolio consistent with that investment manager's stated investment philosophy and style.

C. Each investment manager's adherence to the guidelines and investment policies contained in this Policy.

D. The risk and return profile(s) of the total Foundation and each investment manager compared to the Foundation's goals and objectives under this Policy.

The asset allocation of the Foundation will be reviewed on an on-going basis, and at least annually. When necessary, such reviews may result in a rebalancing of assets. In general, the Trustees intend for the Foundation to adhere to its long-term target allocations, staying within established target ranges, and that major changes to these targets will be made only in response to significant developments in the circumstances, objectives, or constraints of the Foundation.

The Trustees will specifically evaluate the performance of the Foundation relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Trustees will utilize a combination of relative and absolute benchmarks in evaluating performance. The total performance of the Foundation will be evaluated relative to the investment objectives and constraints identified in this Investment Policy Statement. The return objective of the portfolio of all long-term endowment investments shall be to outperform peer sized endowment funds, based on data in the NACUBO/CommonFund Endowment Study, over a full market cycle.

The Committee will review the Investment Policy Statement at least annually to determine that it continues to be appropriate in view of changes within the Foundation and the capital markets. The Committee, as deemed appropriate, may consider exceptions to the Investment Policy Statement.

This Investment Policy Statement has been adopted and approved by the Trustees of the Utah Valley University Foundation.

XI. Appendices

APPENDIX A

PERMISSIBLE ASSET CLASSES

Asset Class	Broad Asset Class	Functional Category
Public Domestic Equity	Public Global Equity	Growth
Developed Market Equity	Public Global Equity	Growth
Emerging Market Equity	Public Global Equity	Growth
Private Equity	Alternative Assets	Growth
Real Estate Debt (High Yield)	Foundation Specific Assets	Credit
High Yield Bonds	Credit	Credit
Bank Loans	Credit	Credit
Emerging Markets Debt	Credit	Credit
TIPS	TIPS	Inflation Hedges/Real Assets
Real Estate	Alternative/Foundation Specific Assets	Inflation Hedges/Real Assets
Public Natural Resources	Public Global Equity	Inflation Hedges/Real Assets
Private Natural Resources	Alternative Assets	Inflation Hedges/Real Assets
Infrastructure	Alternative Assets	Inflation Hedges/Real Assets
Commodities	Alternative Assets	Inflation Hedges/Real Assets
Investment Grade Bonds	Fixed Income	Risk Mitigation
Real Estate Debt (Investment Grade)	Foundation Specific Assets	Risk Mitigation
Cash Equivalents	Cash Equivalents	Risk Mitigation
Hedge Funds	Alternative Assets	Risk Mitigation

APPENDIX B

TWENTY-YEAR, ASSET CLASS FORECAST[1]

Functional Category/Asset Class	20-Year Annualized Expected Return (%)	Standard Deviation (%)
Growth		
Global Equity	*8.6*	*17.0*
Private Equity	*10.1*	*24.0*
Credit		
Real Estate Debt (High Yield)[2]	*6.0*	*18.0*
High Yield Bonds	*6.5*	*11.0*
Bank Loans	*6.1*	*9.0*
Emerging Market Debt	*5.2*	*12.5*
Inflation Hedges/Real Assets		
TIPS	*3.6*	*7.0*
Natural Resources	*9.3*	*21.5*
Real Estate	*7.0*	*15.0*
Infrastructure	*6.5*	*14.0*
Risk Mitigation		
Investment Grade Bonds	*3.9*	*4.0*
Real Estate Debt (Investment Grade)[3]	*5.6*	*3.0*
Hedge Funds	*5.4*	*7.0*
Cash	*2.9*	*1.0*

[1] Based on Meketa Investment Group's 2019 Annual Asset Study.
[2] Foundation specific assets with customized modelling assumptions.
[3] Foundation specific assets with customized modelling assumptions.

APPENDIX C

EXPECTED CORRELATIONS AMONG MAJOR ASSET CLASSES

	Cash	IG Bonds	TIPS	High Yield Bonds	Bank Loans	EM Debt	RE Debt (Inv Grade)	Global Equity	Private Equity	Real Estate	RE Debt (High Yield)	NR	Infra	Hedge Funds
Cash Equivalents	1.00													
IG Bonds	0.05	1.00												
TIPS	0.05	0.80	1.00											
High Yield Bonds	0.00	0.20	0.30	1.00										
Bank Loans	0.05	0.00	0.20	0.80	1.00									
EM Debt	0.05	0.50	0.50	0.70	0.40	1.00								
RE Debt (Inv Grade)	0.00	0.40	0.55	0.45	0.30	0.45	1.00							
Global Equity	0.00	0.05	0.10	0.70	0.60	0.60	0.40	1.00						
Private Equity	0.10	0.00	0.05	0.70	0.65	0.45	0.35	0.80	1.00					
Real Estate	0.20	0.25	0.10	0.45	0.45	0.25	0.55	0.35	0.40	1.00				
RE Debt (High Yield)	0.10	0.20	0.15	0.65	0.55	0.40	0.60	0.45	0.50	0.80	1.00			
Natural Resources	0.05	0.10	0.10	0.45	0.40	0.50	0.20	0.60	0.60	0.50	0.45	1.00		
Infrastructure	0.20	0.30	0.30	0.60	0.50	0.50	0.40	0.65	0.45	0.65	0.55	0.60	1.00	
Hedge Funds	0.10	0.10	0.25	0.10	0.05	0.35	0.05	0.35	0.10	0.10	0.10	0.40	0.25	1.00

APPENDIX D

BROAD ASSET ALLOCATION TARGETS

Functional Category/Asset Class	Target (%)	Range (%)
Global Equity	*37*	*25-55*
Fixed Income	*33*	*15-55*
Alternative Assets	*30*	5-55

Meketa Fiduciary Management (MFM) has been hired as our Investment Advisor. The return objective of the MFM portfolio shall be to outperform the MFM Policy Benchmark over a full market cycle. The MFM Policy Benchmark is described in Appendix E.

Based upon the expected asset returns, risks, and correlations cited in Appendices B and C, this target allocation exhibits an expected annual return of 8.0% and an expected annual standard deviation of 12.4%[1].

[1] Based on Meketa Investment Group's 2019 Annual Asset Study.

APPENDIX E

MFM POLICY BENCHMARK

Functional Category	Weight (%)	Composition
Growth	65	100% MSCI ACWI IMI (65%)
Credit	5	50% BbgBarclays U.S. High Yield (2.5%) / 50% CS Leveraged Loans (2.5%)
Inflation Hedges/Real Assets	15	40% S&P Global LargeMidCap Commodity and Resources (5.25%) / 30% NCREIF ODCE Equal Weighted (Net) (5.25%)/ 30% BbgBarclays U.S. TIPS (4.5%)
Risk Mitigation	15	50% 91 Day T-Bills (7.5%) / 25% BbgBarclays U.S. Aggregate (3.75%) / 25% HFRI Macro Index (3.75%)

The MFM Policy Benchmark is designed to measure the performance of MFM in regards to both tactical asset allocation decisions and manager selection. The MFM Policy Benchmark is calculated using the target weights of each Functional Category within the MFM advised portion of the Foundation portfolio.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.

INVESTMENT POLICY STATEMENT

Approved: *DATE TBD*

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In making a determination to appropriate or accumulate assets in a Foundation, the board members, acting in good faith, are to apply the prudent person standard, and consider:

A. Duration and preservation of the Foundation.

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E. Expected total return from income and the appreciation of investments.

F. Other resources of the organization.

G. Investment Policy of the organization and spending policy.

UPMIFA requires those who manage and invest its funds to:

A. Act in good faith, with the care an ordinarily prudent person would exercise.

B. Incur only reasonable costs in investing and managing charitable funds.

C. Make a reasonable effort to verify relevant facts.

D. Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy.

E. Diversify investments unless, due to special circumstances, the purposes of the fund are better served without diversification.

F. Dispose of unsuitable assets.

G. Develop an investment strategy appropriate for the fund and the charity.

This Statement of Investment Policy and Objectives ("Policy") is intended to serve as an operating document to guide the investment activities of the Foundation and:

A. Define responsibilities among the various groups accountable for guiding the investment process and supervising outside investment professionals.

B. Define spending requirements from the Foundation.

C. Determine an appropriate return and risk level for the Foundation.

D. Establish allocation ranges for asset classes and investment styles deemed suitable for the Foundation.

E. Determine prudent diversification of assets.

F. Establish performance objectives and a regular review process.

II. BACKGROUND

Utah Valley University Foundation, Inc. was organized and incorporated in 1981 under Board of Regent policy as a support organization and "component part" of Utah Valley University for the purpose of stimulating voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the University. The endowment funds of Utah Valley University are segregated from the University's other assets and are held at and invested within the Utah Valley University Foundation. The Foundation has its own tax identification number and is a separate legal entity apart from the University.

The Foundation exists to help raise and manage private resources and to steward donors supporting the mission and priorities of the University as articulated by the Board of Trustees and the President and provide opportunities for students and a margin of institutional excellence unavailable with state funds.

The Foundation is dedicated to assisting the University in building the endowment and in addressing, through financial support, the long-term academic and other priorities of the University. The Board and its members provide advice and counsel to the University President and Vice President for Institutional Advancement concerning fundraising and externally focused programs as appropriate, and manage gift resources and institutional endowments consistent with governance policy as outlined in Regents Policy, University Policy and Utah Valley University Foundation Policy. To provide guidance and direct oversight of the investment management of the Foundation, the Board of Directors ("Trustees") have appointed the Investment Committee ("Committee") to oversee the investments of the Foundation. The Trustees have established these investment objectives and operating policies and procedures. The objectives and guidelines included in this document serve as a basis for communication among the Trustees, Committee, Investment Managers and the Investment Advisor appointed by the Committee, who are involved in the management of the Foundations' assets.

As stated in its articles of incorporation, the Foundation is a separately incorporated 501(c)(3) organization and is responsible for assisting the Office of Institutional Advancement in identifying and nurturing relationships with potential donors and other friends of Utah Valley University, and soliciting cash, securities, real and intellectual property, and other private resources for the support of the University and acknowledging and stewarding such gifts in accordance with donor intent and its fiduciary responsibilities.

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III. MISSION

The mission of the Utah Valley University Foundation is to obtain financial support for Utah Valley University. This mission is accomplished through three objectives.

A. Serving as Ambassadors

Assist the University administration and involve members of the community in programs and activities of the University. Tell the story of the University to groups and individuals with such effectiveness that support for the institution is a natural consequence.

B. Fundraising

In cooperation with the University's Division of Institutional Advancement; plan, organize and execute advancement programs including planned giving, annual giving, campaigns, and other appropriate activities.

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C. Fund Management

Invest the University's endowment with the purpose of realizing a return that is above the median performance of similarly managed university funds. Ensure that the endowment is properly accounted for and disbursed.

IV. DELEGATION OF RESPONSIBILITIES

The Board of Trustees has overall responsibility for the Foundation. The Trustees hereby assign operating and supervisory responsibility for the Foundation and the implementation of this Policy to the Committee in conjunction with the Investment Advisor. The Committee, in conjunction with the Investment Advisor, is responsible to ensure that Fund assets available for investment are managed:

A. Exclusively to support the purpose of the Foundation.

B. In a manner that reflects the long-term orientation of the Foundation.

C. Prudently and in full compliance with all policies, applicable laws and regulations.

D. Effectively, so as to increase over time the assets of the Foundation and enhance the long-term health and viability of the Foundation.

Specific responsibilities of the various groups and individuals within the Foundation and outside service professionals retained by the Foundation or Committee for the Foundation are outlined below:

A. Responsibilities of the Trustees

1. Approval of this Policy and amendments or supplements hereto.
2. Selection, appointment and removal of the Committee.
3. Oversee activities related to compliance of the Foundation's investments with this Policy.

B. Responsibilities of the Committee

1. Propose recommendations to the Trustees regarding any amendments or supplements to this Policy.
2. Selection, appointment and removal of an Investment Advisor.
3. Recommend and set long-term investment policies and objectives for the Foundation, in conjunction with the Investment Advisor, in furtherance of this Policy.
4. Monitor and evaluate the performance of all service providers by regular review of reports provided to the Committee and by meetings with the Investment Advisor in order to determine that Foundation assets are prudently and effectively managed.
5. Retain or dismiss outside professionals and service providers such as the custodian bank and the Investment Advisor.
6. Review reports from the Investment Advisor and investment managers regarding the status of Foundation funds and implementation of this Policy.
7. Meet regularly to evaluate whether this Policy, the investment activities, and the risk management controls and procedures established pursuant to this Policy continue to be consistent with meeting the Foundation's investment goals and objectives.

C. Responsibilities of the Investment Advisor

1. Oversee the day-to-day operational investment activities of the Foundation pursuant to this Policy and subject to additional policies and directives established by the Trustees and the Committee.
2. In conjunction with the Committee, establish long-term investment policies and objectives for the Foundation. This includes selecting asset classes, determining asset allocation ranges, investment manager selection and structure, and setting performance objectives for each investment manager.
3. Communicate the policies and objectives of this Policy to outside professionals such as the investment managers.

4. Work with investment managers and other outside professionals to further the overall goals and objectives of the Foundation.
5. As needed, reallocate Foundation assets among asset classes, investment styles and investment managers. Reallocated assets shall remain within allocation ranges previously approved by the Committee.
6. Review reports from outside professionals regarding the status of Foundation funds.
7. Issue regular performance reports to the Trustees and Committee and be available to review these reports with Trustees on a quarterly basis.
8. Review investment policies and objectives, and recommend appropriate changes.
9. Monitor and communicate to the Committee long-term capital market trends as well as trading activity, asset allocation targets/ranges, investment manager selection and structure, and performance objectives for each investment manager.
10. Implement all portfolio trades and changes within the guidelines of this policy.
11. Perform an annual fee review of all portfolio costs and strive to negotiate and reduce investment expenses where possible.
12. Manage the allocation of new contributions as well as periodic asset allocation rebalancing.
13. Research and select investment management firms who are appropriate to implement the Foundation's investment policies and objectives.
14. Monitor and assess investment managers, report on changes within the organizations, and implement manager changes as needed.
15. Measure, evaluate and report the investment managers' and total Fund performance results on a quarterly basis.
16. Provide other support to the Committee as requested or as appropriate in order to implement this Policy.

D. Responsibilities of the Investment Managers

The investment managers have full discretion to manage the assets of the Foundation in accordance with the investment objectives and guidelines expressed within their Investment Management Agreement and Portfolio Guidelines. For investment managers retained under a mutual fund or commingled fund agreement, however, it is expected that the strategy instead will operate under the specific guidelines outlined in its prospectus or offering memorandum. To the extent applicable to mutual funds in general, the provisions of this Policy with respect to investment managers shall apply to any mutual funds selected by the Investment Advisor.

Specific responsibilities include:

1. Communicate promptly with the Investment Advisor regarding all significant matters such as:
    a. major changes in the firm's investment outlook and strategy,
    b. shifts in portfolio construction
    c. changes in the firm's ownership, organizational structure or professional staffing, and
    d. other changes of a substantive nature.
2. Adhere to the investment policies and guidelines prescribed for the Foundation. Any specific concerns about the appropriateness of an investment should be clarified in writing, in advance of purchase.
3. Comply with all laws, legislation, and regulations that involve the Foundation as they pertain to the manager's duties, functions and responsibilities as a fiduciary.
4. For separate accounts, signify in writing its agreement to comply with all established guidelines.
5. Effect security trading on a best execution basis. Placement of orders should be based upon financial viability of the brokerage firm and the assurance of prompt and efficient execution.
6. Issue monthly and/or quarterly reports to the Investment Advisor with regards to portfolio performance.
7. Meet periodically with the Investment Advisor to report on the management of Foundation funds.
8. Fully disclose all fees and expenses on an annual basis.

E. Responsibilities of the Custodian Bank

1. Serve as custodian and act in a fiduciary capacity to the Foundation.
2. Provide safekeeping of securities entrusted to it; collect dividends and interest on these securities; make disbursements and manage cash flows as directed.
3. Arrange for timely settlement of all transactions made for the Foundation.
4. Provide complete and accurate accounting records including each transaction, income flow and cash flows by investment manager.
5. Issue, or make available via online access, monthly holding and transaction reports priced in accordance with industry standards.
6. Communicate effectively with the Investment Advisor to report on the administration of the Foundation.

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V. INVESTMENT OBJECTIVES

The investment strategy of UVUF is designed to ensure the prudent investment of funds in such a manner as to provide for stable spending and liquidity to support the mission of the Foundation and to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss. Assets are to be invested under a total return concept of the UPMIFA, whereby net appreciation, realized and unrealized, in the fair value of the asset of the Foundation may be appropriated for expenditure. UPMIFA was adopted into state law under Utah Code 51-08 and is the governing regulation for the Foundation.

A. Risk Objectives

1. To accept an appropriate level of risk, as required to achieve UVUF's return objective as stated immediately below.
2. To use diversification to minimize exposure to company and industry specific risks in the aggregate investment portfolio.
3. To the extent possible, minimize the annual volatility of the asset base that supports the desired level of spending.

B. Return Objectives

1. As it pertains to the long-term endowment portfolio, attempt to achieve a total rate of return equal to or exceeding the Foundation's projected spending rate, plus operating expenses, net of all investment management fees, while also attempting to meet inflationary expectations.

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2. To protect the corpus of assets in real (i.e., inflation adjusted) terms while seeking growth of principal.
3. Maintain an adequate level of liquidity in order to meet the financial requirements of the Foundation.
4. Produce a reasonable risk-adjusted rate of return when compared to appropriate benchmarks or a blended index.

Investment objectives are necessary and appropriate to properly measure and evaluate the success of the investment program and the investment managers. Total investment return is defined as interest and/or dividends plus realized and unrealized capital appreciation or loss less investment-related fees and expenses. Performance will be evaluated net of investment management fees.

VI. INVESTMENT CONTRAINTS

A. Legal and Regulatory

The Trustees intend to manage the funds of the Foundation at all times in accordance with UPMIFA and the Prudent Investor Rule.

B. Time Horizon

The Foundation operates on a perpetual basis. The funds will be invested with a long-term time horizon (twenty years or more), consistent with the mission of the Foundation.

C. Liquidity

Given UVUF's long-term time horizon, liquidity for the purpose of spending will be a moderate concern. The Committee will continuously monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances. The Investment Committee intends to invest no more than 30% of UVUF's total assets in illiquid vehicles[1], subject to approval of this Investment Policy Statement by the Board of Regents as consistent with state legislation.

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D. Tax Considerations

UVUF is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

[1] Illiquid vehicles are defined as those vehicles that do not allow withdrawals to occur on at least a monthly basis.

E. Prohibited Transactions

The Foundation will not directly engage in any short selling, securities lending, futures transactions, SWAP transactions, options trading, or margin utilization.

VII. RISK TOLERANCE

The following statements reflect the Trustees' understanding of capital market risk as well as measures adopted to control undue portfolio volatility:

A. The Trustees recognize that the primary fiduciary obligation regarding the Foundation is to maintain the inflation-adjusted principal value of the Foundation, within prudent risk guidelines, after meeting current and projected future spending requirements.

B. The Trustees fully recognize the likelihood of periodic market declines and are willing to accept the possibility of short-term declines in market value in order to achieve long-term investment return objectives.

C. The Investment Advisor will consider investments appropriate for the Foundation within a total portfolio context. Assets of the Foundation will be diversified to protect against large investment losses and to reduce the probability of excessive performance volatility at the total Fund level.

D. Assets will be diversified by allocating monies to various asset classes and investment styles within asset classes, and by retaining investment managers with complementary investment philosophies, styles and approaches.

E. A reasonable time horizon for evaluating total Fund investment performance shall be long-term (ten years or more). Absent special circumstances, time frames for evaluating the performance of investment managers will approximate a full market cycle.

VIII. SPENDING POLICY

UVUF's spending policy is set based on expectations set forth in UPMIFA and is benchmarked annually against peers based on data in the NACUBO/CommonFund Endowment Study. To ensure a stable and predictable level of spending from year to year on the stated endowment purposes (e.g, scholarships, programs, chairs, etc), UVUF intends to spend up to 4.0%, depending on market conditions, of the Foundation's long-term endowment portfolio funds annually, based on the moving average of the Foundation's market value for the preceding three fiscal years.

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Further, UVUF intends to spend up to 2.0% of the Foundation's long-term endowment portfolio funds annually for general and administrative (operating) expenses.

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The Committee will review and approve the spending policy annually. Special situations may necessitate an amendment to the spending policy as deemed appropriate by the Committee.

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IX. ASSET ALLOCATION GUIDELINES

The Investment Advisor shall determine the asset allocation strategy for the Foundation within the guidelines of the Board approved Investment Policy. The Investment Advisor will manage the asset allocation mix within the allocation ranges stated by the Policy. To implement this strategy, the Investment Advisor will select an asset allocation mix which will diversify investments among asset classes, and which is designed to meet the objectives of the Foundation.

A. Permissible Asset Classes

Because investment in any particular asset class may or may not be consistent with the objectives of the Foundation, the Trustees have specifically indicated the asset classes that may be utilized when investing the Foundation's assets in Appendix A.

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Foundation will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. Appendix B lists the expected return and volatility for each permissible asset class, and Appendix C lists expected correlations among major asset classes.

C. Long-Term Target Allocations

Based on the investment objectives and constraints of the UVUF, and on the expected behavior of the permissible asset classes, the Investment Advisor, along with the Committee, will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the Foundation's market value, surrounded by a band of permissible variation resulting from market forces or tactical portfolio shifts executed by the Investment Advisor.

The Foundation's target allocations for all permissible asset classes are shown in Appendix D. These long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the Foundation's asset allocation to deviate from the long-term targets, due to tactical asset allocation shifts, manager transitions, asset class restructurings, and other temporary changes in the Foundation's assets. Deviations from targets that occur due to capital market changes are discussed within rebalancing procedures.

D. Rebalancing

In general, cash flows to and from the Foundation will be allocated in such a manner as to move each asset class toward the target allocation.

The Trustees recognize that, periodically, market forces may move the Foundation's allocations outside the target ranges. The Trustees also recognize that failing to rebalance the allocations could unintentionally change the Foundation structure and risk posture. However, the Trustees understand that constant rebalancing could result in a significant increase in explicit and implicit trading costs to the Foundation. Consequently, the Committee has delegated the authority to the Investment Advisor to rebalance the Fund's allocations when prudent.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify the assets that can be shifted and potential risks and costs of executing the shifts, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

X. EVALUATION AND REVIEW PROCESS

The Investment Advisor and the Committee will evaluate investment performance of the Foundation regularly to include the following:

A. The Foundation's asset allocation relative to this Policy and the capital market outlook.

B. The extent to which each investment manager has managed its portfolio consistent with that investment manager's stated investment philosophy and style.

C. Each investment manager's adherence to the guidelines and investment policies contained in this Policy.

D. The risk and return profile(s) of the total Foundation and each investment manager compared to the Foundation's goals and objectives under this Policy.

The asset allocation of the Foundation will be reviewed on an on-going basis, and at least annually. When necessary, such reviews may result in a rebalancing of assets. In general, the Trustees intend for the Foundation to adhere to its long-term target allocations, staying within established target ranges, and that major changes to these targets will be made only in response to significant developments in the circumstances, objectives, or constraints of the Foundation.

The Trustees will specifically evaluate the performance of the Foundation relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Trustees will utilize a combination of relative and absolute benchmarks in evaluating performance. The total performance of the Foundation will be evaluated relative to the investment objectives and constraints identified in this Investment Policy Statement. The return objective of the portfolio of all long-term endowment investments shall be to outperform peer sized endowment funds, based on data in the NACUBO/CommonFund Endowment Study, over a full market cycle.

The Committee will review the Investment Policy Statement at least annually to determine that it continues to be appropriate in view of changes within the Foundation and the capital markets. The Committee, as deemed appropriate, may consider exceptions to the Investment Policy Statement.

This Investment Policy Statement has been adopted and approved by the Trustees of the Utah Valley University Foundation.

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MEMORANDUM

TAB B

December 6, 2019

USHE – Institutional Financial Summary Discussion

In recent meetings with the Legislative Fiscal Analyst's office and legislative appropriations committee chairs it was communicated that the legislature would like a simple, clear, and standardized approach to better understand USHE institutional finances. Recognizing the benefit such an approach would provide to the Board of Regents as well, the Commissioner's Office committed to developing a financial summary template to communicate institutional finances and financial performance. The attached document incorporates suggestions from institutional vice presidents and is provided to the Committee for further discussion and improvement.

Commissioner's Recommendations

The Commissioner recommends the Committee review the proposed document and consider potential modifications and enhancements.

Attachments

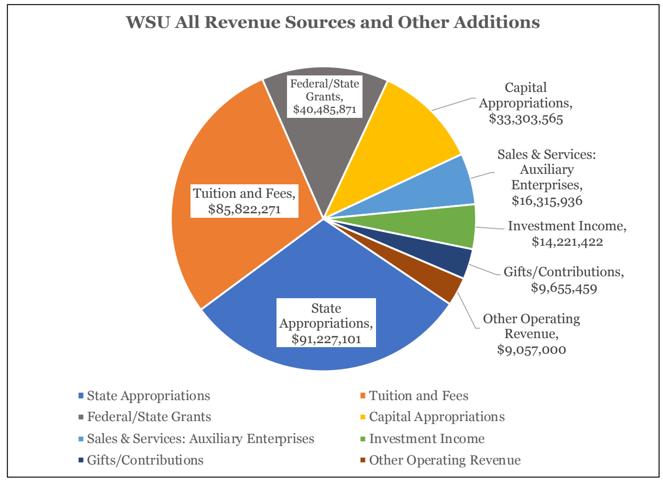
DRAFT

Weber State University

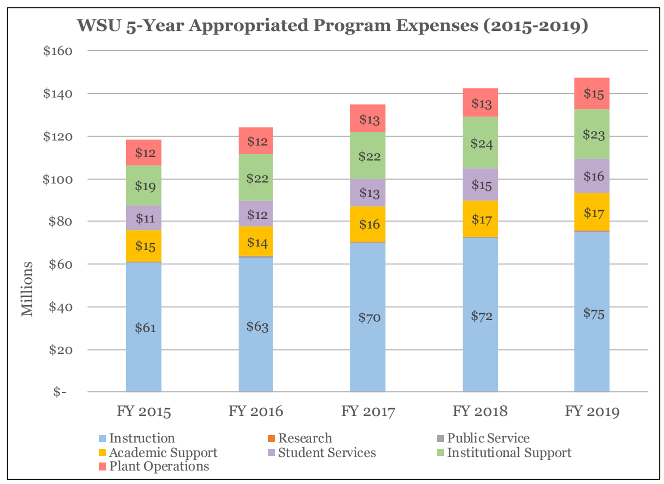
Financial Summary 2020 General Session

UTAH SYSTEM OF HIGHER EDUCATION

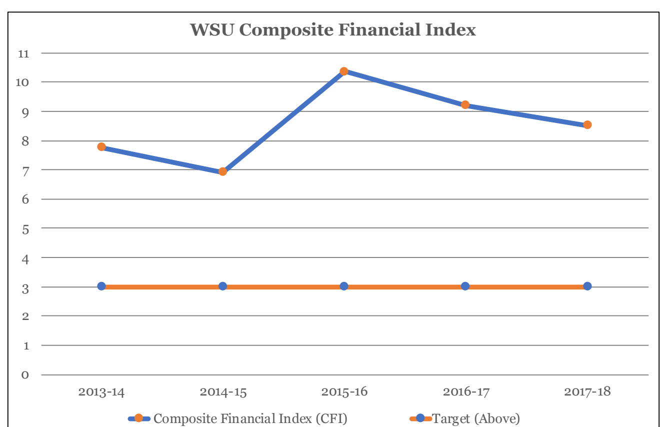
Revenues/Other Additions	2018-19 Actual Appropriated	2018-19 Actual All Sources
Tuition and Fees	$ 76,624,549	$ 85,822,271
Operating Grants/ Contracts		713,206
Sales/Services: Auxiliaries		16,315,936
Other Operating Revenue		9,057,000
State Appropriations	$ 90,744,300	$ 91,227,101
Federal/State Grants	0	40,485,871
Gifts/Contributions	0	9,655,459
Investment Income	0	14,221,422
Other Non-Operating	0	0
Capital Appropriations	0	$ 33,303,565
Capital Grants & Gifts	0	765,794
Additions to Endowments	0	3,873,830
Other Revenues	$ 5,801,830	0
Total Revenues	**$ 173,170,679**	**$ 305,441,455**



Program Expenses	2018-19 Actual Appropriated	2018-19 All Sources
Instruction	$ 75,251,621	$ 90,190,977
Research	248,688	824,090
Public Service	308,809	1,888,452
Academic Support	17,449,295	24,568,584
Student Services	16,135,666	22,287,162
Institutional Support	23,480,989	29,277,535
Plant Operations	14,582,167	26,664,922
Depreciation		18,013,006
Scholarships/ Fellowships		15,198,659
Auxiliary Enterprises		24,855,350
Other Expenses/ Deductions	21,466,338	0
Interest/Non-Operating		$ 1,760,107
Total Program Expenses	**$ 168,923,574**	**$ 242,295,290**
Change in Net Position	**$ 4,247,105**	**$ 49,912,611**



Expenditure Category	2018-19 Actual Appropriated
Regular Faculty Wages	$ 37,748,024
Adjunct and TA Wages	8,670,830
Executive/Staff Wages	43,211,905
Employee Benefits	36,243,759
Travel	$ 1,378,851
Current Expense	17,094,707
Fuel and Power	2,291,775
Equipment	817,385
Transfers	21,466,338
Total Expenditures	**$ 168,923,574**



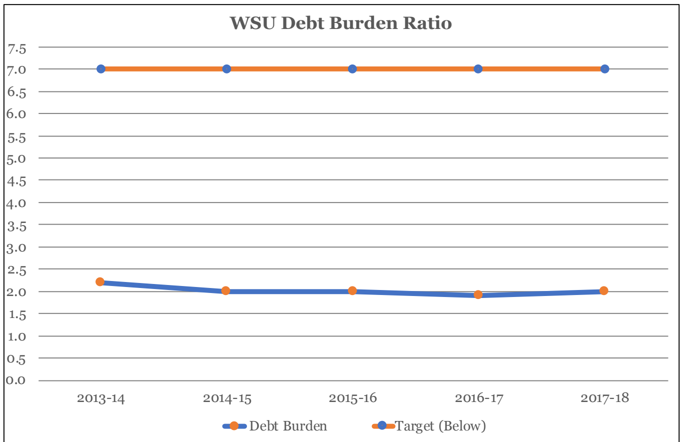
The CFI provides an overall picture of the institution's financial health by combining and weighting four ratios to produce an overall score: (1) primary reserve, (2) viability, (3) return on net assets, and (4) net operating revenues.

Institutional Comments:

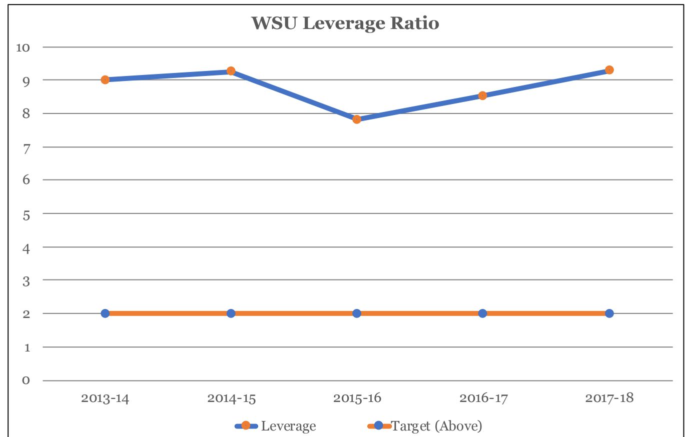
DRAFT PRELIMINARY RESULTS

Institutional Indebtedness

Outstanding Revenue Bonds	
Original Issuance Amount	$56,745,000
Outstanding Balance 6/30/19	44,780,000
Weighted Years to Maturity	15.2 years

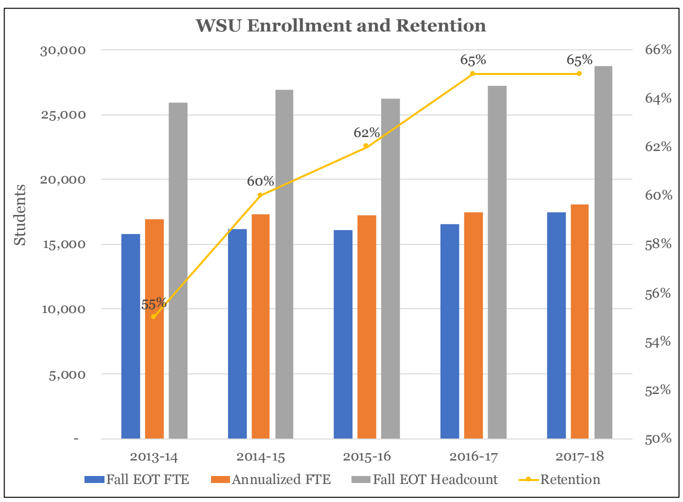


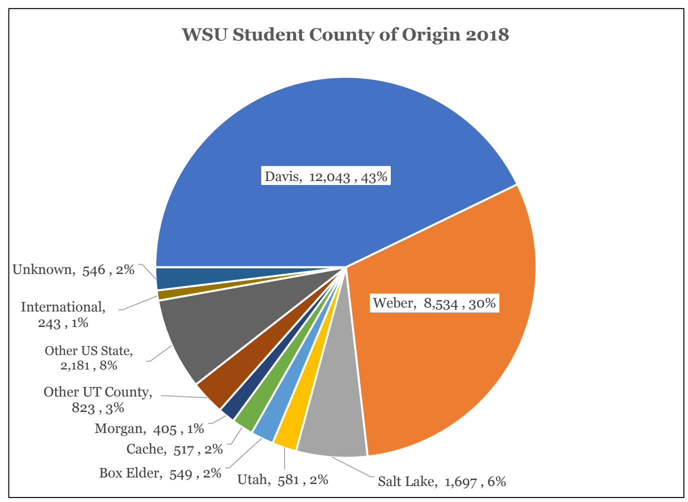
This ratio measures an institution's dependence on borrowed funds to finance operations by comparing debt service (principal and interst) to total expenditures. The industry standard or target for this ratio is 7.0 or lower.



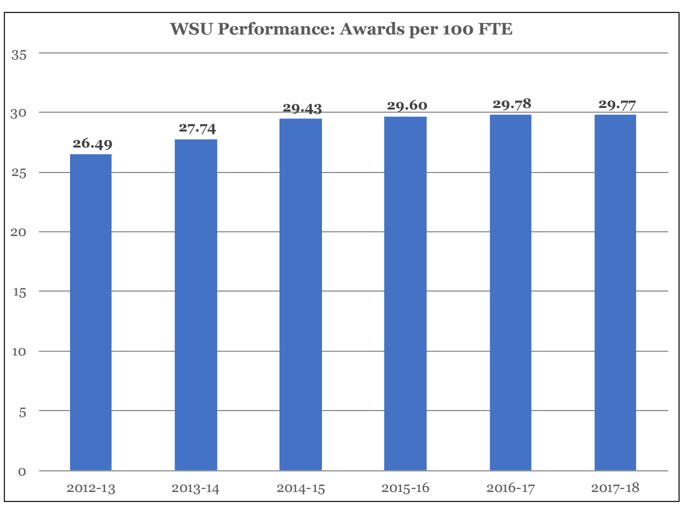
The Leverage Ratio measures the number of times that the institution can cover its entire long-term debt obligation using available net assets. The industry standard or target is 2.0 or higher.

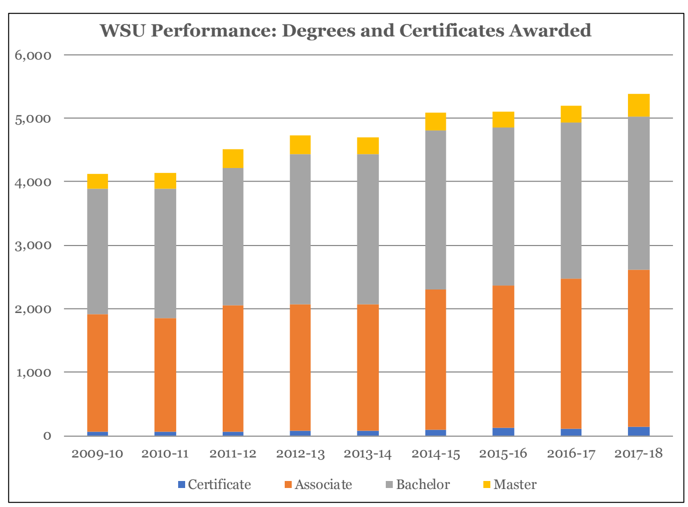
Student Enrollment





Performance Funding Metrics





MEMORANDUM

TAB C

December 6, 2019

USHE – Capital Development Process

Each year the Board of Regents prioritizes state-funded capital development projects requested by USHE institutions ahead of the legislative session. The prioritization process began for 2019 in April with the Capital Facilities Committee meeting to review the prior year process and make changes for the upcoming year. The full Board of Regents then adopted capital development guidelines in May 2019 and the Capital Facilities Committee toured each institution during the summer. The Commissioner's Office prepared the quantitative scoring in August 2019 ahead of the final September prioritization by the Board.

While the process is still fresh on the mind, the Commissioner would like input from the Finance and Facilities committee on areas of potential improvement for next year's process. The attachments depict the current process including scoring.

Commissioner's Recommendations

The Commissioner recommends the Committee review the current capital prioritization process and consider potential modifications and enhancements.

Attachments

USHE Capital Prioritization Process

Phases of Regent Capital Scoring

Instit-ution	Project Name	Project Points				Regent Points		Ranking
		Space Need	Utiliz-ation	Facility Condition	Total	Criteria	Discret-ionary	Top 3
	Points Possible	*50*	*15*	*15*	*80*	*10*	*15*	
SUU	Academic Classroom Building	23	15	0	38			
UU	Applied Sciences Building	7	12	10	29			
USU	Mehdi Heravi Global Teaching/ Learning	5	13	0	18			
UVU	STEM/ Engineering Building	3	15	0	18			
Snow	Center for Rural Studies/Community Dev	0	12	3	15			
SLCC	Herriman Campus Juniper Building	0	14	0	14			

Phase I: Quantitative Scoring (Space Need, Utilization, Facility Condition, Total)

Phase II: Criteria Scoring Full Board (Criteria)

Phase III: Capital Cmte. (Discretionary)

Phase IV: Full Board (Top 3)

Regent Criteria Scoring

Strategic Objective	Regent Criteria	Possible Points	Regent Score
Completion	The project will improve timely completion of students graduating with degrees and certificates.	**2**	
Capacity	The project will improve space utilization through the elimination of space and equipment that is functionally obsolete or will improve institutional capacity to serve growing student populations.	**3**	
Affordability	The project is cost effective and an efficient use of resources	**3**	
Workforce	The project addresses a time-sensitive emerging opportunity to enhance state or regional workforce needs.	**2**	

MEMORANDUM

December 6, 2019

USHE – Revenue Bond Results

Regent Policy R590, Issuance of Bonds for Colleges and Universities, requires the Office of the Commissioner to report the results of the final bond pricing to the Board in the next scheduled meeting after the closing. Four USHE institutions recently issued revenue bonds to refund prior issued debt and to construct facilities approved by the Regents and the 2019 Utah State Legislature: Utah State University, Snow College, Utah Valley University, and the University of Utah. Additional details about the bond issues may be found in the attached summary sheet and the financing summaries prepared by the respective financial advisors.

Commissioner's Recommendations

Information item only; no action is required.

Attachments

Summary of Bond Results

1. In the September 2019 meeting the Board authorized Utah State University (USU) to issue revenue bonds to refinance Series 2018A Research revenue bonds for savings. After a direct placement with J.P. Morgan the bonds closed on October 16, 2019 and conformed to the parameters approved by the Regents. The following is a brief summary of the results:

- True Interest Cost (TIC) 1.88%
- Maturity Date 8.13 years
- Net Present Value (NPV) Savings $219,567 (3.9%)

Sources		Uses	
Par Value	$6,231,000	Deposit to Refinance 2018A	$5,548,254
		Debt Service Reserve Fund	623,100
		Cost of Issuance/Round	59,646
	$6,231,000		**$6,231,000**

2. In the September 2019 meeting the Board authorized Snow College to issue revenue bonds to refinance Series 2011 bonds for savings. After a negotiated sale on October 8, 2019 that conformed to the parameters approved by the Regents, the bonds closed on October 23, 2019. The following is a brief summary of the results:

- True Interest Cost (TIC) 2.805%
- Maturity Date 16.64 years
- Net Present Value (NPV) Savings $943,811 (7.78%)

Sources		Uses	
Par Value	$13,110,000	Deposit to Refund 2012A	$12,853,045
Original Issue Discount	(95,430)	Underwriter's Discount	25,334
		Surety/Insurance Premium	32,376
		Cost of Issuance/Round	103,815
	$13,014,570		**$13,014,570**

3. In the September 2019 meeting the Board authorized the Utah Valley University to issue revenue bonds to refund the 2004A and 2012A bonds and to expand the Sorenson Student Center. The bonds were issued in two series: 2019A tax-exempt bonds and 2019B taxable bonds. After a competitive sale on October 2, 2019 that conformed to the parameters approved by the Regents, the bonds closed on November 5, 2019. The following is a brief summary of the results:

	2019A tax-exempt	2019B taxable
• True Interest Cost (TIC)	2.319%	2.397%
• Maturity Date	20 years	13 years
• Net Present Value (NPV) Savings	$7,185	$1,891,053 (6.39%)

Sources 2019A Tax-Exempt	
Par Value	$21,860,000
Reoffering Premium	3,420,897
	$25,280,897

Sources 2019B Taxable	
Par Value	$31,010,000
Reoffering Premium	132,654
	$31,142,654

Uses 2019A Tax-Exempt	
Deposit to Project	$24,560,000
Deposit to Refund 2004A	405,202
Underwriter's Discount	209,477
Surety Premium	30,698
Cost of Issuance/Round	75,520
	$25,280,897

Uses 2019B Taxable	
Deposit to Refund 2012A	$30,860,479
Underwriter's Discount	130,831
Surety Premium	43,547
Cost of Issuance/Round	107,797
	$31,142,654

4. In the May 2019 meeting the Board authorized the University of Utah to issue revenue bonds to construct the Rice-Eccles stadium upgrade and a cancer care center. The bonds were issued in two series: 2019A tax-exempt bonds and 2019B taxable bonds. After a negotiated sale on November 13, 2019 that conformed to the parameters approved by the Regents, the bonds closed on December 11, 2019. The following is a brief summary of the results:

	2019A tax-exempt	**2019B taxable**
• True Interest Cost (TIC)	2.348%	3.329%
• Maturity Date	20 years	20 years

Sources 2019A Tax-Exempt	
Par Value	$74,050,000
Reoffering Premium	16,353,170
	$90,403,170

Sources 2019B Taxable	
Par Value	$30,165,000
	$30,165,000

Uses 2019A Tax-Exempt	
Deposit to Stadium Project	$50,000,000
Deposit to Cancer Care Ctr	40,000,000
Underwriter's Discount	164,073
Cost of Issuance/Round	239,097
	$90,403,170

Uses 2019B Taxable	
Deposit to Stadium Project	$30,000,000
Underwriter's Discount	66,837
Cost of Issuance/Round	98,163
	$30,165,000

Utah State University
Research Revenue Refunding Bonds, Series 2019A
Final Summary Sheet

Proposed Issue:	Series 2019A Research Revenue Refunding Bonds
Total Approximate Issue Size:	$5,736,000 (Final par amount: $5,745,000)
Use of Funds:	To refinance for savings the Series 2018A Research Revenue Bonds, which were issued to fund the purchase of the building where the USU Salt Lake Education Center; fund a reserve fund; and pay associated costs of issuance.

Detail of Proposed Series 2019A Bonds:

Principal Amount:	Not to exceed $6,000,000 ($5,745,000)
Interest Rate:	Not to exceed 2.5% (Coupon and True Interest Cost of 1.88%)
Maturity Date:	Not to exceed 9 years (8.13 years)
Aggregate Discount:	Not to exceed 2% (Bonds purchased at par)
Bond Rating:	The bonds will be privately placed and will not be rated
Source of Repayment:	Research Revenues

Timetable Considerations:	Regent approval will be sought at the September 13 meeting. The University anticipates selling bonds by direct placement to the bank that can offer the best combination of rates and fees to generate the most debt service savings for the University. The 2018A Bonds are currently callable and will be completely defeased at the closing of the 2019A Bonds, anticipated to occur in late September or early October. (The bonds were sold and closed as scheduled. NPV savings were 3.9% or $219,567.)

Snow College
Student Fee and Housing System Revenue Refunding Bonds, Series 2019
Final Summary Sheet

Proposed Issue:	Student Fee & Housing System Taxable Revenue Refunding Bonds, Series 2019
Total Approximate Issue Size:	$13,025,000 (Final par amount: $13,110,000)
Use of Funds:	To refinance the callable maturities ($12,135,000) of the College's existing Series 2011 Student Fee & Housing System Revenue Bonds for economic savings. The 2011 bonds were issued to construct the Suites at Academy Square.

Detail of Proposed Series 2019 Bonds:

Principal Amount:	Not to exceed $13,500,000 ($13,110,000)
Interest Rate:	Not to exceed 5% (max coupon of 3% and True Interest Cost of 2.805%)
Maturity Date:	Not to exceed 17 years (16.64 years)
Aggregate Discount:	Not to exceed 2% (Final bid of 99.079%)
Bond Rating:	AA from S&P (Confirmed)
Source of Repayment:	Housing Revenues, Student Fees, other Revenues

Timetable Considerations:	Pending authorization from the Regents on September 13, and the continued availability of sufficient economic savings, the College anticipates selling bonds via negotiated sale in late September or early October, and closing the transaction in October. (The bonds were sold and closed as scheduled. NPV savings were 7.78% or $943,811.)

STIFEL

FINAL REGENT FINANCING SUMMARY
For

$52,870,000
State Board of Regents of the State of Utah
UTAH VALLEY UNIVERSITY
Student Center Building Fee and Unified System Refunding and Revenue Bonds
Series 2019A
and
Student Center Building Fee and Unified System Refunding Bonds
Series 2019B

Purpose:	The purpose of this transaction is several-fold: (1) To finance the renovation and expansion of the Sorenson Student Center (the "Project") on the campus of Utah Valley University (the "University"); (2) Current refund all remaining principal amounts of the University's Series 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds; and (3) Advance-refund—on a taxable basis—the callable portion of the University's Series 2012A Student Center Building Fee and Unified System Revenue Bonds, together with other amounts necessary to pay costs of issuance, pay capitalized interest and fund any debt service reserve requirements, if any.
Not-to-Exceed Par Amount:	**$61,000,000** **($52,870,000 was the final combined par amount)** **Series 2019A (tax-exempt): $21,860,000** **Series 2019B (taxable): $31,010,000**
Security:	The Series 2019 Bonds will be payable from and secured by a pledge of revenues which consist of (i) Net Operating Revenues, (ii) all Student Center Building Fees, (iii) all earnings on all funds and accounts created under the General Indenture of Trust and (iv) to the extent applicable and permitted by law any debt service grants from the United States of America.
Rating:	'AA' is expected by S&P Global Ratings by virtue of the Moral Obligation pledge of the State of Utah **('AA' was confirmed)**
Method of Sale:	Competitive Sale
True Interest Cost:	TBD **Series 2019A (tax-exempt): 2.319% (20-year maturity)** **Series 2019B (taxable): 2.397% (13-year maturity)**

Sale Date:	TBD – Current Calendar calls for early October 2019 **(October 2, 2019 was sale date)**
Closing Date:	TBD – Current Calendar calls for late October or early November 2019 **(November 5, 2019 was closing date)**
Principal Payment Dates:	November 1 of each year, with the beginning date yet to be determined (**November 1 of each year, beginning November 1, 2020)**
Interest Payment Dates:	November 1 and May 1, beginning May 1, 2020 **(Confirmed)**
Interest Basis:	30/360 **(Confirmed)**
Parameters:	Not-to-Exceed Par for the Project: $61,000,000 **($52,870,000)** Not-to-Exceed Term: 25-years from the date of issuance **(20-years)** Not-to-Exceed Coupon: 5.50% **(5.00% was highest coupon)** Not-to-Exceed Discount from Par: 2.00% **(0.958%)**
Optional Redemption:	May be non-callable or callable at the option of the University as determined at the time of the sale **Series 2019A: 10-year par call** **Series 2019B: Make-whole call**
Projected NPV Savings:	Series 2004A: $8,700* (**$7,185)** Series 2012A: $1,883,982* **($1,891,053, or 6.39% of refunded principal)**
Actual Gross Savings:	**Series 2004A: $8,694** **Series 2012A: <u>$3,887,115 or approximately $300,000 per year</u>**
Debt Service Reserve Fund:	**Covered by a stand-alone surety policy from Assured Guaranty <u>without being required to purchase a principal and interest policy (saved UVU over $76,000)</u>**
University Contacts:	Mr. Val Peterson, Vice President of Finance and Administration (801-863-8486) Mr. Jacob Atkin, Associate Vice President of Finance (801-863-8576)
Bond Counsel:	Mr. Blake Wade, Gilmore & Bell (801-258-2725)
Municipal Advisor:	Mr. Kelly Murdock, **Stifel, Nicolaus & Company, Incorporated** (801-538-0351)

Preliminary, subject to change* *(Updates in RED reflect final information)***

STIFEL

FINAL FINANCING SUMMARY
For

STATE BOARD OF REGENTS OF THE STATE OF UTAH
UNIVERSITY OF UTAH
$74,050,000
General Revenue Bonds, Series 2019A (Tax-Exempt)
and
$30,165,000
General Revenue Bonds, Series 2019B (Federally Taxable)

Purpose:	To finance (i) the construction of a portion of a cancer care center (the "Cancer Care Project") in an amount not to exceed $40,000,000, and (ii) the construction of a stadium upgrade (the "Stadium Project") in an amount not to exceed $80,000,000, together with other amounts necessary to pay costs of issuance.
Not-to-Exceed Par Amount:	**$125,000,000** **($104,215,000 was final par amount)**
Security:	The proposed bonds (the "Bonds") will be payable from and secured by a General Revenue pledge which consists of substantially all income and revenues of the University authorized to be pledged, with the exception of (i) legislative appropriations, (ii) tuition and certain fees, and (iii) certain other revenues and income.
Ratings:	'Aa1' and 'AA+' ratings *are expected* by Moody's Investors Service and S&P Global Ratings, respectively. **(Ratings were confirmed)**
Method of Sale:	Negotiated public offering
True Interest Cost:	**2.700% (total transaction)** **2.348% (Series A – Tax-Exempt)** **3.329% (Series B – Taxable)**
Underwriters:	TBD **(Goldman Sachs & Bank of America Securities** **Negotiated Underwriter's Discount: <u>$2.22</u>)**
Sale Date:	TBD – Late 2019 or Early 2020 **(November 13, 2019)**
Closing Date:	TBD – Late 2019 or Early 2020 **(December 11, 2019)**

Principal Payment Dates:	August 1 of each year, with the beginning date to be determined based on need for capitalized interest, if any, or for other reasons **(no capitalized interest was necessary)** **(August 1, 2021 – Series A Beginning Date)** **(August 1, 2033 – Series B Beginning Date)**
Interest Payment Dates:	August 1 and February 1 **(commencing August 1, 2020)**
Interest Basis:	30/360 **(✓)**
Parameters:	Not-to-Exceed Par for the Cancer Care Project: $40,000,000 **(✓)** Not-to-Exceed Par for the Stadium Project: $80,000,000 **(✓)** Not-to-Exceed Term: 30-years from the date of the Bonds' issuance **(20-year amortization was chosen)** Not-to-Exceed Interest Rate: 6.00% **(5.00% was highest coupon)** Not-to-Exceed Interest Rate for Variable-Rate Bonds or Commercial Paper: 12.0% **(n/a)** Not-to-Exceed Discount from Par: 2.00% **(there was no original issue discount)**
Optional Redemption:	May be non-callable or callable at the option of the University of Utah, as determined at the time of the sale **(10-year par call was chosen for both Series 2019A and Series 2019B Bonds)**
University Contacts:	Ms. Cathy Anderson, Chief Financial Officer (801-581-6940) Mr. Robert Muir, Director of Treasury Services (801-585-5598)
Bond/Disclosure Counsel:	Mr. Blake Wade, Gilmore & Bell (801-258-2725)
Underwriter's Counsel:	Mr. Eric Hunter, Chapman and Cutler (801-533-0066)
Municipal Advisor:	Mr. Kelly Murdock, Stifel, Nicolaus & Company, Inc. (801-538-0351)

MEMORANDUM

TAB E

December 6, 2019

USHE – Annual Report on Institutional Revenue Bond Indebtedness

State statute allows the State Board of Regents to issue revenue bonds on behalf of USHE institutions after the bonds are approved by the State Legislature. Regent Policy R590, *Issuance of Bonds for Colleges and Universities*, requires the Board to receive an annual report on institutional indebtedness for the USHE system. The attached report for 2019 fulfills this requirement. All bonds are retiring on schedule and all institutions with outstanding debt have sufficient revenues to pay principal and interest payments for calendar year 2020.

All eight USHE institutions had outstanding debt as of June 30, 2019. The following table summarizes the outstanding indebtedness of each institution:

Institution	Original Amount	Outstanding Balance as of June 30, 2019	Weighted Years to Maturity	% Outstanding
University of Utah	$ 1,418,230,000	$ 847,185,000	18.1	60%
Utah State University	278,811,000	224,750,000	23.9	81%
Weber State University	56,745,000	44,780,000	15.2	79%
Southern Utah University	16,705,000	11,810,000	11.7	71%
Snow College	16,810,000	13,285,000	18.0	79%
Dixie State University	47,280,000	42,215,000	28.7	89%
Utah Valley University	64,170,000	39,245,000	14.6	61%
Salt Lake Community College	11,735,000	10,645,000	10.0	91%
USHE Total	**$ 1,910,486,000**	**$ 1,233,915,000**		**65%**

The attached Annual Report on Institutional and Revenue Bonded Indebtedness provides additional information on each of the USHE revenue bonds that were outstanding as of June 30, 2019. All bonds are being retired on schedule with debt service requirements being met or exceeded in every case.

Commissioner's Recommendation

Information item only; no action is required.

Attachment

USHE Annual Report on Institutional and Revenue Bonded Indebtedness

Fiscal Year 2018 - July 1, 2018 to June 30, 2019

Institutional Bond System	Original Amount	Series	Purpose	Debt Service Coverage Requirement	Debt Service Coverage as of June 30, 2019	Maturity Date	Continuing Disclosure Submittal	Recent Material Event	Outstanding Balance as of June 30, 2019
University of Utah									
Auxiliary & Campus Facilities	$ 120,240,000	1998A	Student Housing and Refunding	1.00	* Unavailable	2029	20-Dec-2018	No	$ 30,365,000
Auxiliary & Campus Facilities	23,515,000	2010A	Student Housing Refunding (1998A, 1999A, and 2001)	1.00	* Unavailable	2020	20-Dec-2018	No	160,000
Auxiliary & Campus Facilities	42,525,000	2010C	Honors Housing and Guest House Expansion (taxable)	1.00	* Unavailable	2036	20-Dec-2018	No	35,595,000
Auxiliary & Campus Facilities	46,235,000	2012A	Parking and Athletic Center	1.00	* Unavailable	2022	20-Dec-2018	No	6,055,000
Subtotal Auxiliary & Campus	*232,515,000*								*72,175,000*
Hospital Revenue	77,145,000	2006A	Hospital West Pavilion Expansion and Refunding (2001)	1.10	* Unavailable	2021	10-Jan-2019	No	9,350,000
Hospital Revenue	41,785,000	2009B	Neuropsychiatric Institute expansion (taxable)	1.10	* Unavailable	2030	10-Jan-2019	No	37,040,000
Hospital Revenue	36,120,000	2010	Ambassador Building, Orthopaedic Center	1.10	* Unavailable	2020	10-Jan-2019	No	5,910,000
Hospital Revenue	20,145,000	2011A	Hospital Revenue Refunding (2008A)	1.10	* Unavailable	2026	10-Jan-2019	No	2,625,000
Hospital Revenue	66,480,000	2011B	South Jordan Health Center	1.10	* Unavailable	2020	10-Jan-2019	No	6,450,000
Subtotal Hospital Revenue	*241,675,000*								*61,375,000*
Research Facilities	27,730,000	2009B	USTAR Infrastructure (taxable)	2.50	* Unavailable	2029	20-Dec-2018	No	15,170,000
Subtotal Research Facilities	*27,730,000*								*15,170,000*
General Revenue	127,925,000	2013A	Law School, Student Life, Parking, Bball Training	N/A	* Unavailable	2043	20-Dec-2018	No	21,950,000
General Revenue	32,785,000	2014A	Refunding of Hospital and Research Bonds	N/A	* Unavailable	2027	20-Dec-2018	No	22,355,000
General Revenue	76,200,000	2014B	Lassonde, Infrastructure, Refunding of Hospital Bonds	N/A	* Unavailable	2038	20-Dec-2018	No	30,595,000
General Revenue	45,330,000	2015A	MidValley Clinic, Refunding of Research and ACFS	N/A	* Unavailable	2034	20-Dec-2018	No	15,710,000
General Revenue	91,570,000	2015B	Parking, Infrastucture, Refunding of Hospital and ACFS	N/A	* Unavailable	2035	20-Dec-2018	No	78,635,000
General Revenue	68,210,000	2016A	Orson S. Hall, Orthopaedic Center, Refunding ACFS	N/A	* Unavailable	2036	20-Dec-2018	No	64,420,000
General Revenue	131,720,000	2016B	Ambulatory Care, Exec. MBA, Refunding Research/CP	N/A	* Unavailable	2036	20-Dec-2018	No	129,790,000
General Revenue	155,930,000	2017A	Rehab. Hospital, Guest House, and Refunding	N/A	* Unavailable	2039	20-Dec-2018	No	151,440,000
General Revenue	96,550,000	2017B	Refunding	N/A	* Unavailable	2038	20-Dec-2018	No	96,550,000
General Revenue	80,040,000	2018A	Student Housing	N/A	* Unavailable	2044	20-Dec-2018	No	80,040,000
Subtotal General Revenue	*906,260,000*								*691,485,000*
Certificates of Participation	10,050,000	2015	Certificates of Participation Refunding (2007)	N/A	N/A	2022	15-Dec-2017	No	6,980,000
Subtotal Cert. of Participation	*10,050,000*								*6,980,000*
UU Total	**$ 1,418,230,000**								**$ 847,185,000**

* U coverage ratios are calculated in mid-December and will be avaialbe for the final report in January 2020

Utah State University									
Student Fee & Housing	$ 39,155,000	2007	Refunding of Living Learning Ctr (2004)	1.10	2.12	2035	13-Mar-2019	No	$ 34,045,000
Student Fee & Housing	24,455,000	2015	Student Housing Facility (Central Suites)	1.10	2.12	2038	13-Mar-2019	No	22,850,000
Student Fee & Housing	19,540,000	2016	Student Housing Facility (Blue Square)	1.10	2.12	2046	13-Mar-2019	No	18,280,000
Subtotal Student Fee & Housin	*83,150,000*								*75,175,000*
Research Revenue Bonds	19,500,000	2015A	Space Dynamics Laboratory (1st SDL Building)	2.50	11.54	2047	13-Mar-2019	No	18,765,000
Research Revenue Bonds	13,145,000	2015B	Partial Refund of Early Childhood and Bingham Bldgs (2009)	2.50	11.54	2031	13-Mar-2019	No	13,145,000
Research Revenue Bonds	10,135,000	2016	Space Dynamics Laboratory (1st SDL Building)	2.50	11.54	2047	13-Mar-2019	No	9,700,000
Research Revenue Bonds	6,231,000	2018A	Salt Lake Center	2.50	11.54	2028	13-Mar-2019	No	5,690,000
Research Revenue Bonds	32,210,000	2018B	Space Dynamics Laboratory (2nd SDL Building)	2.50	11.54	2050	13-Mar-2019	No	32,210,000
Subtotal Research Revenue	*81,221,000*								*79,510,000*
Student Building Fee Revenue	8,405,000	2013	Refunding (2004: Stadium, Fieldhouse)	1.10	1.37	2026	13-Mar-2019	No	5,280,000
Student Building Fee Revenue	43,310,000	2013B	Aggie Recreation Center & Estes Center	1.10	1.37	2023	13-Mar-1949	No	3,540,000
Student Building Fee Revenue	23,900,000	2015	Football Stadium Renovations (West Stadium Complex)	1.10	1.37	2046	13-Mar-2019	No	22,570,000
Student Building Fee Revenue	38,825,000	2017	Partial Refund of Aggie Recreation Center & Estes Center	1.10	1.37	2045	13-Mar-2019	No	38,675,000
Subtotal Student Building	*114,440,000*								*70,065,000*
USU Total	**$ 278,811,000**								**$ 224,750,000**

Weber State University									
Student Facilities	$ 14,015,000	2010A	Student Housing	1.25	1.51	2040	29-Nov-2018	No	$ 11,710,000
Student Facilities	17,380,000	2012	Student Housing	1.25	1.51	2032	29-Nov-2018	No	12,585,000
Student Facilities	18,135,000	2015	Refunding (2005: Student Union Building)	1.25	1.51	2030	29-Nov-2018	No	14,210,000
Student Facilities	7,215,000	2017	Student Housing Refunding (2007)	1.25	1.51	2030	29-Nov-2018	No	6,275,000
WSU Total	**$ 56,745,000**								**$ 44,780,000**

Southern Utah University									
Auxiliary & Student Building Fee	$ 8,285,000	2011	Student Housing	1.15	1.86	2023	18-Mar-2019	No	$ 3,840,000
Auxiliary & Student Building Fee	8,420,000	2016	Student Housing Refunding (2008)	1.15	1.86	2033	18-Mar-2019	No	7,970,000
SUU Total	**$ 16,705,000**								**$ 11,810,000**

Snow College									
Student Fee & Housing	$ 16,810,000	2011	Student Housing	1.10	1.46	2036	31-Jan-2019	No	$ 13,285,000
Snow Total	**$ 16,810,000**								**$ 13,285,000**

* Coverage ratio currently unavailable

Dixie State University									
Lease Revenue	$ 5,195,000	2006	Refunding (1999A: Dixie Center)	N/A	N/A	2023	27-Dec-2018	No	$ 1,405,000
General Revenue	21,315,000	2015	Student Housing	1.10	13.46	2046	27-Dec-2018	No	20,040,000
General Revenue	20,770,000	2017	Human Performance Center	1.10	13.46	2049	27-Dec-2018	No	20,770,000
DSU Total	**$ 47,280,000**								**$ 42,215,000**

Institutional Bond System	Original Amount	Series	Purpose	Debt Service Coverage Requirement	Debt Service Coverage as of June 30, 2019	Maturity Date	Continuing Disclosure Submittal	Recent Material Event	Outstanding Balance as of June 30, 2019
Utah Valley University									
Municipal Bldg. Auth. Ut. County	$ 3,900,000	2004A	Baseball Stadium and Improvements	1.10	1.55	2019	21-Jan-2019	No	$ 375,000
Student Cntr. Bldg. Fee & Unifie	11,020,000	2004A	Refunding (2000 and 1995A: Student Center)	1.10	1.55	2020	21-Jan-2019	No	790,000
Student Cntr. Bldg. Fee & Unifie	49,250,000	2012A	Student Life and Wellness Bldg. & Parking	1.10	1.55	2033	21-Jan-2019	No	38,080,000
UVU Total	**$ 64,170,000**								**$ 39,245,000**
Salt Lake Community College									
Student Building Fee	$ 11,735,000	2018	Student Center	1.25	1.74	2028	26-Jan-2019	No	$ 10,645,000
SLCC Total	**$ 11,735,000**		No Debt Outstanding						**$ 10,645,000**
USHE Total	**$ 1,910,486,000**								**$1,233,915,000**

MEMORANDUM

TAB F

December 6, 2019

USHE – Debt Ratio Analysis

During the March 2014 Regents Finance & Facilities Committee review of R588 *Delegation of Debt Policy to Boards of Trustees*, several members recommended the Commissioner's office prepare a system-wide debt ratio analysis for presentation in future meetings. The following document contains the financial ratios that historically have proven good basic measures and are recommended the KPMG publication, "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks *7th Edition*." Each ratio is defined and presented by institution using industry standards and formulas.

Institutional Controllers submitted financial information from their audited annual financial statements, and will have the opportunity to review the results along with Chief Financial Officers, Budget Officers, and OCHE staff. Additional work is currently underway to include a composite index calculation for inclusion in the final debt ratio analysis for the January Board meeting. The current information is preliminary and subject to change.

Commissioner's Recommendation

Information item only; no action is required.

Attachment

Debt Ratio Analysis

Viability Ratio	FY15	FY16	FY17	FY18	FY19
University of Utah	2.10	2.14	2.11	2.32	2.19
Utah State University	2.66	1.79	1.91	1.67	1.95
Weber State University	2.36	2.64	2.77	3.10	3.48
Southern Utah University	3.82	2.15	2.06	1.90	1.68
Snow College	0.88	0.97	0.97	0.98	1.25
Dixie State University	0.67	0.48	0.76	0.76	0.38
Utah Valley University	1.27	1.61	3.20	3.77	4.18
Salt Lake Community College	17.91	no debt	no debt	8.20	9.58

Viability Ratio measures how many times an Institution can cover their entire long-term debt obligation using their total Expendable Net Assets. A ratio of 1:1 or greater indicates that an Institution has sufficient expendable net assets to satisfy debt obligations.

Debt Burden Ratio	FY15	FY16	FY17	FY18	FY19
University of Utah	6.0%	2.4%	2.4%	2.5%	5.6%
Utah State University	2.2%	5.0%	2.7%	2.5%	2.2%
Weber State University	2.0%	2.0%	1.9%	2.0%	1.9%
Southern Utah University	3.5%	1.0%	1.8%	2.3%	2.3%
Snow College	2.8%	2.7%	2.7%	2.5%	2.4%
Dixie State University	2.7%	2.0%	2.2%	2.5%	2.0%
Utah Valley University	1.7%	3.0%	1.7%	1.5%	1.5%
Salt Lake Community College	0.6%	no debt	no debt	0.0%	0.7%

Debt Burden Ratio measures an Institution's dependence on borrowed funds to finance it's operation, by measuring the relative cost of borrowing to overall expenditures. The industry has established 7.0% as the upper threshold for a healthy institution. Debt Service is defined as Interest Expense + Principal Payments. Total Expenditure is defined as Total Expenses - Depreciation Expense + Principal Payments.

Industry Standards & Formulas

1:1

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

< 7.0%

$$\frac{\text{Debt Service}}{\text{Total Expenditure}}$$