



Financial Indicators Dashboard
Regent Finance Committee
October 30, 2024

Financial Indicators Dashboard Overview

The Financial Indicators Dashboard provides a visual resource to help inform the Board and University Leadership about the condition of our financial resources.

External and internal benchmarks are used to demonstrate reserve adequacy and financial health:

1. Credit Rating
2. Financial Health Index
3. Adequate Liquidity and Investments



Dashboard Overview



Financial Indicators Dashboard

Credit Rating	
Annual Debt Service Coverage	Green
Total Debt to Cash Flow	Green
Operating Cash Flow Margin	Yellow
Financial Health Index	
Composite Financial Index (CPI)	Green
Primary Reserve Ratio	Green
Viability Ratio	Green
Adequate Liquidity and Investments	
Total Cash and Investments to Operating Expenses	Green
Total Cash and Investments	Green
Coverage of Operating Loss	Green

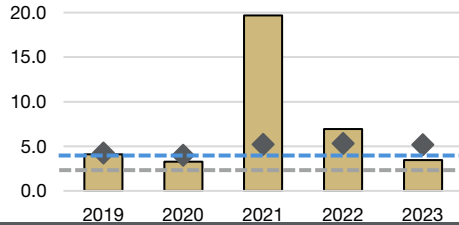
Moody's	Fitch
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Ba1	BB+
Ba2	BB
Ba3	BB-
B1	B+
B2	B
B3	B-
Caa	CCC
Ca	CCC
C	CCC
	RD/D



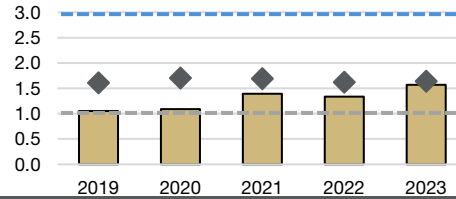
Financial Indicators Dashboard

Credit Rating

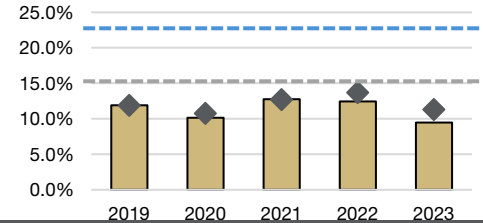
Annual Debt Service Coverage



Total Cash and Investment to Total Adjusted Debt

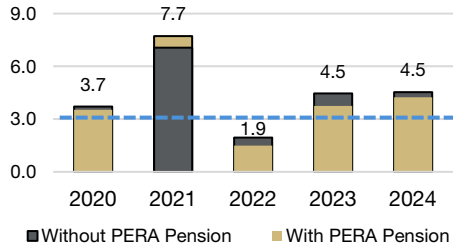


Operating Cash Flow Margin

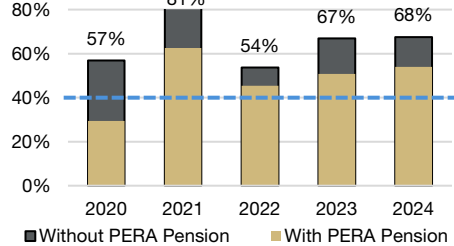


Financial Health Index

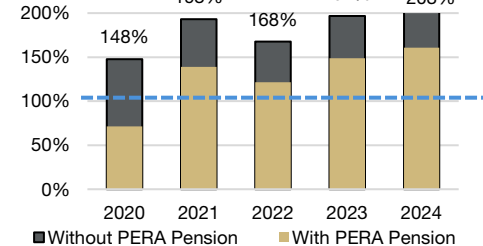
Composite Financial Index



Primary Reserve Ratio

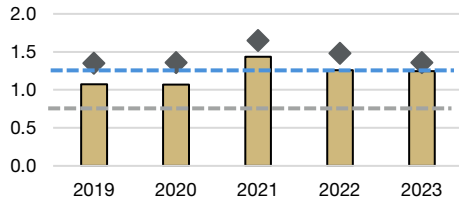


Viability Ratio

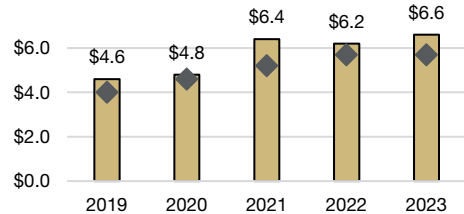


Adequate Liquidity and Investment

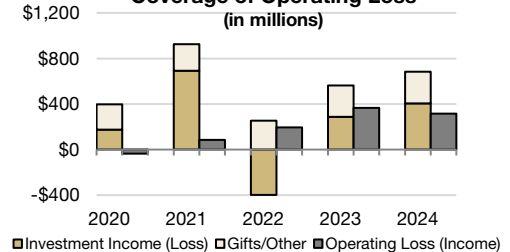
Total Cash & Investments to Operating Expenses



Total Cash & Investments (in billions)



Coverage of Operating Loss (in millions)



1. Credit Rating

Annual Debt Service Coverage

Measures the ability of the university to make debt service payments from annual operations.

Higher ratio is better.

Note: Sum of annual operating surplus (add back depreciation and amortization expense, interest expense, pension imputed interest and additional unusually large non-cash expenses) divided by principal and interest.

Total Cash and Investment to Total Adjusted Debt

Measures coverage of total adjusted debt by assets that generate investment return.

Higher ratio is better as it reflects higher level of assets compared to lower level of adjusted debt.

Note: Total Cash & Investments divided by Total Adjusted Debt.

Operating Cash Flow Margin

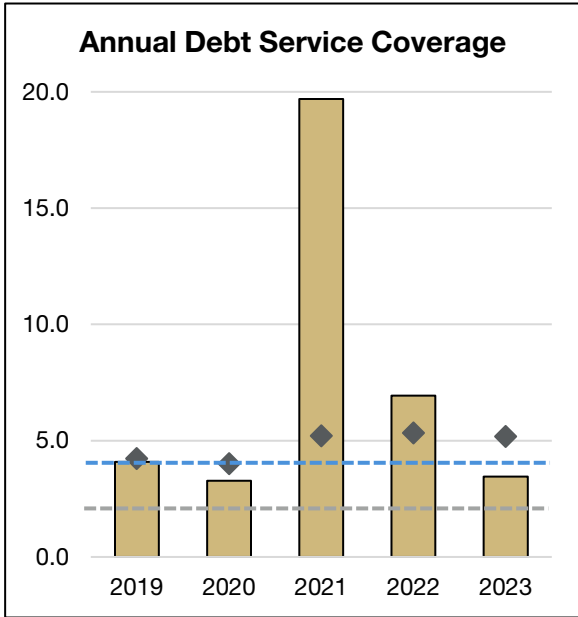
Indicates excess margin (or deficit) by which annual revenues cover operating expenses.

Expressed as a percentage; higher is better.

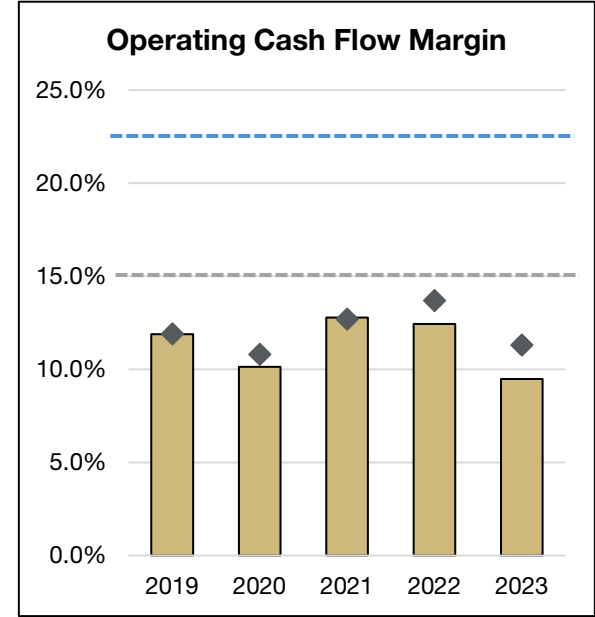
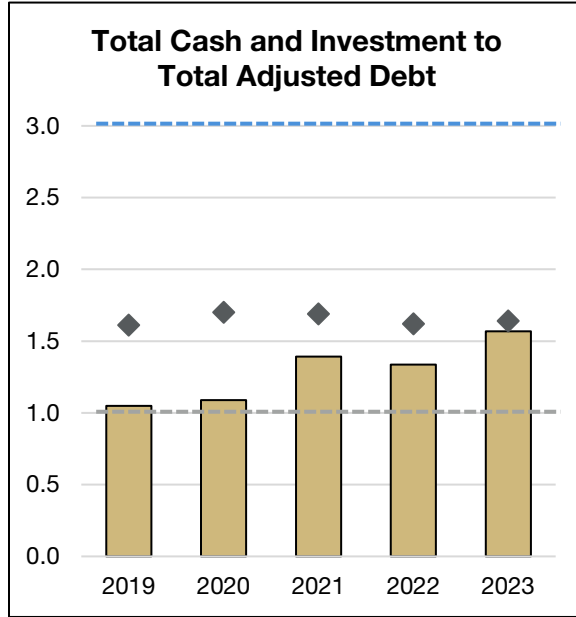
Note: Operating Revenue divided by EBITDA.



1. Credit Rating



Note: CU restructured debt portfolio in 2020 to push 2021 and 2022 principal and interest payments into future years.



University of Colorado
 Aa1 Lower Threshold
 Aa1 Upper Threshold
 Moody's Median (Aa1 Public University)

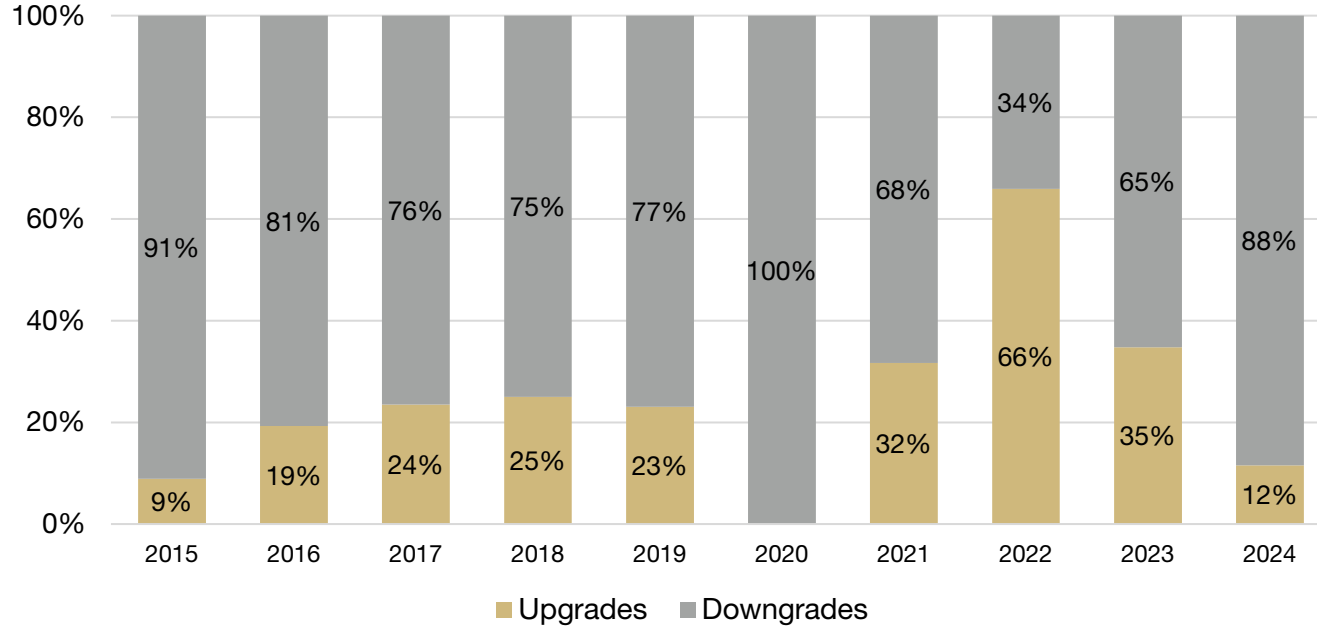


University of Colorado

Boulder | Colorado Springs | Denver | Anschutz Medical Campus

Downgrades Continue to Outpace Upgrades

Rating Revisions by Year Higher Education Sector



Source: Moody's Investor Service; Includes private and public institutions



University of Colorado

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CU's strong credit: Aa1 rating with Stable Outlook

Rating Summary	Moody's	Fitch
Credit Strengths	Large, diverse scope of operations as Colorado's flagship university, sizeable and growing research enterprise, strong fundraising, stable operating performance, substantial cash and investment balance, strong liquidity	Comprehensive flagship research university with broad statewide and expanding national/international draw, manageable capital program, significant fundraising capabilities, robust financial profile with strong liquidity and cash flow margin
Credit Challenges	Limited state support and large unfunded pension liability (PERA), exposure to volatile healthcare industry with a component unit physician practice plan that contributes a significant portion (27%) of total revenue	No asymmetric risk factors noted
Factors that could lead to upgrade	Substantial growth in financial cushion to debt and operation, further enhancement in philanthropic support	Stronger demand assessment – high acceptance and matriculation rates; strong adjusted cash flow margin on a sustained basis, continued improvement in already strong liquidity and leverage ratios
Factors that could lead to downgrade	Sustained weakening of operating performance and erosion of liquidity, and significant increase in leverage without commensurate increase in cash and cashflow	Significant increase in leverage or weakening of liquidity, prolonged operating pressures resulting in weak cash flow margin



1. Credit Rating

Institution	Moody's	S&P	Fitch	Most Recent Agency Report
University of Colorado	Aa1 (Stable)	N/A	AA+ (Stable)	October 2024
State of Colorado	Aa1 (Stable)	AA (Stable)	N/A	August 2024
Colorado Community College System	Aa3 (Stable)	N/A	N/A	April 2023
Fort Lewis College	A3 (Stable)	N/A	N/A	March 2024
Colorado School of Mines	A1 (Stable)	A+ (Stable)	N/A	March 2024
Metropolitan State University of Denver	A1 (Stable)	A (Stable)	N/A	July 2024
Colorado Mesa University	A2 (Stable)	N/A	N/A	April 2024
Adams State University	A3 (Stable)	N/A	N/A	December 2022
Colorado State University	Aa3 (Stable)	A+ (Stable)	N/A	February 2024
Western Colorado University	A3 (Stable)	N/A	N/A	August 2024
University of Northern Colorado	A3 (Stable)	A- (Stable)	N/A	March 2024

Source: State Treasurer's 8th Annual Report, August 30, 2024



University of Colorado

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2. Financial Health Index

Composite Financial Index

Measures an institution's financial health. It should be analyzed in context with the university's other activities to reach an assessment of the overall health of the institution.

Primary Reserve Ratio

Measures if resources are sufficient and flexible enough to support the university's mission.

A Primary Reserve Ratio of 40 percent or better is advisable to give institutions the flexibility to transform the enterprise.

The implication of 40 percent is that the institution would have the ability to cover about five months of expenses (40 percent of 12 months) from reserves.

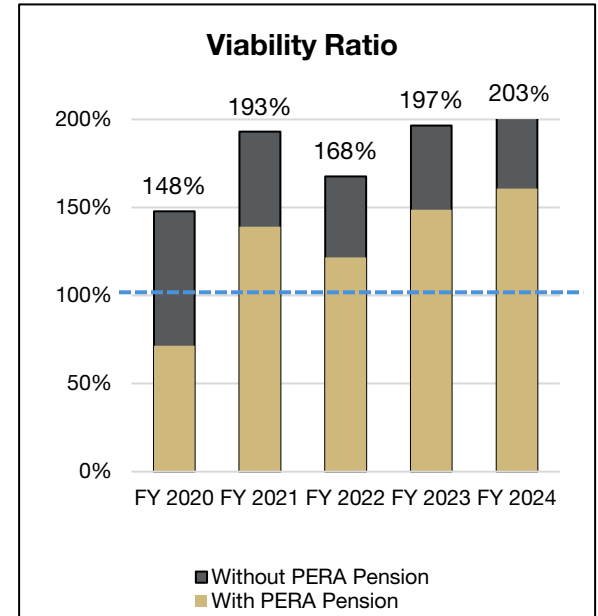
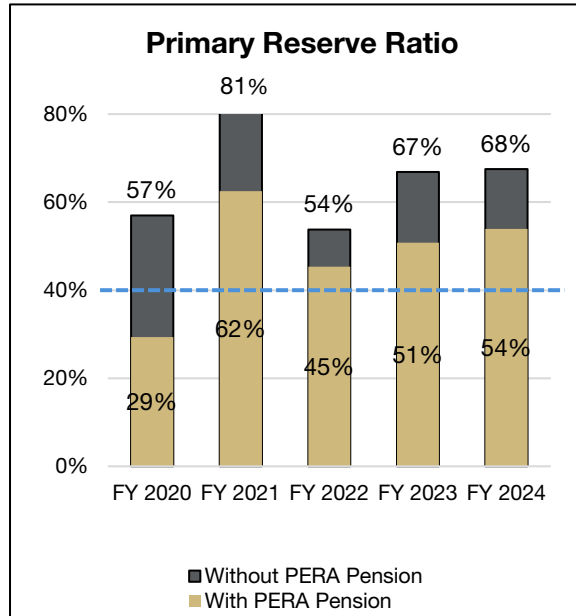
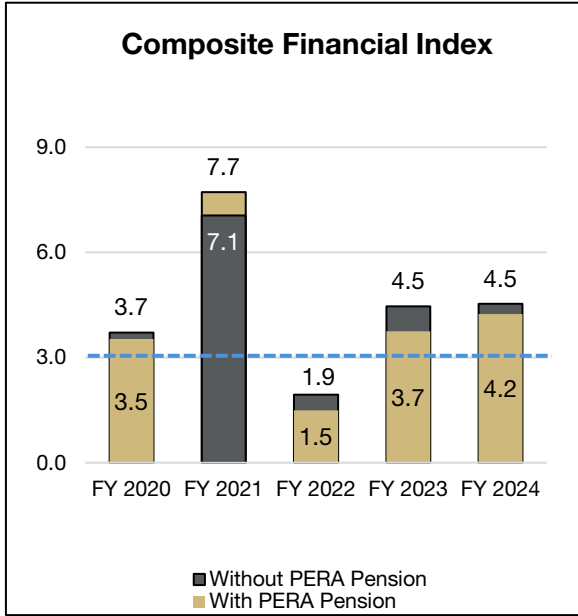
Viability Ratio

Measures whether debt resources are managed strategically to advance the university's mission.

A ratio of 100 percent or greater indicates that, as of the balance sheet date, an institution has sufficient expendable net assets to satisfy its debt obligations.



2. Financial Health Index



■ University of Colorado - - - - Aa1 Threshold

3. Adequate Liquidity and Investments

Total Cash & Investments to Operating Expenses

Measures coverage of annual operating expenses by wealth.

Higher ratio is better.

Note: Total cash and investments divided by operating expenses.

Total Cash & Investments

Measures the wealth of the university and its affiliated foundation. Expressed in dollars.

Higher is better.

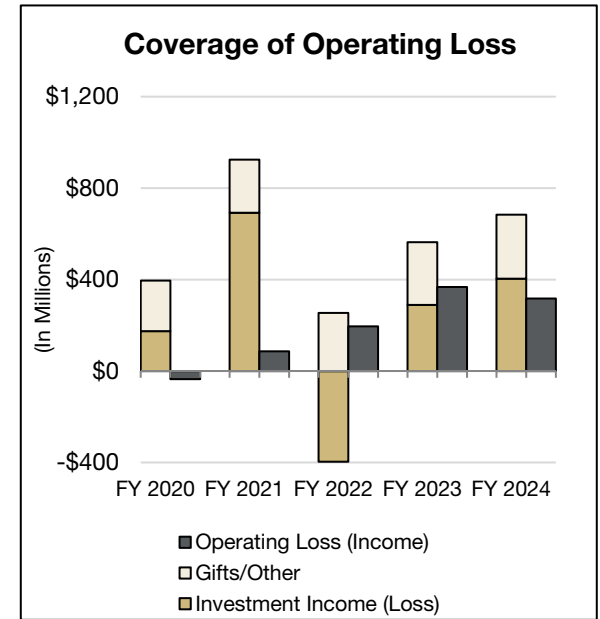
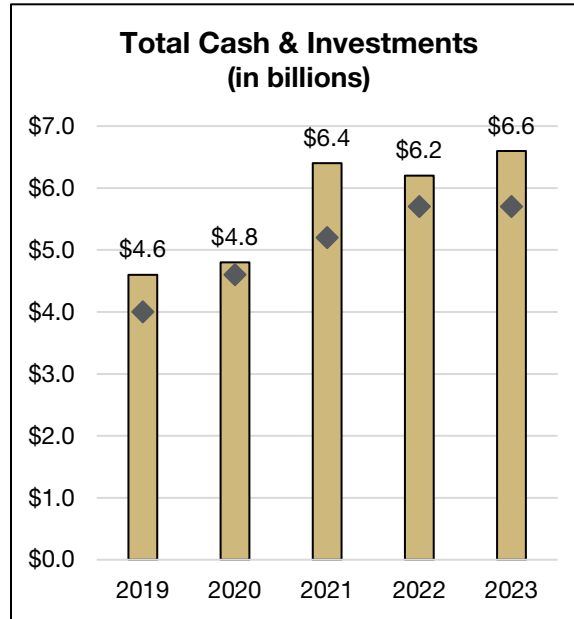
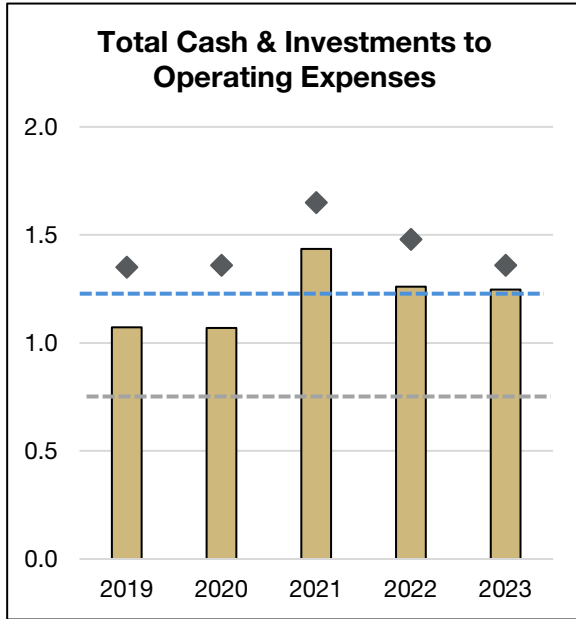
Note: Total cash and investments of the university and its affiliated foundation.

Coverage of Operating Loss

Compares income from gifts, investments, and other non-operating income to the university's operating loss. This demonstrates the university's reliance on non-operating revenue sources to support its mission.



3. Adequate Liquidity and Investments



University of Colorado
 Aa1 Lower Threshold
 Aa1 Upper Threshold
 Moody's Median (Aa1 Public University)



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Conclusions

- Reserves are adequate to maintain credit rating and align with Aa1 threshold
- Strong credit rating has helped lower cost of borrowing and achieve millions in savings
- Enrollment and state revenue are risk factors
- Significant spend-down of reserves would:
 - Reduce financial flexibility and could pose potential risk to current credit rating, and
 - Decrease assets that generate investment income
- Cash effectively managed to ensure liquidity

