

## MEMORANDUM

TO: The Board of Regents

FROM: Vahid Staples, Budget Officer, Planning Budget and Analysis

DATE: April 13, 2018

**SUBJECT: Analysis of UNM Debt Portfolio and Impact of Moving the Debt of Athletics to the University**

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### History/Background

The renovation to Dreamstyle Arena AKA “The PIT” was completed in 2010 and the first debt service payments started in Fiscal Year 2011. The total project was \$60.6M and was funded by \$18.6M of State Bonds and \$42M of UNM bonds. Those bonds are part of the overall university bond portfolio. There is \$31,690,327 in remaining debt service payments related to the PIT which are due from Fiscal Year 2019 through Fiscal Year 2036. **(See Attachment A)** The yearly debt fluctuates but average yearly amount on the remaining payments is \$1,760,570.

### Issues Affecting the Debt Commitment

For the last several years the Athletic Department has continued to have issues meeting its debt obligation. This has been driven by several factors including:

- The New Mexico economy, which continues to lag the region and the country in terms of overall economic recovery.
- Corporations and businesses have not been immune to the anemic economy and have been reducing their marketing and entertaining expenses, which has resulted in a decrease in suite purchases.
- The basketball team had gone three years without postseason success which had an effect on ticket sales.
- Finally due to limitations in the venue, the Athletics Department has not been able to bring in as many other revenue opportunities as it would like to the PIT. The department has been very successful with events like the Professional Bull Riding (PBR) and the Harlem Globetrotters but has not been able to secure other concerts or activities.

The debt service obligation on the PIT has contributed to the overall deficit of the Athletics Department. The current fiscal year for Athletics is no different. In order to meet the obligation, the University had to rely on debt service reserves in order to meet the overall University obligation. Per the analysis below and on Attachment B this is not a sustainable model.

### **Moving the Commitment to the University**

Per the Regent's request, an analysis of the debt service portfolio is included. **(See Attachment B)** This schedule provides the total amount of debt service the University is required to pay yearly and all of the cash flows that are collected to pay the commitment. The current yearly cumulative total excess at the remaining term of the bonds will be \$4,886,647 which is .72% of the overall obligation. This amount is not sufficient to cover the total remaining obligation of \$31,690,327 or the yearly average Athletics amount of \$1,760,570 so a new revenue source would need to be identified in order to keep the debt service portfolio in a positive position and pay bondholders.

**ATTACHMENT A**

<u>Fiscal Year</u>	<u>Debt Service</u>
FY19	\$1,074,969
FY20	\$1,193,324
FY21	\$1,730,892
FY22	\$1,792,917
FY23	\$1,791,194
FY24	\$2,109,215
FY25	\$1,911,103
FY26	\$1,915,929
FY27	\$1,908,174
FY28	\$1,879,121
FY29	\$1,887,517
FY30	\$1,876,440
FY31	\$1,871,980
FY32	\$1,863,715
FY33	\$1,859,683
FY34	\$1,852,143
FY35	\$1,569,063
FY36	\$1,602,857
Total	\$31,690,327

# ALL UNM BONDS

## (Yearly Excess or Deficit)

	Total Debt Service	Total Cash Flow (1)	Yearly Excess / (Deficit)
		9,059,406	(1)
FY			
2018	37,553,047	37,093,192	(459,855)
2019	37,609,474	35,867,186	(1,742,288)
2020	37,548,138	35,936,627	(1,611,512)
2021	37,467,957	35,377,262	(2,090,695)
2022	37,106,163	35,595,874	(1,510,288)
2023	37,012,172	35,367,403	(1,644,769)
2024	36,467,636	36,785,515	317,880
2025	36,371,887	36,802,214	430,328
2026	36,275,591	38,527,756	2,252,166
2027	30,174,255	31,226,334	1,052,080
2028	30,143,638	30,970,346	826,708
2029	30,102,608	30,935,871	833,263
2030	28,997,045	30,008,552	1,011,507
2031	24,466,000	27,328,221	2,862,221
2032	24,462,300	26,920,226	2,457,926
2033	22,141,050	22,822,537	681,487
2034	22,396,450	22,158,244	(238,206)
2035	20,527,700	20,326,919	(200,781)
2036	14,012,750	13,478,930	(533,820)
2037	5,611,900	5,832,317	220,417
2038	5,610,275	5,832,317	222,042
2039	5,615,850	5,832,317	216,467
2040	5,613,700	5,832,317	218,617
2041	5,613,900	5,832,317	218,417
2042	5,616,000	5,832,317	216,317
2043	5,614,550	5,832,317	217,767
2044	5,614,300	5,832,317	218,017
2045	5,609,800	5,832,317	222,517
2046	5,610,850	5,832,317	221,467
2047	2,661,750	2,663,000	1,250
<b>Totals</b>	<b>674,573,037</b>	<b>678,158,509</b>	<b>4,886,647</b>

(1) There are over thirteen different entities or sources who pay debt service. These include Student Fees, Parking Services, the Health Science Center; Bookstore, Residence Halls, Real Estate, Physical Plant Department (utilities upgrade), Information Technologies and Athletics.

(2) Per the Bond Convents we are required to have Debt Service Reserves. The University will use those reserves to cover the debt service until FY24 when the cash flows return to a positive position.

(2) There are over thirteen different entities or sources who pay debt service. These include Student Fees, Parking Services, the Health Science Center; Bookstore, Residence Halls, Real Estate, Physical Plant Department (utilities upgrade), Information Technologies and Athletics.