



Eastern Washington University Audit Committee Debt Report

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Overview

- Debt Policy Review
- Overview of Outstanding Debt
- Highlights of Outstanding Debt
 - Current Bond Debt Profile
 - Annual Bond Payments
- Services and Activities Fee Debt
- Housing and Dining Debt
- Rating/Credit
- Key University Ratios and Comparisons
- External Covenants for Auxiliary Bonds
- University Debt Capacity

Debt Policy Review

- Authority
 - Debt Policy adopted by the EWU Board of Trustees on October 13, 2006
 - Board Authority and Responsibilities:
 - Authority to issue bonds to fund certain capital property
 - To enter into financing contracts to acquire real property
 - To borrow for short term operating expenses
 - Business and Finance Committee:
 - Authority to consider and make recommendations to the board concerning the financing of capital projects and other borrowings
 - Administration:
 - Charged with all aspects of managing, issuing and serving debt for the University
- Legal Debt Issuance Authority
 - The University cannot leverage state appropriations nor tuition revenues
 - RCW 28B.10.300 authorizes the University to issue revenue bonds to finance, among other things, housing, dining, parking, student activities and “services of any kind for students,” and to pledge to the repayment of those bonds the rentals, fees, charges and other income derived from the ownership, operation and use of those facilities
 - Example revenues that can be leveraged: Housing and Dining revenues, Parking revenues, Student Fee revenues, Athletic revenues

Debt Policy Review

- Monitoring and Servicing Debt
 - Debt Service payments will be made in an accurate and timely manner
 - The Business and Finance Office will monitor the University's rebatable arbitrage earnings for tax purposes on an annual basis
 - The Business and Finance Office will also evaluate compliance with IRS private use rules and issuance and periodically thereafter
 - The Business and Finance Office will evaluate debt capacity at least bi-annually, and annually present a report to the Board of Trustees on:
 - Debt issued
 - Debt outstanding
 - Estimated debt capacity
 - Credit ratings

Debt Policy Review

- Issuance Criteria

- All debt will be issued in compliance with the University's legislative authorities, subject to the University's overall debt capacity and capital plans
- Consider the impact of additional debt on the University's credit rating
- The University uses the following financial statement ratios to determine institutional viability as part of the criteria:
 - Primary reserve ratio: unrestricted net assets/operating expenses
 - Current ratio: current assets/current liabilities
 - Debt burden ratio: annual debt service/total operating expenses

	FY 2024 Actual	FY 2023 Actual	FY 2022 Actual	FY 2021 Actual	FY 2020 Actual
Primary Reserve Ratio ⁽¹⁾	0.61x	0.51x	0.42x	0.29x	0.11x
Current Ratio ⁽¹⁾	5.49x	5.83x	5.53x	5.51x	4.25x
Debt Burden Ratio ⁽²⁾	6.07%	5.66%	5.85%	4.69%	2.37%

(1) Higher is stronger

(2) Lower is stronger; FY 2021, FY2022, FY2023, and FY2024 are adjusted to reflect the inclusion of capital leases per the implementation of GASB 87 and 96. FY 2024 Debt Burden Ratio without the adjustments equals 4.07%

Continuing Disclosure Policy

- Under the provisions of Securities and Exchange Commission Rule 15c2-12 (the “Rule”), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of securities
- Unless the University is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript for each issue will include an undertaking by the University to comply with the Rule
- The Chief Financial Officer of the University will monitor compliance by the University with its undertakings. These undertakings may include:
 - The requirement for annual filing of operating and financial information and
 - Will include a requirement to file notices of listed “material events”
- The 2024 annual filings were completed in the required timeframe, consistent with prior years

Overview of Outstanding Obligations

- The University has \$66,740,000 of Bonds outstanding as of February 1, 2025
- Services and Activities Fee Revenue Bonds
 - Two issues with \$48,010,000 principal outstanding
 - Two purposes
 - \$16,510,000 outstanding for the University Recreation Center construction
 - \$31,500,000 outstanding for the Pence Union Building renovation
- Housing and Dining System Revenue Bonds
 - One series with \$18,730,000 principal outstanding for construction of snyamncut Hall
- The University two forms of additional obligations outstanding:
 - Certificates of Participation (COPs) with the State, paid for out of building fees
 - Capital lease for the Catalyst building in Spokane, paid for with tuition revenue

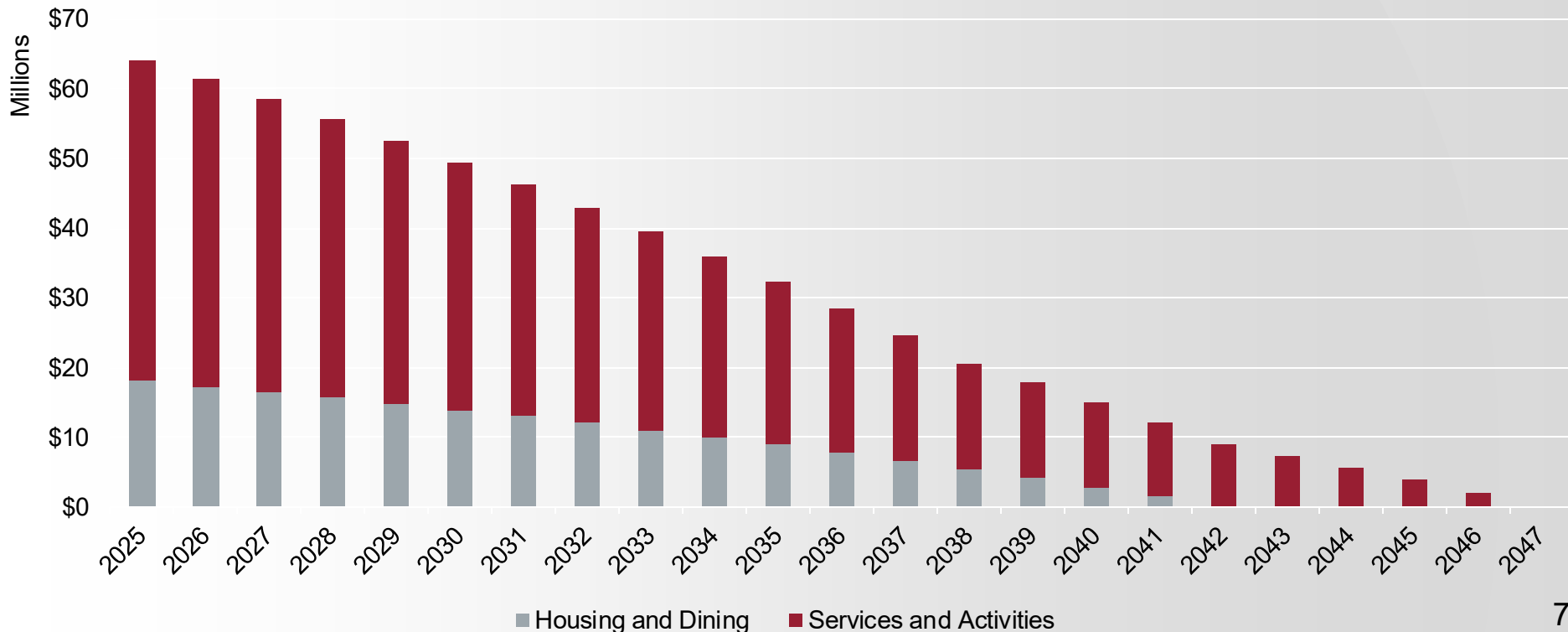
University's Moody's Bond Ratings

- A1 - University Issuer Rating
- A2 – Services and Activities Fee Revenue Bonds
- A2 - Housing and Dining System Revenue Bonds

Current Revenue Bond Debt Profile

- Outstanding principal includes Student Services and Activities Fee Revenue bonds and Housing and Dining Revenue bonds
- Principal balance declines from \$66,740,000 on June 30, 2025 to \$35,975,000 at the end of FY 2035
 - Ten year pay down is 49% of outstanding par (\$30,765,000)

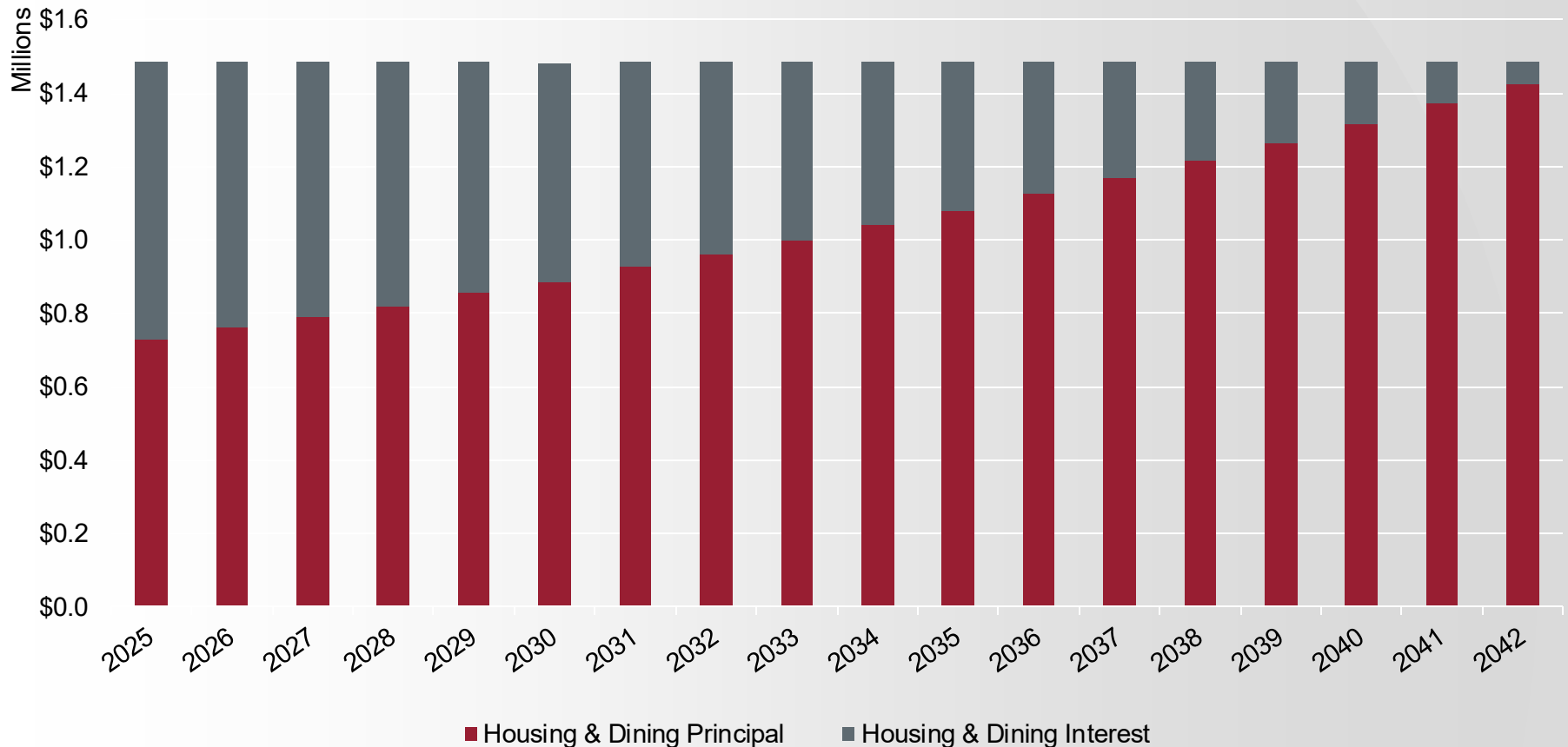
Outstanding Par Spend Down (FY End)



Housing and Dining Annual Revenue Bond Payments

- Total outstanding bond principal: \$18,730,000
- Average annual bond debt service: \$1,485,833 (FY2025– FY2042)

Housing and Dining Debt Service (FY End)

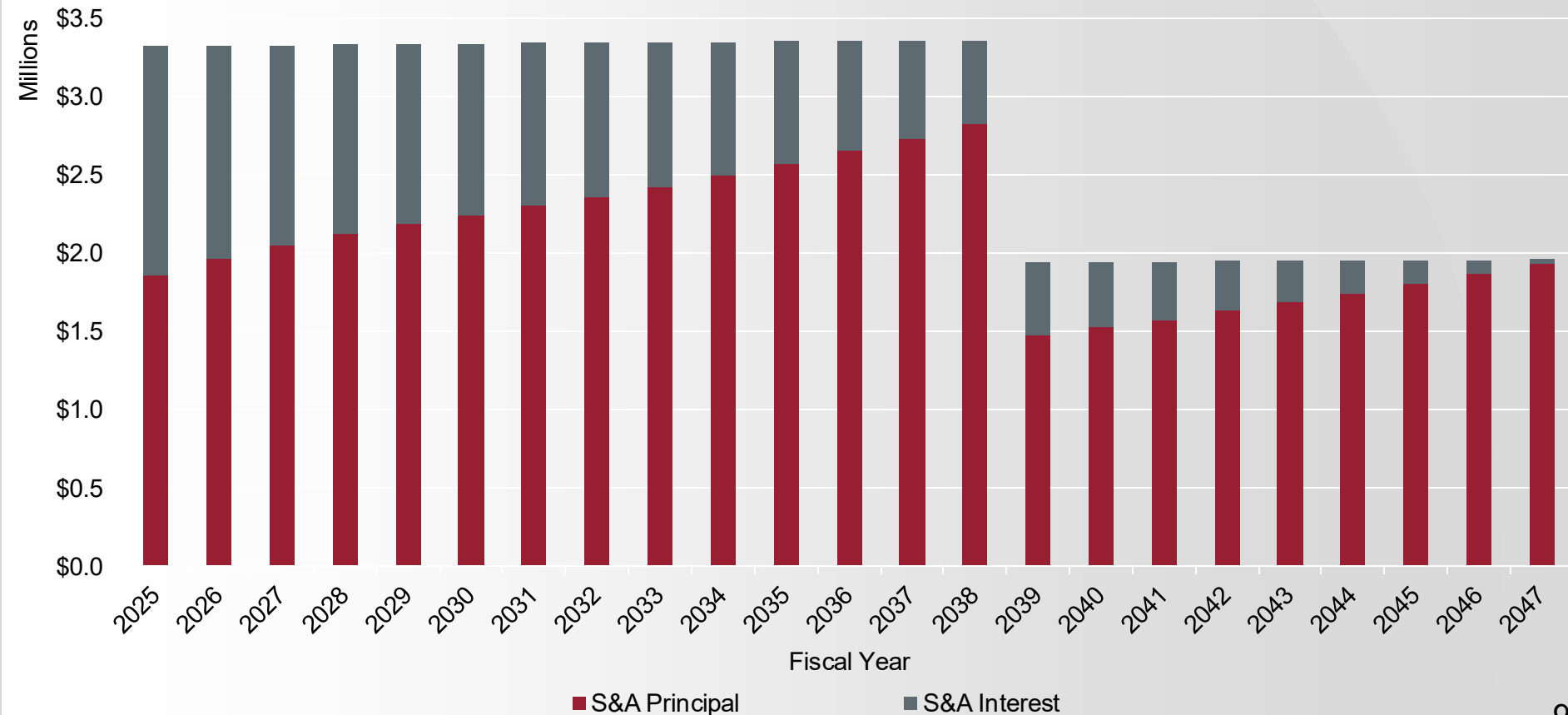


Services and Activities

Annual Revenue Bond Payments

- Total outstanding bond principal: \$48,010,000
- Average annual bond debt service: \$2,797,773 (FY2025– FY2047)

Services and Activities Debt Service (FY End)

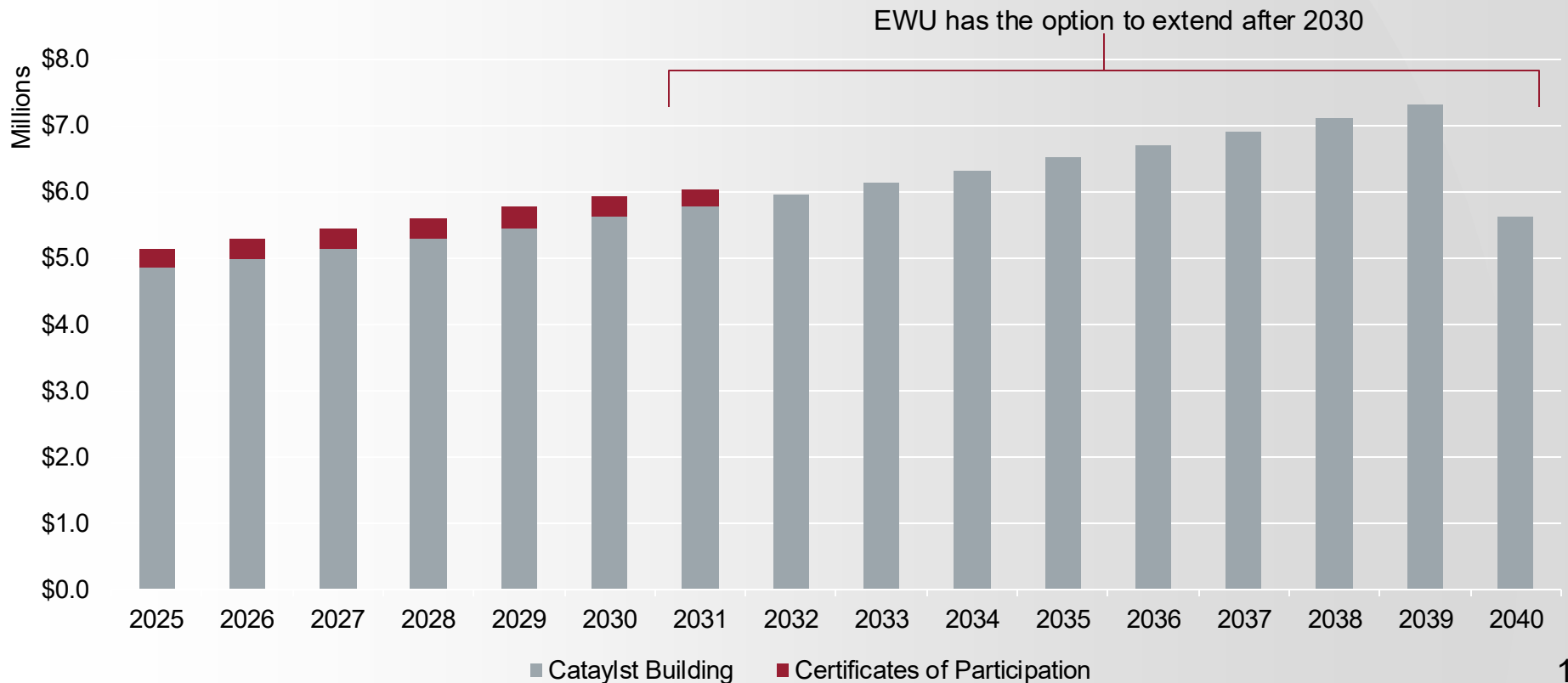


Other Obligations – Capital Leases

Annual Lease Payments

- The lease for the Catalyst Building in Spokane is a 10-year lease with two 5-year renewals
- Remaining payments (as of 2/1/2025): \$31,307,790 (current lease without renewals)
 - \$95,626,980 (assuming renewals)


Other Obligation Payments (FY End)



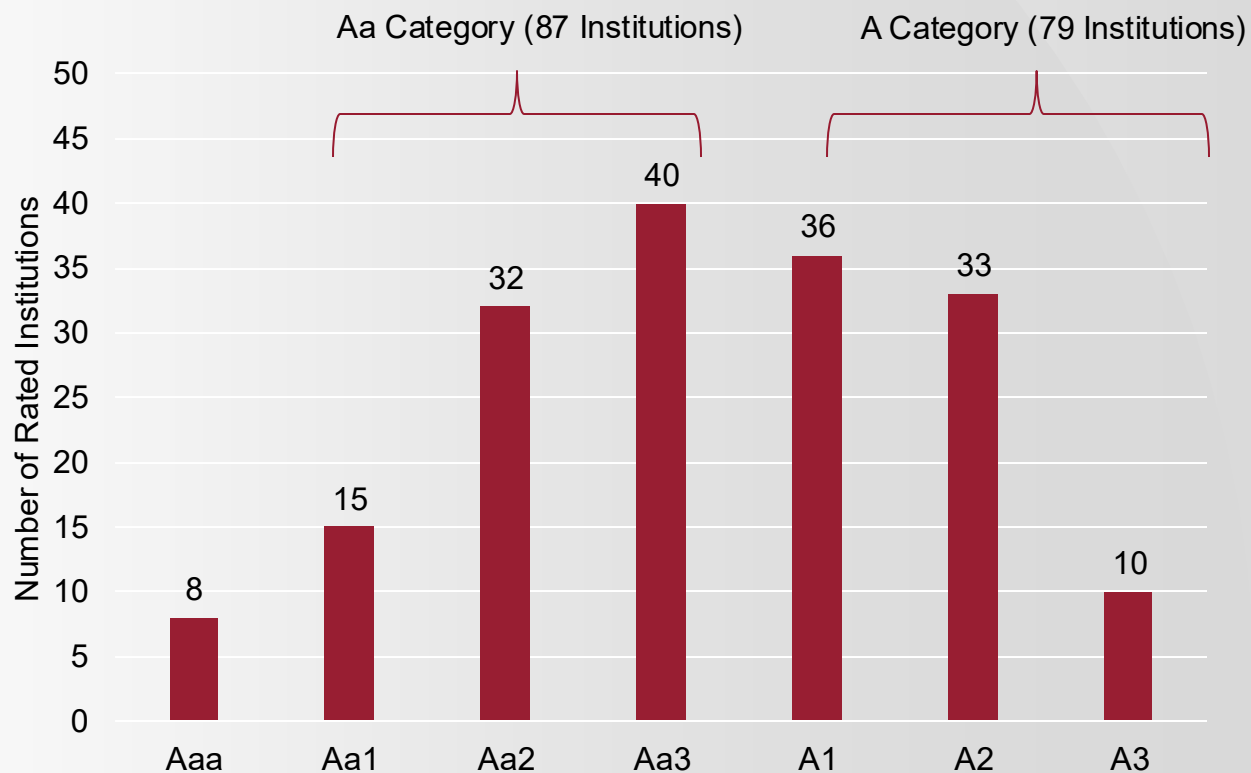
Most Recent Rating Activity

- Moody's affirmed the University's A1 rating (stable outlook) for all outstanding bonds on October 18, 2021
- The University's Housing and Dining System Revenue Bonds and the Services & Activities Fee Revenue Bonds are rated one notch lower at A2 because of the narrow revenue pledge
- Moody's highlighted the following strengths and challenges
- *Strengths:*
 - Very good brand as regional public university with favorable pricing
 - Leverage remains manageable with relatively low direct debt compared to reserves
 - Sound total wealth, including 263 monthly days cash on hand as of June 30, 2020 provides the university with favorable financial flexibility
 - Increasing operating appropriations and continued healthy capital support from the state
- *Challenges:*
 - Softening undergraduate enrollment continues, although these declines are partially mitigated by graduate and online student growth
 - Historically modest donor support compared to similarly rated peers
 - Ongoing pandemic impacts will prompt careful budget management to maintain sound operating performance

Moody's Rating Distribution of Public Higher Education Institutions

Moody's	
Aaa	
Aa1	
Aa2	
Aa3	
A1	
A2	
A3	

Moody's rating carries a stable outlook



Moody's Scorecard Results

Metric	% of Total Score	Value	Indicated Score
Scale (15%)			
Adjusted Operating Revenue (\$000s)	15%	\$242,216	A
Market Profile (25%)			
Brand and Strategic Positioning	10%	Very Good	A
Operating Environment	10%	Very Good	A
Operating Performance (10%)			
EBIDA Margin	10%	12.64%	A
Financial Resources & Liquidity (25%)			
Total Cash and Investments (\$000s)	10%	\$290,283	Aa
Total Cash & Investments to Operating Expenses	15%	1.21x	Aa
Leverage & Coverage (20%)			
Total Cash & Investments to Total Adjusted Debt	10%	1.27x	Aa
Annual Debt Service Coverage	10%	2.12x	Aa
Financial Policy (10%)			
Financial Policy and Strategy	10%	Very Good	A
Indicative Rating			A1

Source: University's 2024 Audited Financial Report; Moody's Public Higher Education Rating Methodology

Note: Based on PFM's calculations; actual results may vary

Key University Ratios

Moody's Methodology

Ratio, as defined by Moody's	FY 2023 Moody's "A1" Medians ⁽¹⁾	FY 2024 EWU ⁽²⁾	FY 2023 EWU ⁽³⁾	FY 2022 EWU ⁽³⁾⁽⁴⁾	FY 2021 EWU ⁽³⁾	FY 2020 EWU ⁽³⁾
Spendable Cash & Investments to Total Debt (Higher is Stronger)	1.6x	1.7x	1.3x	1.2x	2.4x	2.2x
Total Debt to Cash Flow (Lower is Stronger)	4.9x	5.0x	4.9x	3.7x	2.0x	3.5x
Debt Service to Operating Expenses (Lower is Stronger)	4.1%	3.1%	3.4%	3.6%	2.3%	2.5%

Notes:

- (1) Moody's Investors Service: Medians – Public universities' operating performance softens as pandemic aid ends, June 6, 2024
- (2) Calculated using the University's 2024 Audited Financial Report; based on PFM's estimates, actual results may vary.
- (3) Source: MFRA Data
- (4) 2022 negative trends are largely attributable to Moody's inclusion of capital leases as part of the University's outstanding debt

Note: Moody's ratio calculations may differ from the University's debt policy ratios

Auxiliary Coverage

- Housing and Dining System revenue bond covenants require net revenue be the greater of:
 - Amounts sufficient to provide for payment of debt service and reserve funds;
 - At least 1.25 times debt service
- Student Services and Activities Fee revenue bond covenants require the University to collect student services and activities fees for as long as any bonds are outstanding, to provide the greater of:
 - Amounts sufficient to provide for payment of debt service and reserve funds;
 - At least 1.25 times debt service
- Monitored at least annually

	FY 2024 Actual	FY 2023 Actual	FY 2022 Actual	FY 2021 Actual	FY 2020 Actual	Required Coverage	Basis
Services and Activities Fee	2.28x	2.31x	2.42x	2.82x	3.09x	1.25x	Gross Revenue
Housing & Dining	3.85x	3.33x	3.67x	1.73x ⁽¹⁾	2.70x	1.25x	Net Revenue

Notes:

(1) Includes a one-time transfer of money subsequent from the CARES act

Note: A higher ratio is stronger

Source: Housing and Food Services & Associated Student Activities Audited Financial Statements

University Debt Capacity

- Debt capacity is not a defined concept, but is based upon a combination of considerations, reflecting two principles:
 - Ability to support annual debt service
 - Overall burden on the University, measured relative to annual revenue and unrestricted net assets
- Capacity is viewed relative to target bond ratings
 - Higher bond ratings generally correlate to lower capacity
 - The University can increase its capacity if it is willing to move down in rating categories
- Debt capacity can be influenced by the addition of new revenue
 - For the housing system, this could come through increased occupancy
 - For student fees, this could come through new student-imposed fees and/or budget changes that redirect revenue from programs to debt
 - Increase operating expenses could reduce debt capacity, e.g. the new lease payments for the catalyst building

Debt is a Limited Resource

- EWU's has comparable outstanding debt to its regional peers

FYE 2023	EWU	CWU	WWU
Undergraduate FTE	6,941	8,439	12,821
Total Bonds (\$ Millions)	\$72	\$129	\$152
Total Leases (\$ Millions)	\$100 ⁽¹⁾	\$1	\$1
Total Obligations (\$ Millions)	\$172	\$130	\$153
Rating (outlook)	A1 (stable)	A2 (negative)	A1 (stable)

Notes:

(1) Includes Catalyst Building lease renewals

- The University's debt capacity is limited and shared among the auxiliaries (H&D, parking, student activities, athletics etc.)
- The University's debt policy requires a financial evaluation prior to any debt issuance including assessing the impact on its key financial ratios
- In addition to an increase in debt, the balance sheet health of the institution is impacted by a reduction of reserve levels (spending cash on capital projects)