

**FINANCE AND FACILITIES COMMITTEE
TELECONFERENCE
FRIDAY, APRIL 17, 2020**

AGENDA

10:00 AM – 12:00 PM

ACTION:

- | | |
|---|-------|
| 1. Salt Lake Community College – Non-Traditional Arrangement | TAB A |
| 2. Utah State University – Differential Tuition Funding Changes | TAB B |

INFORMATION:

- | | |
|--|-------|
| 1. Utah State University – Trustee Property Action | TAB C |
| 2. USHE – Annual Money Management Report – FY 2019 | TAB D |
| 3. USHE – Debt Ratio Analysis | TAB E |

DISCUSSION:

- | |
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| 1. USHE – Next Steps for Affordability |
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MEMORANDUM

TAB A

April 10, 2020

Salt Lake Community College – Non-Traditional Arrangements

Regent Policy R712, *Non-Traditional Arrangements for Development of Facilities on Campuses* requires the Board to approve development projects by outside entities on institutional land. Salt Lake Community College (SLCC) requests authorization to contract with a private developer (the Boyer Company) to develop the property currently known as the Meadowbrook Campus, located at approximately 218 West 3900 South in Salt Lake City, UT.

The Meadowbrook campus provided academic and technical training programs in the southern Salt Lake City area, but has largely transitioned those programs to the new Westpointe campus. Rather than sell the property, SLCC proposes to enter into a long-term land lease with the Boyer Company (selected through an RFP process) to create an office or commercial campus. The developer would pay the College an annual lease, which the College anticipates to accumulate to more than the appraised value of the land (\$5.7 million) after thirteen years. The length of the contract would be up to forty years and would provide the College an ongoing revenue stream to support its academic mission. The University's Board of Trustees approved this project in the March 4, 2020 meeting. Additional information about the project is provided in the attached presentation from the college, advisor, and developer.

Commissioner's Recommendations

The Commissioner recommends the Board authorize Salt Lake Community College to partner with a private developer to enter into a land lease and development of the Meadowbrook Campus contingent on continued communication and review by the Attorney General's Office.

Attachments



06 March 2020

Board of Regents
c/o Interim Commissioner Dave R. Woolstenhulme
Board of Regents Building, Two Gateway
60 South 400 West
Salt Lake City, UT 84101-1284

RE: Development of property located on the Meadowbrook Campus

Commissioner:

In accordance with the Regents Rule 712, "Nontraditional Arrangements for Development of Facilities on Campuses", Salt Lake Community College is requesting the Meadowbrook property development be placed on the action calendar agenda for the March 27, 2020 Board of Regents meeting.

SLCC seeks to be a leader in providing quality and impactful higher education services to the communities it serves. The College also seeks to partner with those communities in the transformative, public good of educating students. SLCC believes that there can be benefits in the private and public sectors working together in partnership, both to create new financial benefits for public entities and communities and to put in place the policies and programs designed to help those communities grow in a positive way. Realizing this vision over the long-term requires the College to look strategically at how to secure institutional sustainability and capacity over time, including the need to grow alternative revenue sources.

The academic and training programs originally established at Meadowbrook have now migrated to Westpointe and other college campuses. The college feels it's in its best interests to consolidate programs and campuses and is ready to discontinue all educational service offerings at Meadowbrook. However, the college feels there is also great value in retaining the land asset as a continual source of revenue to diversify its future revenue mix. The proposed development by Boyer Company has been selected because it appears the construction of an office or commercial campus there would be the highest and best use of the property, and would serve as a broad public benefit for redevelopment and job generation in that part of South Salt Lake City.

The proposed development by Boyer Company was objectively evaluated against other viable alternative plans, and the recommending committee chose this plan as the one with the most merits. The development will not be branded with the SLCC logo or signage, but the college (as landowner) will have significant say in ensuring the image and environment of the institution is preserved. The arrangement with the Boyer Company will reflect the college's fee-simple interest in the property, with no other considerations given by the institution. The arrangement is low-risk and low-maintenance, and predicated on the terms of the contract which will ensure advising and monitoring to maintain the long-term interests of the college. SLCC considers the compensation in the form of land lease revenue to be adequate and justifiable based on current

market conditions, and that such will provide a reliable long-term revenue stream to the college. Based on the proposed land lease arrangement, SLCC will achieve break-even status in the 12th year of the lease. Or, in other words, it will take 12 years for the cumulative cash inflows to equate to the amount received up front should a simple sale of the property had occurred, instead of a land lease.

The concept and development of this property was approved by the SLCC Board of Trustees on March 4, 2020. Thank you for your continued support of the College as it seeks to address the educational needs of the communities it serves. Let me know if there is anything else you need regarding this request.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Jeffrey J. West', with a long horizontal flourish extending to the right.

Jeffrey J. West, CPA/MBA

SLCC

Meadowbrook Campus

PUBLIC/PRIVATE PARTNERSHIP PROPOSAL
(non-traditional arrangement for development)

TIMELINE FOR SLCC MEADOWBROOK PARTNERSHIP SELECTION

8/30/2019	Distribution of the RFI
9/10/2019	Site visit for interested parties @ the Meadowbrook Campus The following vendors attended: <ul style="list-style-type: none">▪ Hogan Construction▪ Boyer Company▪ Gardner Company▪ LDG Holdings▪ JLL
9/20/2019	RFI responses due The following responses were received: <ul style="list-style-type: none">▪ Hogan Construction▪ JLL▪ Gardner Company▪ Boyer Company▪ Katrina Dang▪ Salt Lake County▪ Church of Jesus Christ of Latter-Day Saints
11/19/2019	Contracted w/ Scion Group = consulting firm specializing in P3 advising
11/26/2019	Distribution of the RFP
12/16/2019	Stage 1 proposals due (pre-qualification) The following responses were received: <ul style="list-style-type: none">▪ Blue Line Development▪ Gardner Company▪ Boyer Company All companies were approved to move forward for presentations

Timeline, continued:

1/21/20	Stage 2 presentations were received
1/27-1/30	<p>Presentations made to SLCC by the three firms</p> <p>Scoring by the evaluation committee resulted in the following ranking results:</p> <ul style="list-style-type: none">▪ Boyer Company▪ Gardner Company▪ Blueline Development
2/24/2020	Intention to award given to Boyer Company
3/4/2020	Approval for go-ahead given by SLCC Board of Trustees
3/27/2020	Initial discussion of proposal at State Board of Regents
4/17/2020	Follow-up discussion of proposal at State Board of Regents
5/6/2020	Discussion at State Building Board

Break Even Point at 7%

YEARS	YEARS	% INCREASE EVERY 5 YRS	ANNUAL RENT	5 YEAR TOTALS	RUNNING 5 YEAR TOTALS	MONTHLY RENT
1 - 5	1 - 5	0	\$399,000.00	\$1,995,000.00	\$1,995,000.00	\$33,250.00
6 - 10	6 - 10	10	\$438,900.00	\$2,194,500.00	\$4,189,500.00	\$36,575.00
11 - 15	11 - 15	10	\$482,790.00	\$2,413,950.00	\$6,603,450.00	\$40,232.50
16 - 20	16 - 20	10	\$531,069.00	\$2,655,345.00	\$9,258,795.00	\$44,255.75
21 - 25	21 - 25	10	\$584,175.90	\$2,920,879.50	\$12,179,674.50	\$48,681.33
26 - 30	26 - 30	10	\$642,593.49	\$3,212,967.45	\$15,392,641.95	\$53,549.46
31 - 35	31 - 35	10	\$706,852.84	\$3,534,264.20	\$18,926,906.15	\$58,904.40
36 - 40	36 - 40	10	\$777,538.12	\$3,887,690.61	\$22,814,596.76	\$64,794.84

APPRAISED VALUE	GROUND LEASE %
\$5,700,000	7.00%

	Break even 13 years and 2 months =	\$5,718,335.00
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Salt Lake Community College- Meadowbrook Campus



Total Acreage	9.92 acres	Appraised Value	\$4,600,000
Developed Acreage	6.72 acres		
Hard Surface	2.6 acres		
Landscape	0.96 acres		
Develop-able	3.2 acres		
Vacant Land	2.46 acres	Appraised Value	\$790,000
Solar Yard	0.74 acres		
Building Square Footage			
Building A	26,954		
Building B	17,608		
Building C	25,844		
Portable 1	1,008		
Portable 2	969		

Salt Lake Community College - Meadowbrook Campus

Building A 26,954

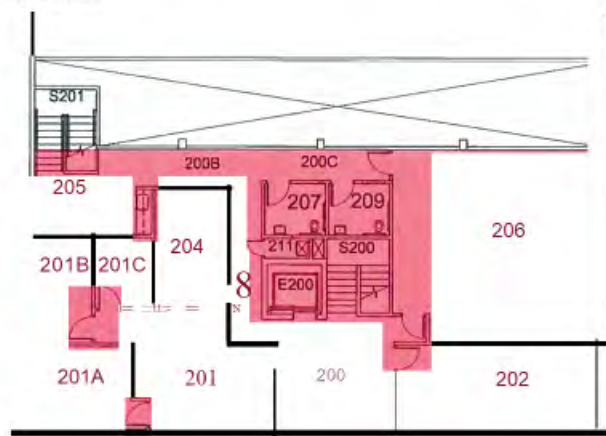


Building B 17,608



Salt Lake Community College - Meadowbrook Campus

Building B Second Floor



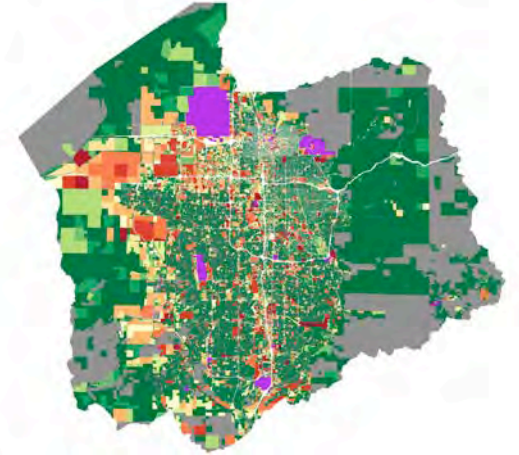
Building C 25,844



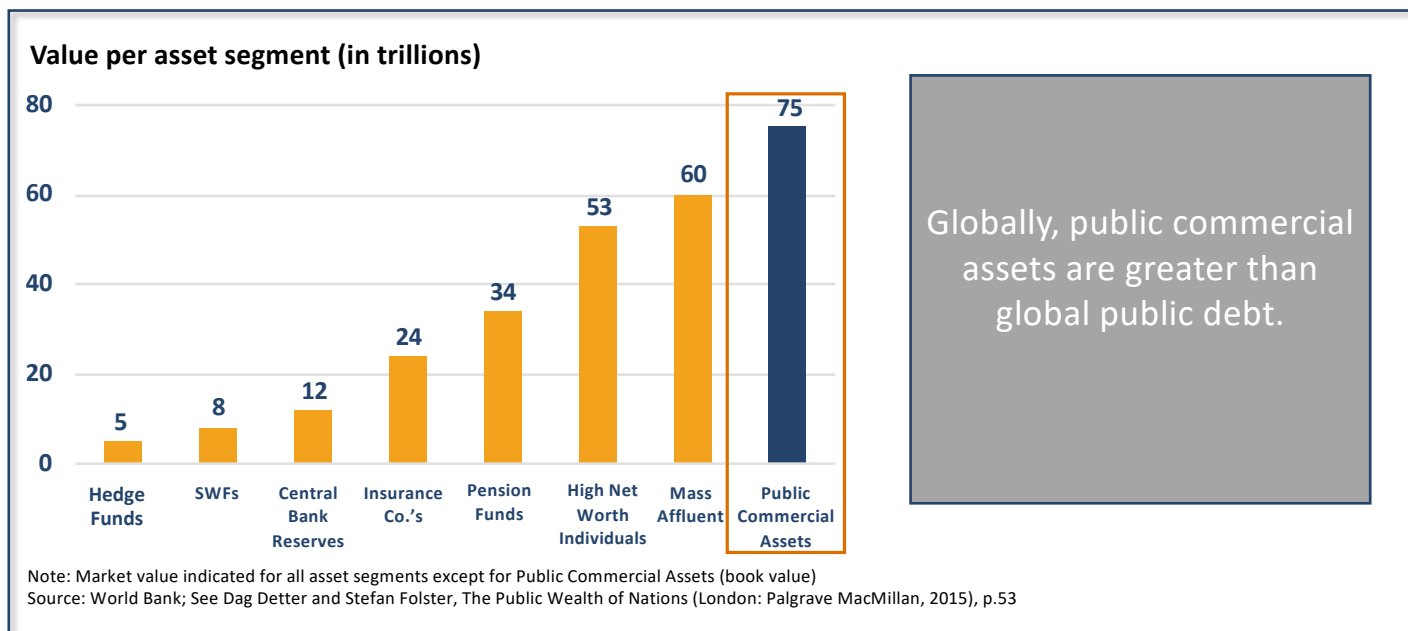
Questions?

Unlocking Public Wealth

Prepared for The USHE Board of Regents
April 2020



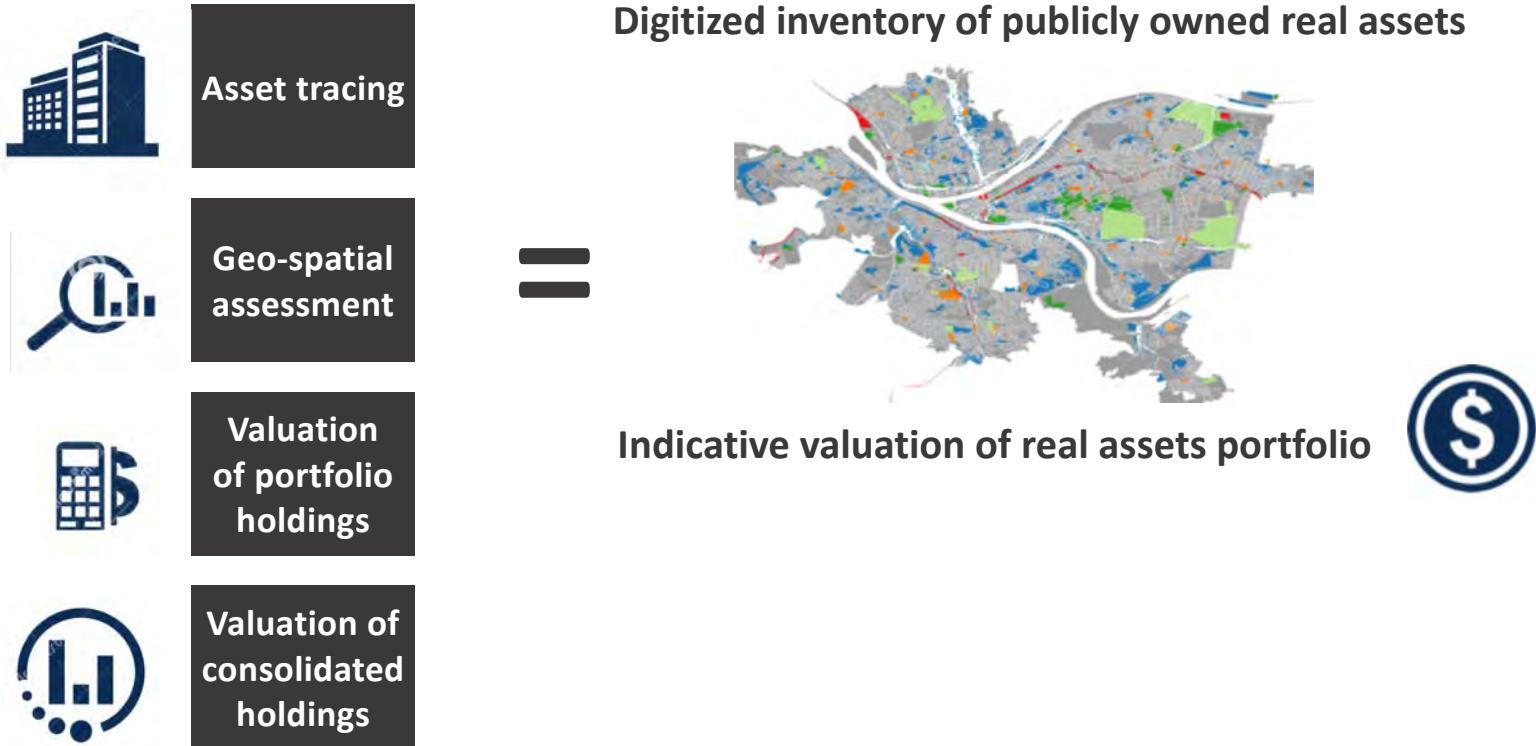
Public Real Assets = Largest wealth segment in the world



Cities know what they owe.
They don't know what they own.

Cities are sitting on a wealth of assets
that can finance the future.

Mapping and Valuing Assets



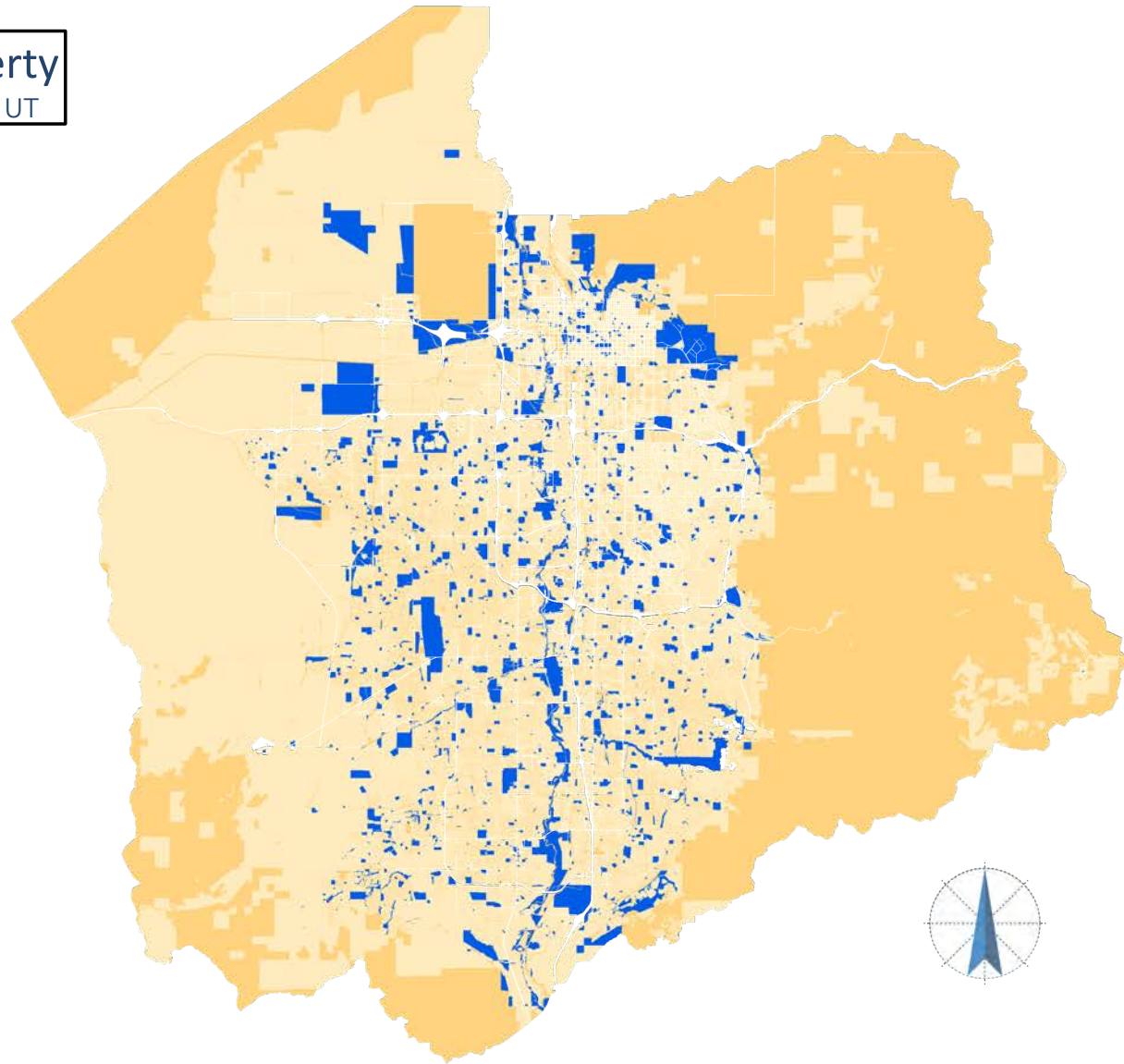
Identifying Public Property

Salt Lake County, UT

Viable Public

Private

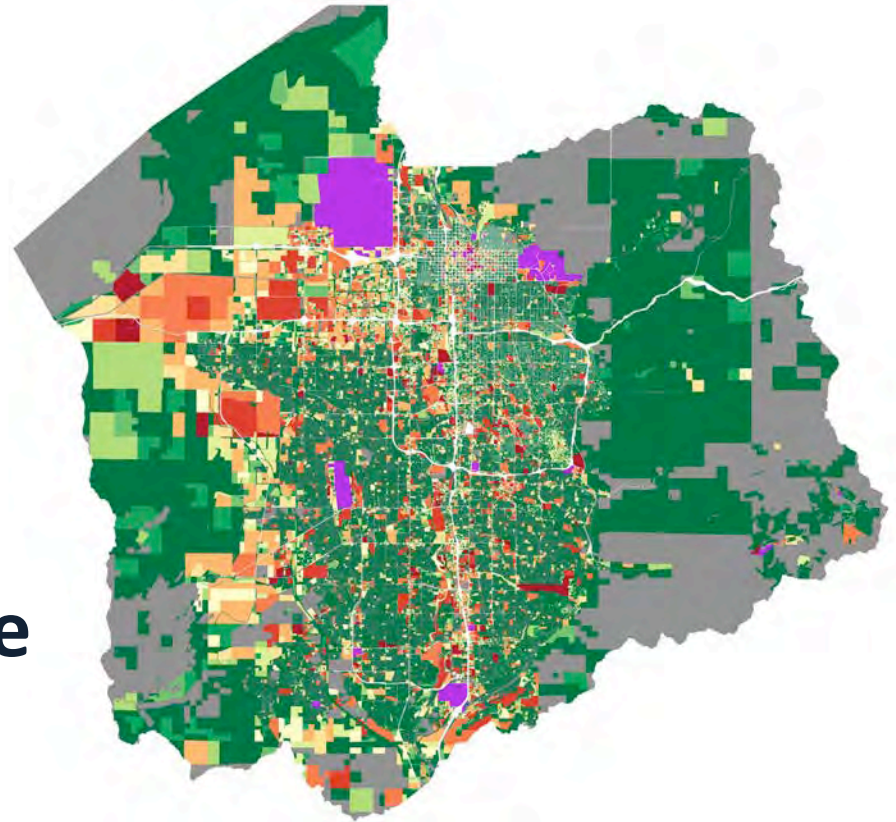
Filtered Public



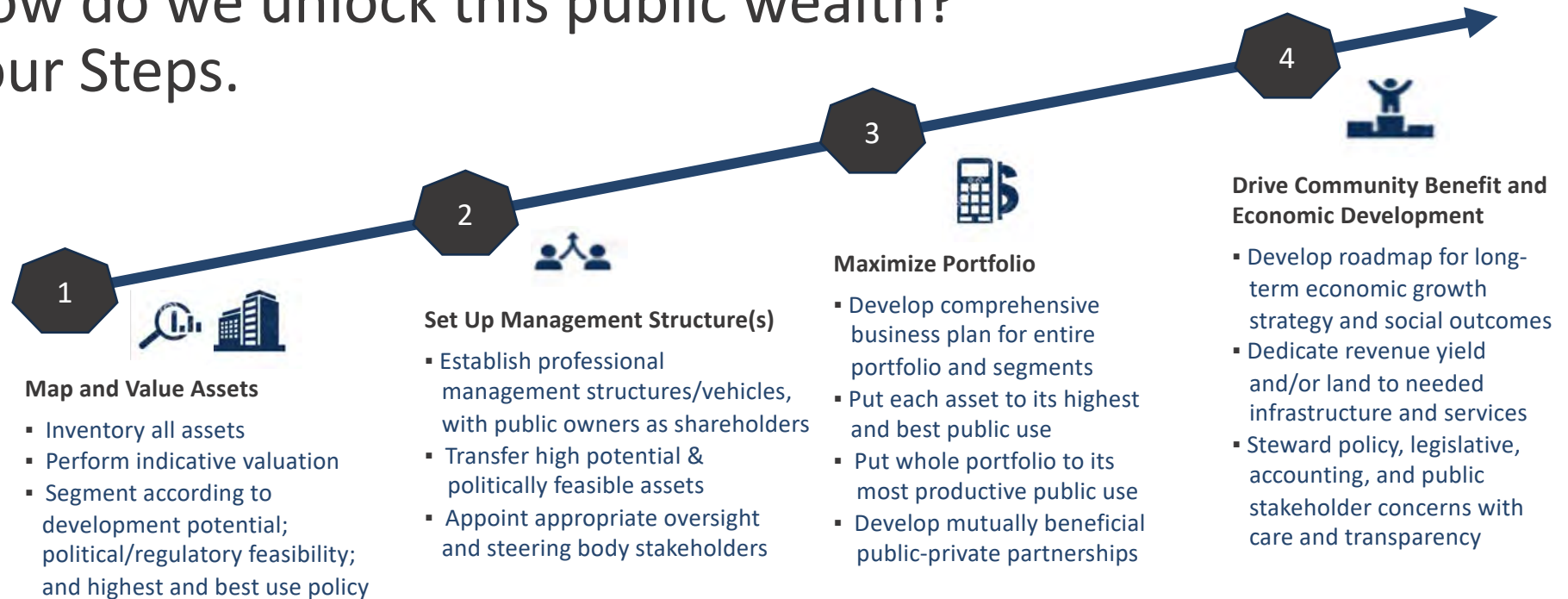
Salt Lake County boundaries.

**Total market value of all
publicly owned land:
\$150 billion**

**Total market value of all
publicly owned land viable
for development:
\$10 billion+.**



How do we unlock this public wealth? Four Steps.



Boston Case Study: Why not just sell?

Jail to Hotel Conversion





Charles Street Jail

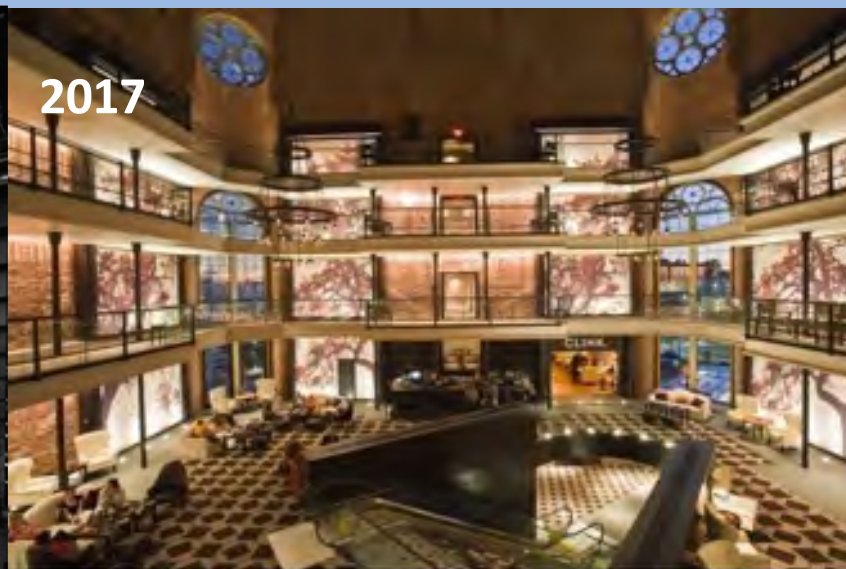
Gridley James Fox Bryant
Boston, MA
Built 1851





Before (2008):
\$60,000,000 Assessed Value
\$0 Taxable Value

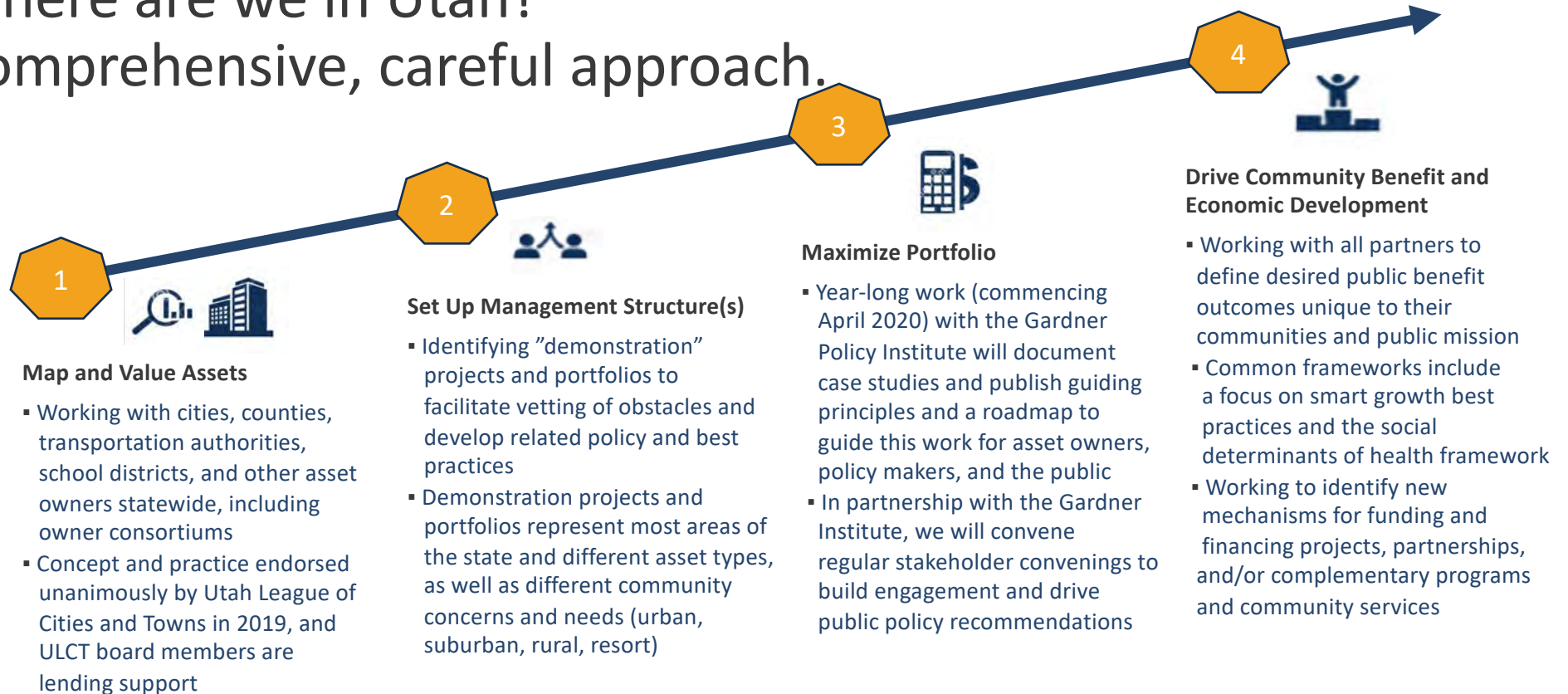
After (2017):
\$123,094,500 Taxable Value



“The jail was sold in 1991 for **\$16 million**. With renovation and a new addition, the property is now worth over **\$170 million** and contributes over **\$3 million** a year in property taxes alone.”

Where are we in Utah?

Comprehensive, careful approach.





Example Framework:
Increasing stability for Utah families through P3s that involve public real estate assets.

Aims

1. Create public private partnerships to develop publicly owned real estate assets

- Generate new revenue streams for public budgets
 - Make land available
- Connect development and financing to desired outcomes at the zip-code and regional level

2. Define housing, health and education as key drivers of opportunity outcomes

- Create livable, walkable communities with increased opportunity outcomes
- Integrate community, city and regional planning
- Address system level change and root causes

3. Identify new asset management and funding/financing mechanisms that link public asset development to these opportunity outcomes

- Capital stacking: financing, impact investing, philanthropy, private real asset partnerships

Drivers

Addressing adverse childhood experiences

Addressing social determinants of health

Addressing smart regional growth (urban, suburban, rural, resort)

Addressing sustainability and environmental stewardship

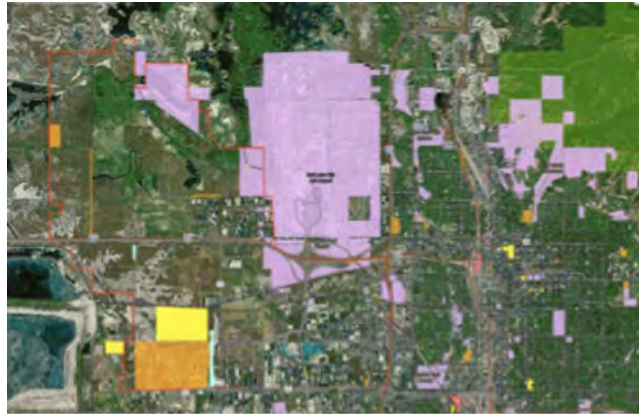
Influencing internal and public policy

Creating profitable public private partnerships

Developing private land with aligned outcomes

Strengthening community infrastructure

SLC RDA Properties



Salt Lake County Center



Meadowbrook





URBAN3

Fleet Block Site Case Study

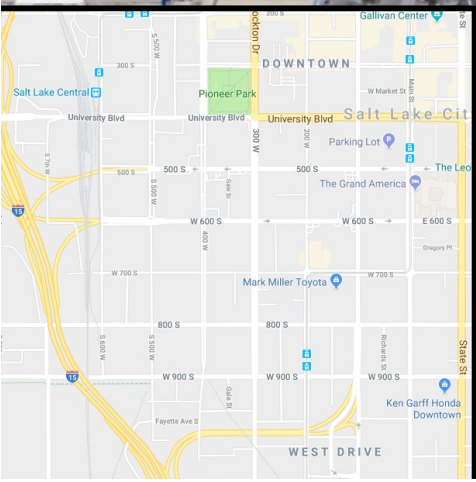
Salt Lake County, UT

Could yield \$82M

Multifamily Infill
\$10M/acre

Transit Station 1,000 feet away

8.7 acre
City-Owned land



Salt Lake County, UT

Half mile from
State Capitol

Opportunity

1,500 feet from
transit station

Multifamily Infill
Avg \$16M/acre

30 acre high school
4.6 acre building footprint

Opportunity

Quarter mile from
Temple Square

Could create \$406M

... And leave high school building intact



URBAN3

West High School Case Study

Salt Lake County, UT

Approximately 224
parking spaces

Average \$16M/acre

Opportunity Cost **-\$128k**/space

Google

County Complex Case Study

Salt Lake County, UT

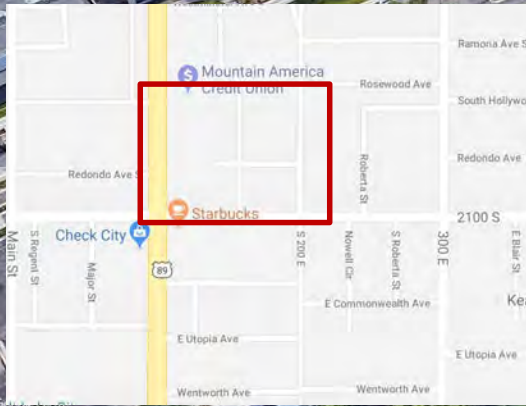
New total value: \$326M

Remodel/Update building
values: \$176M

New building value: \$52M

Yearly tax revenue: \$2.4M

New land value: \$98M



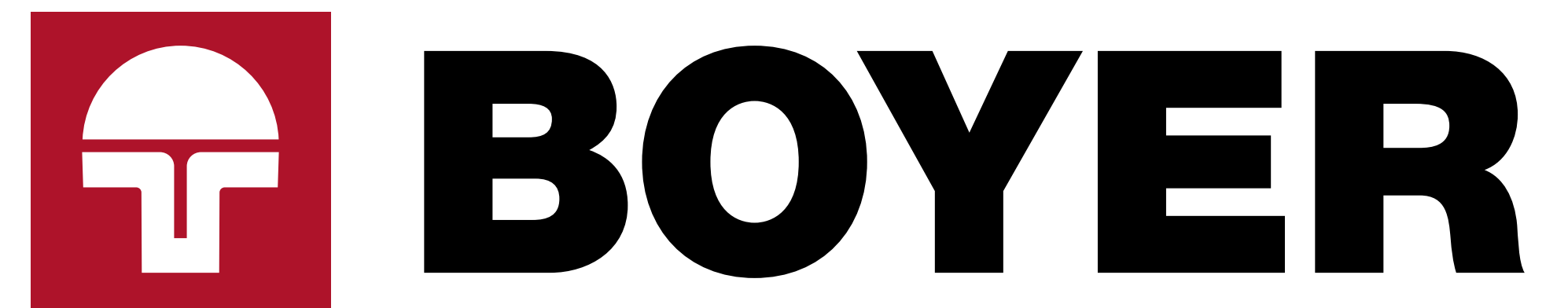
Contact:

Shaleane Gee

Senior Vice President, Community + Regional Development
Zions Bank

(o) 801.844.8668 | (m) 385.212.0447

Shaleane.Gee@zionsbank.com



A Public/Private Partnership



ONErefugee

THE BOYER COMPANY'S REFUGEE INVOLVEMENT

Roger Boyer is the trustee and benefactor of ONErefugee. ONErefugee is a nonprofit foundation that focuses on helping refugees thrive in their new home through career counseling, mentorship, financial aid, and more. ONErefugee's vision states "We imagine a world where individuals from refugee backgrounds are prosperous, feel at home, and give back to the communities in which they live. We work to champion individuals from refugee backgrounds, helping them, one-on-one, to obtain an education and build successful, meaningful careers."

ONErefugee currently has 193 students with 148 graduates from 28 countries who speak 43 languages.

Roger Boyer fully funds ONErefugee and its employees, who share an office with the Boyer Company. We love the refugee community and are passionate about helping them in any way that we can.

Concerning the URETC, we are going to be creative in our site planning to do everything we can to keep URETC on site during development. We are also exploring and optimistic about building them a permanent home on site that is incorporated in a housing or retail component. This location as well as the TRAX access seems like the perfect long-term home for them.

EXAMPLES OF PUBLIC/PRIVATE PARTNERSHIPS

RESEARCH PARK

SALT LAKE CITY, UT

HILL AIR FORCE BASE

LAYTON, UT

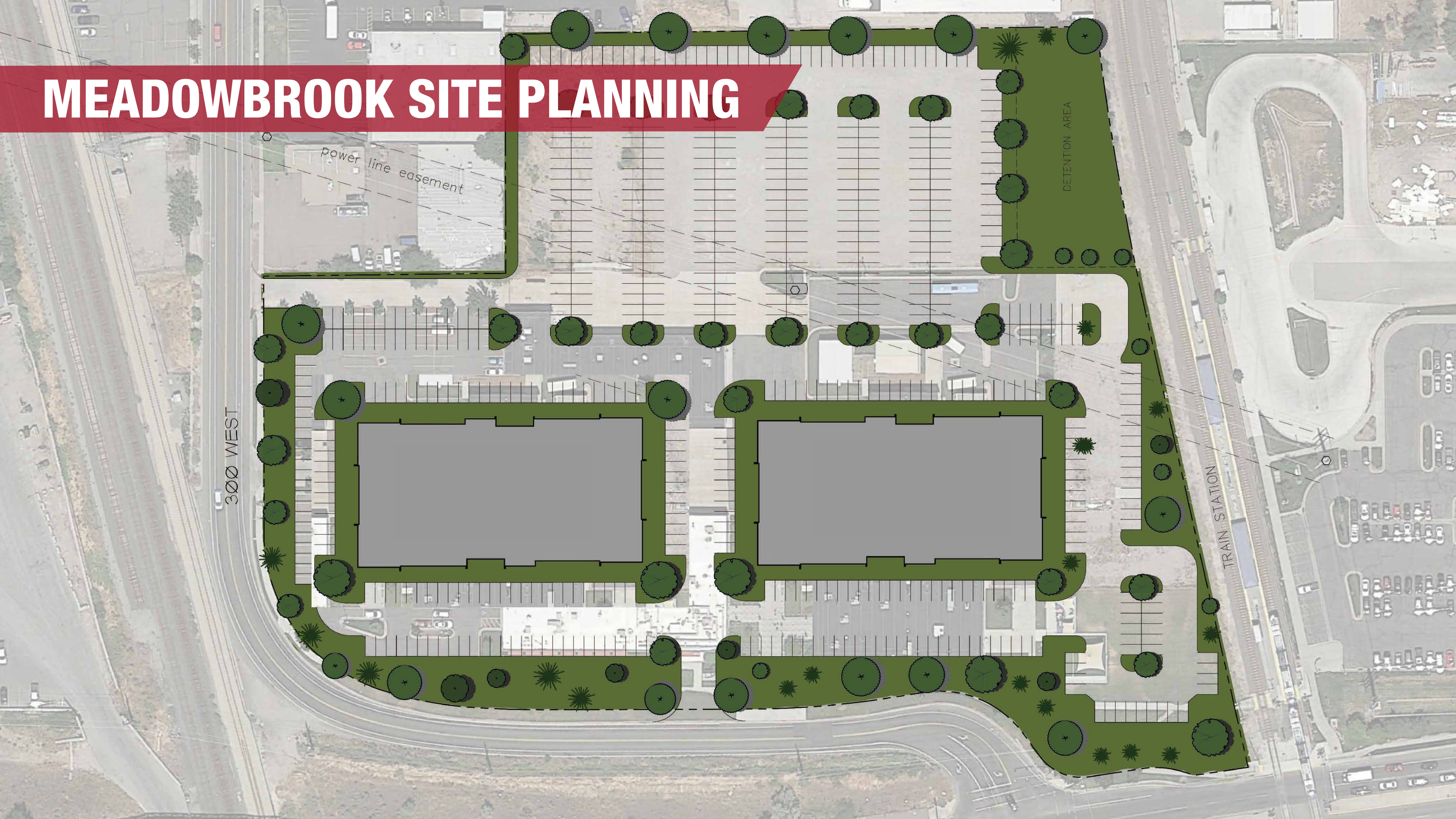
VA CAMPUS

SALT LAKE CITY, UT

BUSINESS DEPOT OGDEN

OGDEN, UT

MEADOWBROOK SITE PLANNING



MEADOWBROOK SITE PLANNING



RULE 712 DISCUSSION



MEMORANDUM

TAB B

April 10, 2020

Utah State University – Differential Tuition Funding Changes

The Utah State University (USU) Emma Eccles Jones College of Education and Human Services was approved to charge differential tuition starting summer 2016. This funding has been used to enhance accreditation, compliance, course fee replacement, student research, graduate assistantships, tuition waivers, program enhancement, and technology support in student labs and clinics.

Beginning summer 2020, USU requests two additional uses of the differential tuition funds for digital engagement and clinical interdisciplinary support. Digital engagement funds will expand staff resources to enhance digital platforms including websites and software programs through reallocating \$139,100 of existing differential revenue. Clinical interdisciplinary support funds will be used to hire a care coordinator to track services, develop training materials, provide feedback experiences, and student communications using \$77,300 of reallocated differential revenue.

These two additional funding requests will not require an increase in the differential tuition rate, but will allow the University to reallocate funds from existing revenue to these two new areas.

Commissioner's Recommendation

The Commissioner recommends the Board authorize Utah State University to reallocate existing differential tuition revenue for the Emma Eccles Jones College of Education and Human Services to support digital engagement and clinical interdisciplinary support activities.

Attachment

The Emma Eccles Jones College of Education and Human Services (CEHS) was approved to charge differential tuition starting Summer 2016. This extra funding has enhanced our students' experience in seven primary areas: accreditation, compliance, course fees/differential tuition replacement, graduate and undergraduate student research, graduate assistantships and tuition waivers, program enhancement, and technology support in student labs/clinics. It is clear that differential tuition has been instrumental in enhancing the educational experiences, services, and resources available to our students. To deepen and broaden the array of these resources, CEHS is seeking approval to address two emergent areas of need in the college. We are not requesting an increase in our differential tuition rates but rather we will allocate the differential tuition across the original seven areas and two new needs, which are Digital Engagement and Clinical Interdisciplinary Support.

Digital Engagement. With the increased use of technology by our students and the expectation of information being available to students on digital platforms, we have been unable to meet current demands. Our students want to be able to see faculty, research, clinical, and/or outreach programs, student clubs, program information and updates on our websites. In addition, many student-research groups and faculty labs would like to have their own websites. Also, our students have their own technological devices that we are increasingly asked to support so that students can access the software and programs required for our programs. We feel it is imperative to meet the expectations of our students by expanding our existing staff. Thus, we are requesting that \$139,100 of differential tuition be reallocated to support this critical student demand.

Clinical Interdisciplinary Support. Our students have enthusiastically embraced the additional clinical opportunities afforded by the Sorenson Legacy Foundation Center for Clinical Excellence. While we are committed to providing our students the unique opportunity to learn and participate in an interdisciplinary services environment, we underestimated the support that we would need to coordinate this educational experience. Thus, we are requesting that \$77,300 be reallocated to support our students engaged in clinical interdisciplinary experiences. A care coordinator hired with these funds will track the services offered by our student learners to clients. The coordinator will also develop specific training materials and feedback experiences for our students, as well as schedule and communicate with the students in the Sorensen Center.



EMMA ECCLES JONES
COLLEGE *of* EDUCATION
and HUMAN SERVICES
UtahStateUniversity[™]

Office of the Dean

Thank you for your consideration of these reallocations. We are confident that expanding the differential tuition categories to these high priority areas will provide additional value for our students and extend opportunities for a successful and productive career.



MEMORANDUM

TAB C

April 10, 2020

Utah State University – Trustee Property Action

As required by Regent Policy R703, *Acquisition of Real Property*, Utah State University (USU) is notifying the Board of Regents that its Board of Trustees approved the acquisition of property in Blanding and Wellsville Utah during their March 13, 2020 meeting.

1. The property in Blanding is approximately one mile from the USU Blanding Campus, located at 860 South Main Street. It is a 2.46 acre parcel of developed commercial land which includes a 22,367 sq. ft. commercial building to house the Heavy Equipment and Trucking Maintenance Program as well as the new Welding Program. USU obtained an independent appraisal to establish the fair market value at \$500,000. The purchase and renovations will be funded with institutional funds and ongoing operations and maintenance (O&M) costs will be funded by the State.
2. The property in Wellsville adjoins a 32-acre parcel owned by USU, located at approximately 4700 South 2950 West. The property will allow the Utah Agricultural Experiment Station (UAES) to produce additional feed to support livestock located at the Caine Dairy. The negotiated price for the property is \$143,000 which is a slight premium above the independent appraisal. The purchase will be funded with farm commodity revenues available within the College of Agriculture and Applied Sciences.

Commissioner's Recommendations

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

Attachments

March 23, 2020

Interim Commissioner Dave Woolstenhulme
Utah State Board of Regents
Board of Regents Building The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Subject: Reporting the Acquisition of Property

Dear Interim Commissioner Woolstenhulme:

Following Board of Regents policy R703, Acquisition of Real Property, Utah State University desires to report the acquisition of a 2.46 acre parcel of developed commercial land located at 860 South Main Street, Blanding, Utah which is approximately one mile from the USU Blanding Campus. The property includes a 22,367 square foot commercial building to house the Heavy Equipment and Trucking Maintenance Program as well as the new Welding Program. The acquisition received Board of Trustees approval during the March 13, 2020 meeting.

USU obtained an independent appraisal to establish the fair market value of \$500,000. USU Facilities inspected and evaluated the overall condition of the building including internal systems, roof, structure, etc. and found it to be in good condition. The purchase and renovations will be funded with institutional funds and ongoing operations and maintenance (O&M) costs will be funded by the State.

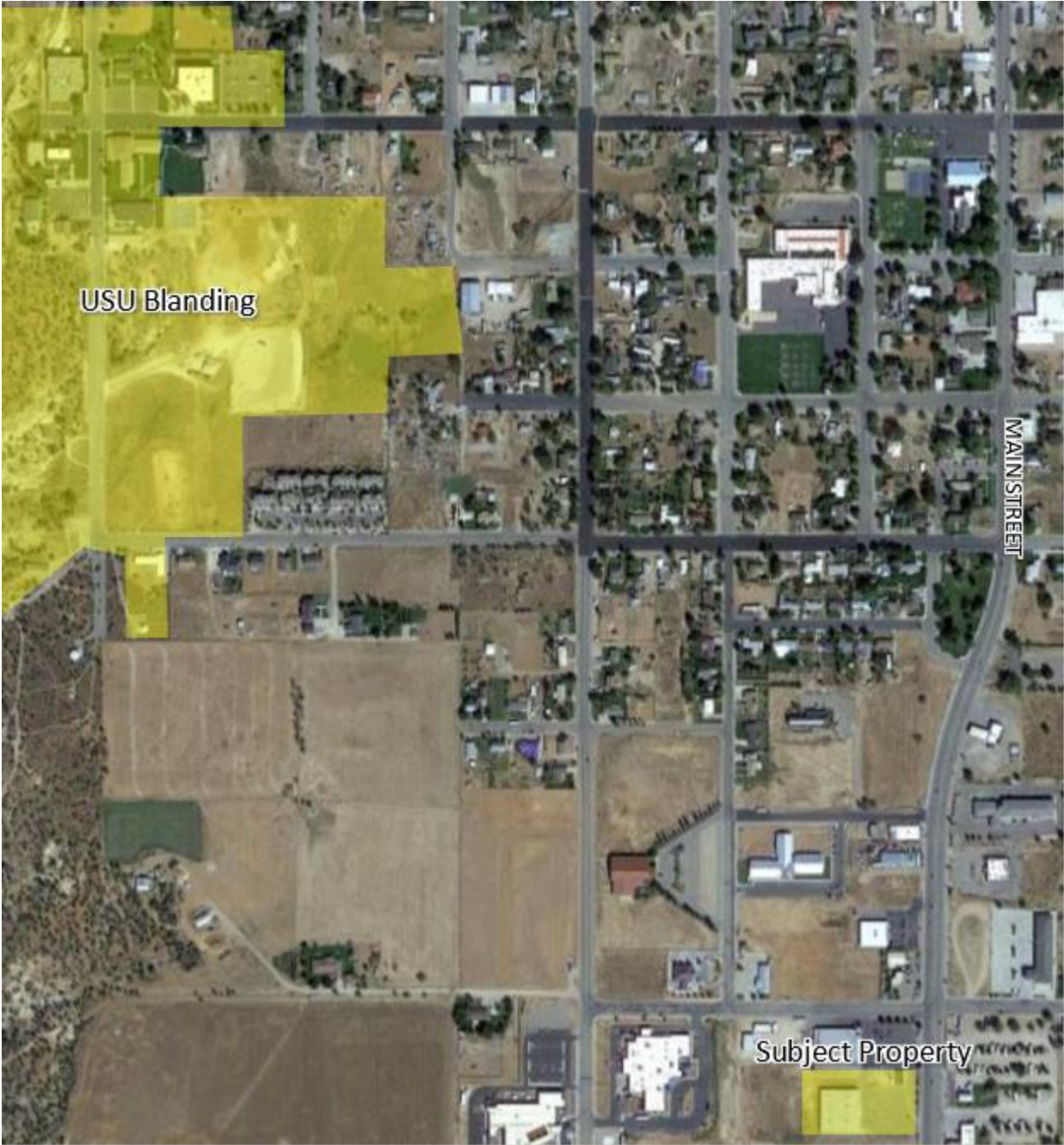
We appreciate your support and request that you share this item with the Board of Regents during the May 15, 2020 meeting.

Sincerely,



David T. Cowley
Vice President for Business & Finance

cc: Rich Amon, Associate Commissioner for Finance & Facilities
Noelle E. Cockett, President



March 23, 2020

Interim Commissioner Dave Woolstenhulme
Utah State Board of Regents
Board of Regents Building The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Subject: Reporting the Acquisition of Property

Dear Interim Commissioner Woolstenhulme:

Following Board of Regents policy R703, Utah State University desires to report the acquisition of a parcel of agricultural land and water shares located at approximately 4700 South 2950 West, Wellsville, Utah. The property is five acres and adjoins a 32-acre parcel owned by USU. The acquisition received Board of Trustees approval during the March 13, 2020 meeting.

The property will allow the Utah Agricultural Experiment Station (UAES) to produce additional feed to support livestock located at the Caine Dairy, and will allow UAES to irrigate and produce crops more efficiently on the adjacent farm ground.

The negotiated price for the property is \$143,000 which is a slight premium above the independent appraisal. The purchase will be funded with farm commodity revenues available within the College of Agriculture and Applied Sciences.

We appreciate your support and request that you share this item with the Board of Regents during the May 15, 2020 meeting.

Sincerely,



David T. Cowley
Vice President for Business & Finance

cc: Rich Amon, Associate Commissioner for Finance & Facilities
Noelle E. Cockett, President





MEMORANDUM

TAB D

April 10, 2020

USHE Annual Money Management Report – FY 2019

As required by statute and Regents Policy R541, *Management and Reporting of Institutional Investments*, USHE institutions submit monthly and annual reports detailing the deposit and investment of funds. The Board of Regents subsequently submits an annual summary report of all investments by institution to both the Governor and the Legislature. The attached report serves as the annual summary report and meets the requirements outlined in policy and statute.

Commissioner's Recommendation

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

Attachment



USHE Annual Money Management Report – FY 2019

Background

On both a monthly and annual basis institutions prepare investment reports that are reviewed and approved by the institution treasurer and internal auditors. The treasurer certifies that the institution is in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the State Money Management Act. The internal auditor verifies compliance with state statutes, Regents' policy, institutional policy, federal regulation, strength of controls, and confirms the completeness and accuracy of the investment reports. Completed reports are submitted to the institution's Board of Trustees for review and approval (as delegated by the Board of Regents) and forwarded to the Commissioner's Office for review and record keeping.

Statute requires that the annual summary report to the Governor and Legislature represent audited values. To meet this requirement, this report is prepared after the state auditors complete their annual financial audit of the institutions. The investment figures used in this report tie to the audited "Statement of Net Assets" found in the institution's financial statements.

The attached report demonstrates the relative size of institutional investments and the asset allocations in place at each school by investment category. The categories are:

- Endowment Investments - governed by UPMIFA and Regents Policy R541;
- Foundation Investments - governed by a Foundation Board of Trustees/Directors operating under the requirements of non-profit 501(c)(3)s; and
- Other Investments - all funds not endowment or foundation operating under the guidelines and requirements of Utah Code 51-7, and Utah Money Management Act.

Additional Information

The Commissioner's staff has worked with USHE controllers to provide additional information regarding the oversight and review of the investment process to address Regent questions regarding: asset allocation, compliance with laws and regulations, return on assets, and risk management. The following information has been provided by the institutions describing their processes and procedures for evaluating the performance of their respective investments, the various benchmarks used in the

evaluation process, and clarifying notes describing the use of outside industry professionals to assist in the management of institutional investments.

Oversight and Review

The responsibility for oversight, management, and reporting of assets invested (including the management of the portfolio, selection of investment products, and investiture/divestiture decisions) has been delegated by the Board of Regents to an institution's Board of Trustees. To assist with this charge, the institutions have created investment committees to help with the operational responsibilities. The membership of these committees vary by campus, but may include trustees, institutional officers, designated treasurers, institution employees, members of the business community, and/or investment professionals. Institutional use of outside professionals varies. In some cases, outside professionals (i.e. Commonfund, Wells Fargo, LCG Associates, Albourne America, and Strata Financial Services) are hired to manage pieces of investment portfolios. In other cases, individuals who are recognized as investment professionals may sit on the investment committees.

Investment committees are asked to evaluate the respective investments relative to returns, risk mitigation, institutional needs, reasonableness, effectiveness, overall position, prudence, and management cost, while maintaining compliance with statutes, policies, authorities, and regulations.

Reports of the positions, instruments, and balances are produced on a monthly and a quarterly basis by the designated treasurer, approved by committees, and presented to the institutional President and Board of Trustees for review and approval.

Performance Measurement

Institutions use industry standard benchmarks to measure the return on their investments, allocation of assets, and risk level. The benchmark tools may include S&P 500, Russell 3000, Morgan Stanley (MSCI) for equity funds, UBS index, Barclays Capital Index, London Interbank Offered Rate (LIBOR), and peer group comparisons. Several institutions participate in a national survey by NACUBO – Commonfund Study of Endowments (which includes all major colleges and universities in the U.S.). The results of this annual study are a key indicator of how their investment practices and results compare to other major universities. The NACUBO study also provides insights into current investment trends and ways to improve overall results. Dixie State University has chosen to place the bulk of their investments with the University of Utah, thus getting the benefit of all the investment strategies the University of Utah has access to, as well as to professionals on staff.

Foundations

Foundations are managed in a similar manner, having a board and committee that oversee and direct the investments of each foundation. The foundations are subject to federal regulations. In the case of Dixie

State University, the foundation is a completely separate entity from the institution. Dixie State University does not maintain any institutional investments within their foundation.

Utah State University's foundation is considered to be a part of the university or "dependent foundation", which is dedicated to maximizing support from private donations. As such, foundation funds are invested as part of the university endowment according to current university guidelines, oversight protocols, performance evaluation standards, and according to the same investment policies as all other university funds.

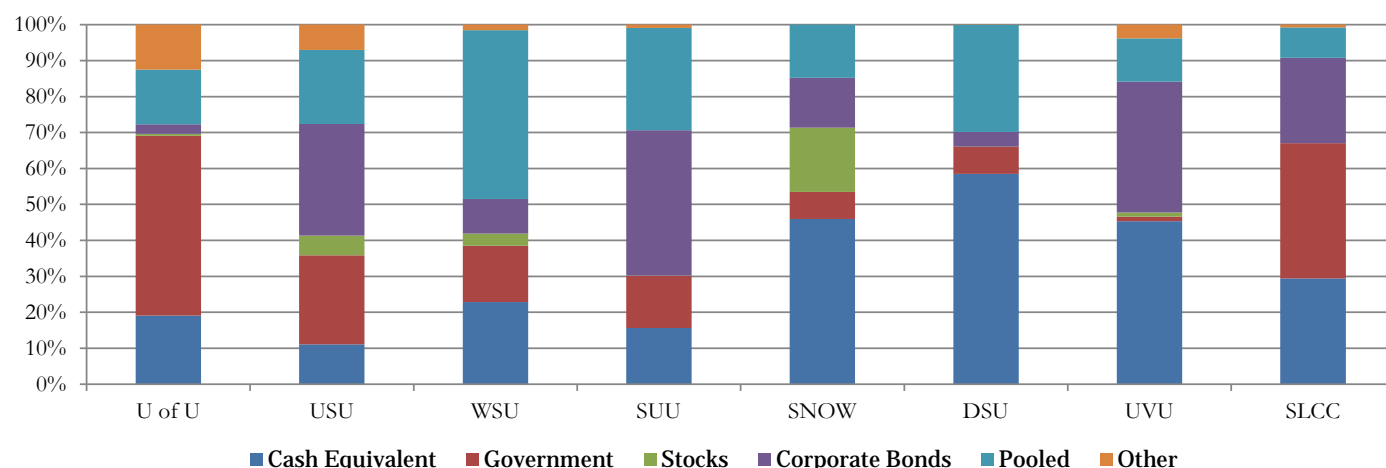
Note

During FY 2019 SUU saw a decrease in their total investments of \$3,235, 301. When SUU has a shortfall they will liquidate their investments to cover operations, such as payroll and operating expenses. During the year there were a couple of factors that lead to the increased use of cash. The first was an \$8.7M cash outlay for capital assets in excess of net cash state appropriations and capital gifts and grants. Some of the major items were for the purchase of the Warthen home (new President's residence), Athletic Training & Performance Center, Business building and Geosciences building. Secondly, there were \$2M in payments for debt service for lease/purchase of aircraft and hangers for the aviation program. It should be noted that the appropriations or gifts for some of these projects may have been received in a prior year. This can result in a timing difference between when the money is received and when the actual cash outlay occurs.

Between FY 2018 and 2019 DSU saw a decrease in their total investments of \$8,059,368, from \$59,103,497 in 2018 to \$51,044,129 in 2019. The 2018 FY amount included about \$14,000,000 in new bond funds whose purpose was to be used in new building construction. The use of these funds is the reason for the decrease in total investments for DSU between FY 2018 and 2019.

2019 Summary of USHE Investments

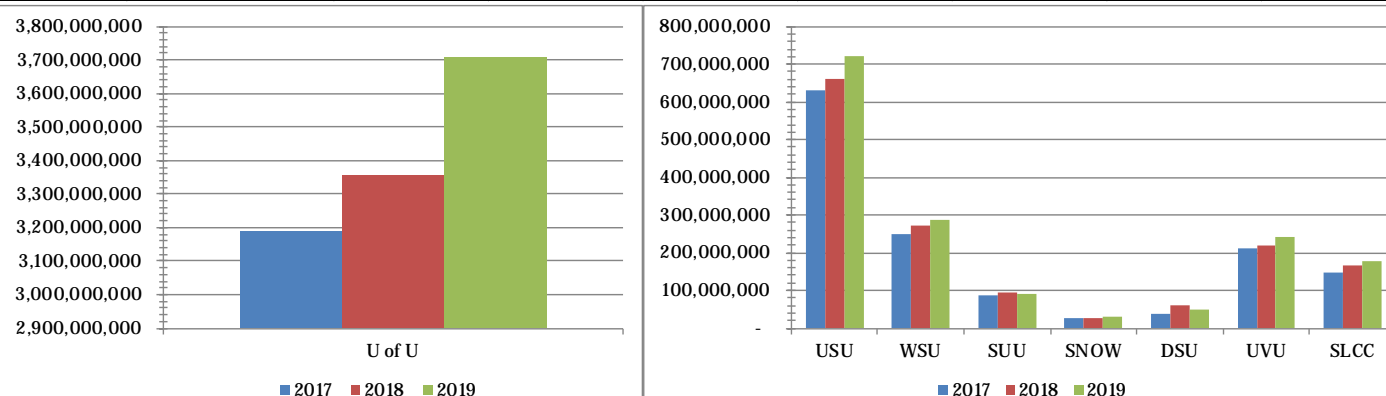
Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	19.12%	11.10%	22.82%	15.60%	45.98%	58.46%	45.36%	29.45%
Government	B	49.95%	24.72%	15.69%	14.57%	7.50%	7.62%	1.24%	37.57%
Stocks	C	0.59%	5.53%	3.36%	0.01%	17.89%	0.04%	1.15%	0.00%
Corporate Bonds	D	2.65%	31.05%	9.65%	40.48%	13.83%	4.09%	36.34%	23.80%
Pooled	E	15.22%	20.54%	46.93%	28.40%	14.81%	29.76%	12.12%	8.42%
Other	F	12.47%	7.06%	1.55%	0.94%	0.00%	0.03%	3.78%	0.76%



Total investment allocation by each Institution, as of June 30, 2019.

3 Year Comparison of All Fund Investments

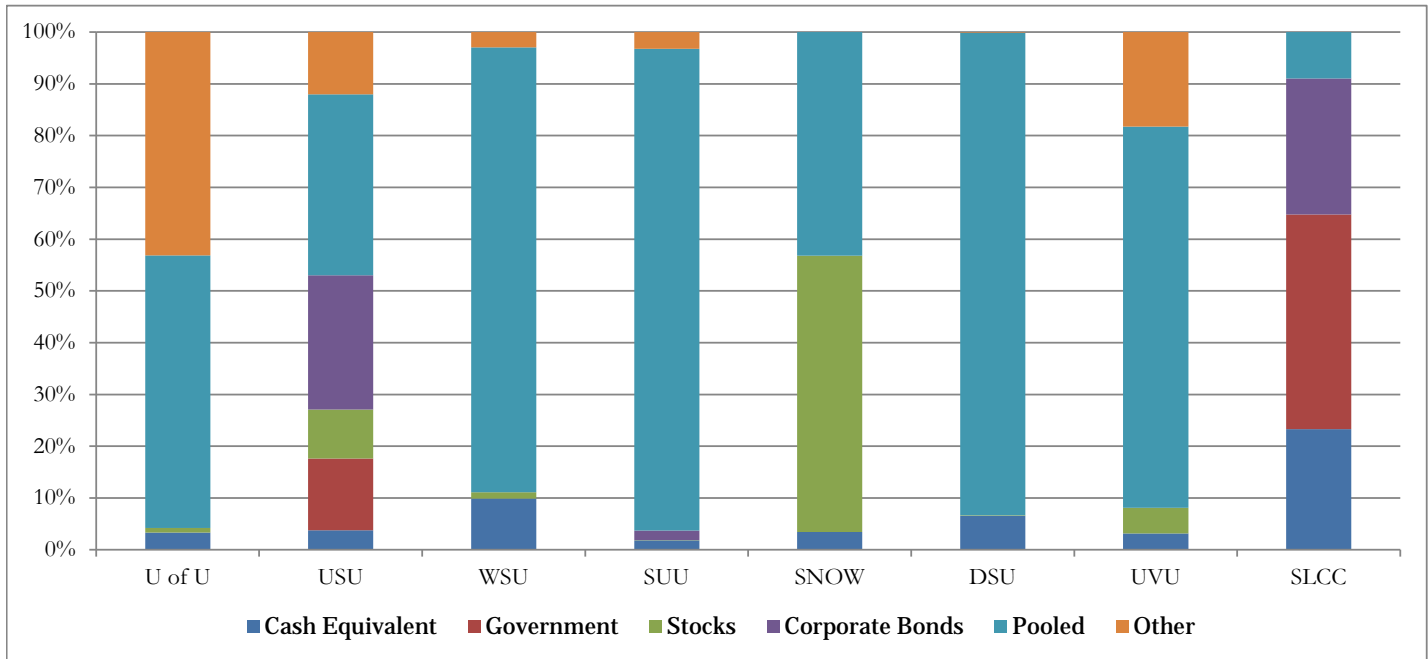
Fiscal Year	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
2017	3,187,691,039	631,850,447	248,951,130	88,322,515	26,218,129	38,885,320	212,504,957	145,567,320
2018	3,355,923,908	659,092,628	271,168,629	94,504,351	25,809,903	59,103,497	218,862,656	167,551,537
2019	3,706,327,030	721,201,869	286,767,866	91,269,050	31,323,819	51,044,129	241,645,821	176,672,968



Summary of all funds invested by each institution over the previous three years. Data shows the trends that the institutions are seeing in the value of their respective investments. In an attempt to present all institutions at the appropriate visual scale, the University of Utah is displayed separately.

Endowment Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	3.30%	3.73%	9.87%	1.81%	3.41%	6.53%	3.17%	23.31%
Government	B	0.00%	13.91%	0.00%	0.00%	0.00%	0.00%	0.00%	41.43%
Stocks	C	0.89%	9.42%	1.26%	0.03%	53.41%	0.13%	4.92%	0.00%
Corporate Bonds	D	0.00%	25.96%	0.00%	1.85%	0.00%	0.00%	0.00%	26.26%
Pooled	E	52.67%	34.96%	85.93%	93.10%	43.18%	93.24%	73.64%	8.98%
Other	F	43.15%	12.02%	2.95%	3.21%	0.00%	0.11%	18.28%	0.00%



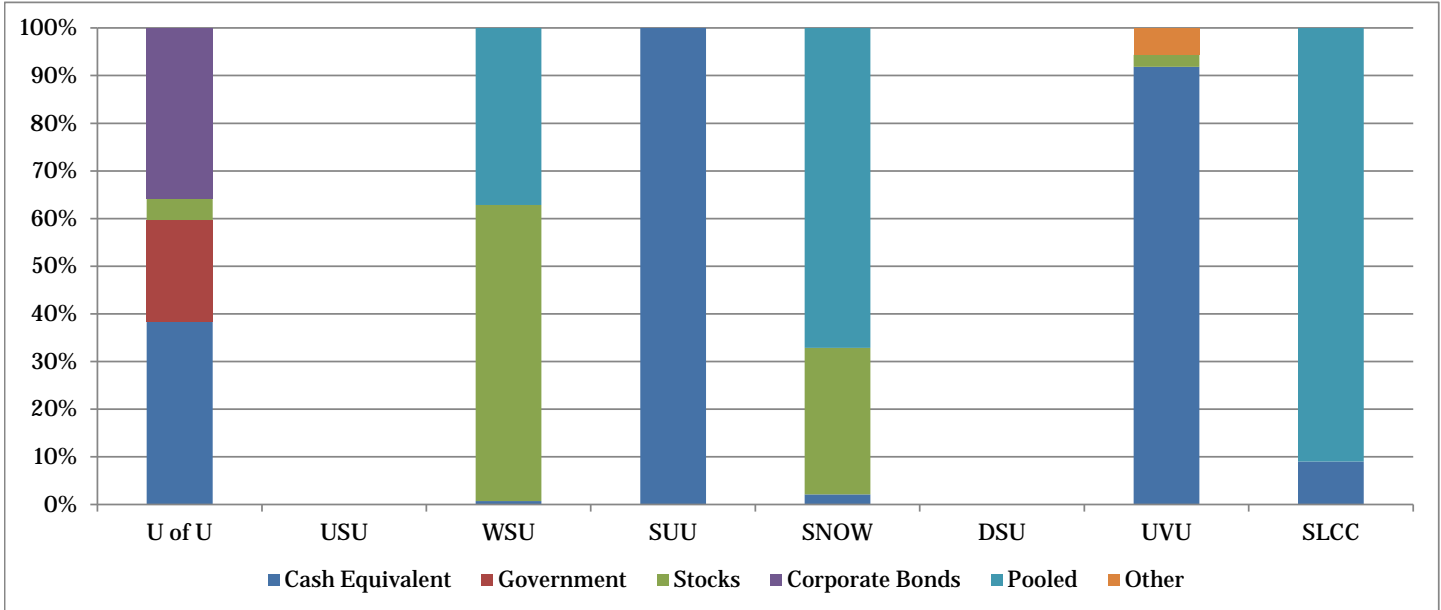
Investment allocation of endowment funds by category, as of June 30, 2019.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	24,379,170	12,310,280	3,694,831	111,911	352,437	377,274	1,260,653	161,827
Repurchase Agreements	A	-	-	-	-	-	-	-	-
Certificates of Deposit	A	-	-	-	-	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	10,928,666	3,486,377	11,226,839	373,542	-	685,819	-	1,714,397
Obligations of US Government	B	-	43,537,422	-	-	-	-	-	3,336,612
Obligations of State/Local Government	B	-	15,394,491	-	-	-	-	-	-
Stocks	C	9,551,605	39,908,477	1,901,040	8,823	5,523,215	21,041	1,956,578	-
Corporate Bonds	D	-	109,973,281	-	493,918	-	-	-	2,114,197
Mutual Funds	E	564,243,335	119,244,796	-	24,926,801	4,465,165	15,188,156	29,297,066	722,839
Commonfund Accounts	E	-	28,856,059	129,928,451	-	-	-	-	-
Alternative	F	462,224,516	50,906,211	-	859,860	-	17,434	5,703,022	-
Other	F	-	-	4,456,806	-	-	-	1,568,254	-
Total		1,071,327,292	423,617,394	151,207,967	26,774,855	10,340,817	16,289,724	39,785,573	8,049,872
Percent of Total		61.31%	24.24%	8.65%	1.53%	0.59%	0.93%	2.28%	0.46%
USHE Total		1,747,393,494							

Schedule of total endowment funds invested by each institution, as of June 30, 2019. Endowment funds are invested according to policy guidelines of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Regents Policy R541. Endowment investments by institution are shown at the sub-category level, which roll up into the six categories above.

Foundation Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	38.50%	0.00%	0.72%	100.00%	2.09%	0.00%	91.81%	9.02%
Government	B	21.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Stocks	C	4.44%	0.00%	62.10%	0.00%	30.77%	0.00%	2.52%	0.00%
Corporate Bonds	D	35.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pooled	E	0.00%	0.00%	37.18%	0.00%	67.14%	0.00%	0.00%	90.98%
Other	F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.67%	0.00%



Investment allocation of foundation funds by Institution, as of June 30, 2019.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	94,851,326	-	71,276	10,678	5,463	-	1,142,405	1,402,478
Repurchase Agreements	A	-	-	-	-	-	-	-	-
Certificates of Deposit	A	10,315,341	-	-	-	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	-	-	19,139	398,038	-	-	29,042,187	-
Obligations of US Government	B	57,882,194	-	-	-	-	-	-	-
Obligations of State/Local Government	B	-	-	-	-	-	-	-	-
Stocks	C	12,115,704	-	7,743,806	-	80,284	-	829,572	-
Corporate Bonds	D	98,023,539	-	-	-	-	-	-	-
Mutual Funds	E	-	-	-	-	175,161	-	-	14,151,524
Commonfund Accounts	E	-	-	4,636,671	-	-	-	-	-
Alternative	F	-	-	-	-	-	-	-	-
Other	F	-	-	-	-	-	-	1,862,287	-
Total		273,188,104	-	12,470,892	408,716	260,908	-	32,876,451	15,554,002
Percent of Total		81.61%	0.00%	3.73%	0.12%	0.08%	0.00%	9.82%	4.65%
USHE Total		334,759,073							

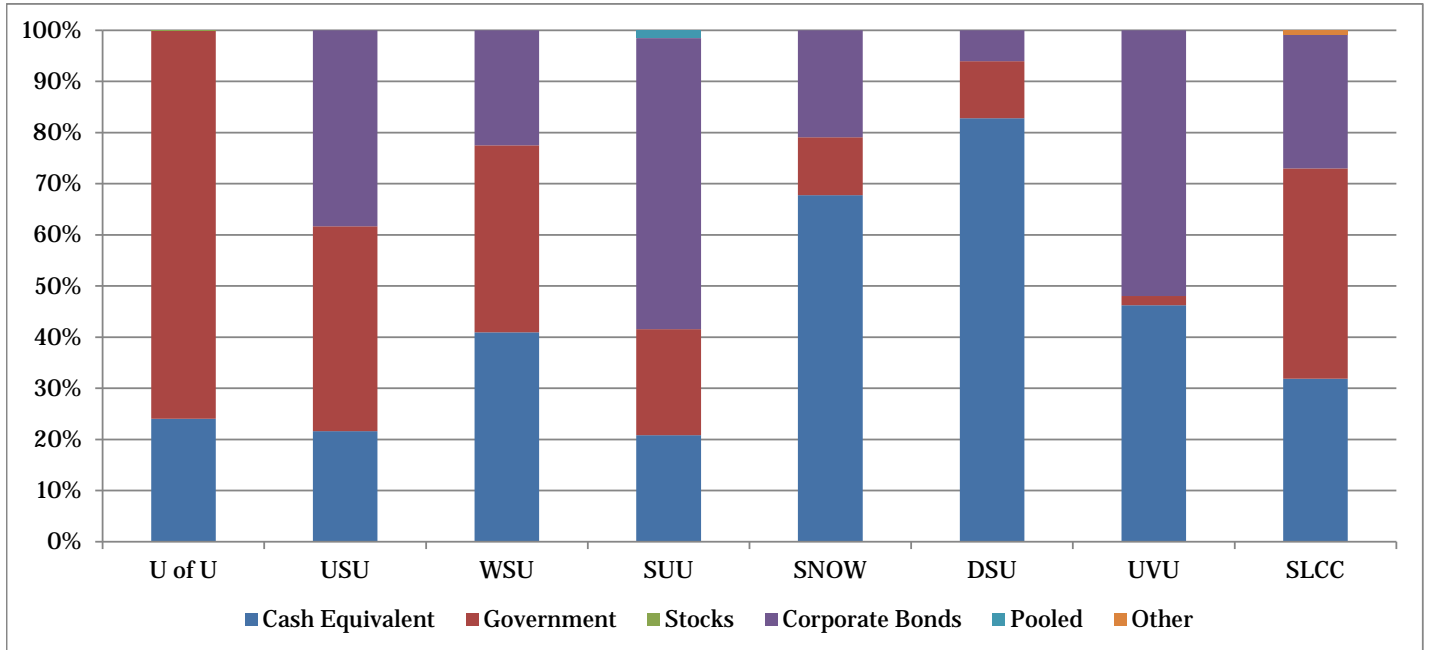
Schedule of total foundation funds invested by each institution, as of June 30, 2019. Foundation investments are approved by the Foundation's Board of Trustees, which operates under the requirements of nonprofit 501(c)(3) foundations. Foundation investments are shown at the sub-category level, which roll up into the six categories above. The following should be noted:

- USU Foundation is invested as part of the University Endowment, and is reported as part of their financial statements.
- DSU's Foundation is not part of the Institution.

Beginning in FY 2018, UVU's Foundation Board approved new bylaws that gives the University President approval authority on all Board Members. UVU Foundation is now a blended component of the University, (appearing as such in the FY 2018 Financial Statements). FY 2017 Financial Statements were restated in accordance with GASB Reporting Standards.

Other Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	24.05%	21.60%	40.97%	20.82%	67.77%	82.80%	46.25%	31.85%
Government	B	75.94%	40.11%	36.56%	20.75%	11.33%	11.19%	1.78%	41.18%
Stocks	C	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bonds	D	0.00%	38.29%	22.47%	56.88%	20.90%	6.01%	51.97%	26.09%
Pooled	E	0.00%	0.00%	0.00%	1.55%	0.00%	0.00%	0.00%	0.00%
Other	F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.88%



Investment allocation of other funds (not endowment or foundation) by Institution, as of June 30, 2019.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	92,182,294	38,229,142	8,473,646	1,890,170	1,842,255	5,177,505	10,485,799	2,060,926
Repurchase Agreements	A	81,500,000	-	-	-	1,688,293	-	-	-
Certificates of Deposit	A	-	-	-	1,033,442	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	394,309,849	26,040,097	41,951,370	10,420,550	10,512,455	23,600,026	67,672,483	46,687,230
Obligations of US Government	B	1,792,959,875	111,547,470	45,004,737	13,295,157	2,147,774	3,888,025	3,002,120	63,032,322
Obligations of State/Local Government	B	500,940	7,812,358	-	-	200,048	-	-	-
Stocks	C	358,676	-	-	-	-	-	-	-
Corporate Bonds	D	-	113,955,408	27,659,254	36,453,904	4,331,269	2,088,849	87,823,395	39,939,537
Mutual Funds	E	-	-	-	992,256	-	-	-	-
Commonfund Accounts	E	-	-	-	-	-	-	-	-
Alternative	F	-	-	-	-	-	-	-	1,349,079
Other	F	-	-	-	-	-	-	-	-
Total		2,361,811,634	297,584,475	123,089,007	64,085,479	20,722,094	34,754,405	168,983,797	153,069,094
Percent of Total		73.25%	9.23%	3.82%	1.99%	0.64%	1.08%	5.24%	4.75%
USHE Total		3,224,099,985							

Schedule of total other investments by each institution, as of June 30, 2019. The guidelines and requirements for these investments follow Utah Code 51-7- Utah Money Management Act. These funds are required to be invested in a qualified depository. Amounts are shown at the sub-category level, which roll up into the six categories listed above.



MEMORANDUM

TAB E

April 10, 2020

USHE – Debt Ratio Analysis

Since 2015, the Commissioner's Office has prepared a debt ratio analysis of USHE institutional debt for the Board of Regents. Institutional controllers submit financial information from their audited annual financial statements for three reported ratios: viability, debt burden, and a composite index. These ratios have historically proven good basic measures of fiscal health, are industry standard formulas, and are presented to the Board for their information. The attached report provides detailed information on the formulas, institutional results for 2019, and observations from the calculations.

Commissioner's Recommendation

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

Attachment



GENERAL REPORT

April 2020

Ben Langley

USHE – Debt Ratio Analysis

Background

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 to be presented in a future meeting, and to consider including in policy a statement requiring institutions to annually provide an informational debt report to the Board of Regents.

Three common ratios were chosen (viability, debt burden, and composite score) that historically have proven good basic measures, from 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.

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. As the ratio falls below 1:1, the institution's ability to respond to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.

Debt Burden Ratio: measures an institution's dependence on borrowed funds to finance its operation, by measuring the relative cost of borrowing to overall expenditures. Industry standards recommend 7% as the upper threshold for a healthy institution. The higher the ratio, the fewer resources are available for other operational needs. A level trend or a decreasing trend indicates that debt service has sufficient coverage, whereas a rising trend signifies an increasing demand on financial resources to pay back debt.

Composite Index: this calculation combines and weights all four ratios (viability, debt burden, leverage, and primary reserve) into one single financial metric. This allows a weakness or strength in a specific ratio to be offset by another ratio result, thereby allowing a more holistic approach to understanding the institution's total financial health. KPMG's publication establishes a threshold value of 3.0 for institutions that are considered to have a good financial position.

Institutional Controllers submitted all financial information from their audited annual financial statements, and will have reviewed the results along with Chief Financial Officers, Budget Officers, and OCHE staff.

Ratio Calculation Observations

Salt Lake Community College

Salt Lake Community College had no debt at Fiscal Year End, June 30, 2016. During FY 2017, their only debt was a DFCM Energy Loan, which is an interest free vehicle. This resulted in ratios that were not meaningful. For this reason, the report reflects “no debt” for both FY 2016 and 2017.

Snow College

Between FY 2015 and FY 2018 Snow’s viability ratio was below the standard. The components of the viability ratio are expendable net assets/long term debt. For FY 2019 Snow’s viability ratio is above the standard at 1.25. The reason for this is an increase in Snow’s expendable net assets. Snow College’s viability ratio increased in FY 2019 because the College had better investment earnings, grant revenue was higher than prior years, and the foundation started a few different campaigns that increased the College’s gift revenue.

Southern Utah University

During FY 2018 and 2019 SUU had a decline in its viability ratio and composite index. During fiscal years 2017 through 2019, SUU engaged in financing arrangements for the acquisition of airport hangars, flight simulators, and various fixed-wing and rotor-wing aircraft for operation of an Aviation Program. Total funding under these arrangements amounted to \$13.3 million, with a large share (\$10.9 million) on a 7-year lease-purchase arrangement, with the balance primarily financed through 7-year or 10-year notes payable to various individuals and entities. The current amount outstanding on these financing arrangements is \$10.3 Million. This is in addition to the \$12.4 million still outstanding on the issuance of 2011 auxiliary and 2016 refunding bonds. It should be noted that SUU is still well within the standard for the viability and composite index.

Ratios Not Meeting Standards

Dixie State University

Dixie recognizes that its viability ratio has been under the standard. The composite index is also below the standard but there is an increase to 2.28 in FY 2019. The main component that is negatively affecting the viability ratio and the composite index is the amount of long-term debt that Dixie has. As a growing institution, DSU must plan for the future. Part of that planning is to ensure that they have the appropriate housing and other facilities for their student population in place. In order to meet these needs the issuance of long-term bonds is sometimes necessary. The ratios are lower because DSU has bonded for student housing and for the Human Performance Center, which provides a facility to meet the health and

recreation needs of both current and future students. These facilities are necessary to meet DSU's growing student base.

Southern Utah University

In FY 2016, SUU had a debt burden ratio of 9.3% and this is 2.3% higher than the standard. During FY 2016 the College acquired refunding bonds. SUU used the proceeds from these bonds to pay off \$10 Million of their 2008 auxiliary bonds. There was also a \$3.4 Million reduction from payoff of a line of credit for construction of SUU's Center for the Arts project that was completed that year. It should be noted that this is the only year from FY 2015 to FY 2019 that the ratio is out of the expectation. All of the other years presented are well within the 7.0% threshold.

Debt Ratio Analysis

Utah System of Higher Education

Viability Ratio	FY15	FY16	FY17	FY18	FY19
University of Utah	2.10	2.14	2.11	2.32	2.49
Utah State University	2.66	1.79	1.90	1.67	1.95
Weber State University	2.36	2.64	2.77	3.10	3.48
Southern Utah University	3.82	4.02	3.48	2.81	2.82
Snow College	0.88	0.96	0.97	0.98	1.25
Dixie State University	0.71	0.61	0.97	0.63	0.60
Utah Valley University	2.06	5.42	2.75	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	5.9%	3.0%	2.9%	3.4%	2.7%
Utah State University	2.2%	2.3%	2.7%	2.5%	2.2%
Weber State University	2.0%	2.1%	1.9%	2.0%	1.9%
Southern Utah University	4.1%	9.3%	1.8%	2.7%	2.3%
Snow College	3.0%	2.7%	3.2%	2.7%	2.4%
Dixie State University	2.7%	1.8%	1.7%	2.4%	3.1%
Utah Valley University	2.4%	2.9%	2.0%	2.3%	1.5%
Salt Lake Community College	0.7%	no debt	no debt	0.0%	0.7%

Debt Burden Ratio measures an Institution's dependence on borrowed funds to finance its 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.

Composite Index	FY15	FY16	FY17	FY18	FY19
University of Utah	4.44	4.51	4.68	5.30	4.81
Utah State University	4.72	4.06	4.05	3.49	4.17
Weber State University	4.26	5.71	4.82	5.14	5.83
Southern Utah University	5.65	4.73	5.00	3.60	3.60
Snow College	1.62	0.87	1.53	3.12	3.51
Dixie State University	1.68	1.18	1.92	1.98	2.28
Utah Valley University	5.48	5.95	4.68	5.89	6.33
Salt Lake Community College	5.33	5.20	4.28	6.79	5.01

Composite Index: this calculation combines and weights all four ratios (viability, debt burden, leverage, and primary reserve) into one single financial metric. This allows a weakness or strength in a specific ratio to be offset by another ratio result, thereby allowing a more holistic approach to understanding the institution's total financial health.

Industry Standards & Formulas

1:1

Expendable Net Assets
Long-Term Debt

< 7.0%

Debt Service
Total Expenditure

> 3.00

This is a combination of four financial ratios and the higher the number the greater the institutions financial health