Overview

Purpose

• Provide information on the financial health of the university.
• Provide overview of key financial metrics over time.
• Provide comparison data from peer universities.

Overview

• Public universities operate in a challenging financial environment:
  o Volatile and declining levels of state funding.
  o Pressure/obligation to keep tuition rates low for our students.
  o Historic pressure to keep reserves low.
  o Need to grow self-generated revenues.
  o Minimal ability to budget for capital renewal.
  o Balance competing goals of financial strength with access and affordability.
Financial Analysis

Analysis separated into three sections:

- Trend analysis of key financial information.
- Comparison of key financial information to peer data.
- Trend analysis of specific financial metrics.
- Debt policy metrics.
  - Core financial health metrics
Trend Analysis of Key Financial Information

• Presents key financial information over the past five years.
• Design helps to gain insight into University operations.
Oregon State University
Current Ratio

Current Assets/Current Liabilities

*Current assets have been restated to estimate the amount of cash that since 2012 is now included in noncurrent investments.
Oregon State University
Contribution Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Student Tuition &amp; Fees</th>
<th>Grants &amp; Contracts</th>
<th>Auxiliary Enterprises</th>
<th>Other</th>
<th>State Appropriations</th>
<th>Nonoperating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>24%</td>
<td>25%</td>
<td>14%</td>
<td>5%</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>2012</td>
<td>26%</td>
<td>25%</td>
<td>14%</td>
<td>5%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>2013</td>
<td>27%</td>
<td>23%</td>
<td>15%</td>
<td>5%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>2014</td>
<td>30%</td>
<td>21%</td>
<td>14%</td>
<td>5%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>2015</td>
<td>29%</td>
<td>21%</td>
<td>15%</td>
<td>6%</td>
<td>16%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Oregon State University
Contribution Margin
Fiscal Years 2011 & 2015

2011
- Student Tuition & Fees: 24%
- Grants & Contracts: 25%
- Auxiliary Enterprises: 14%
- State Appropriations: 20%
- Other: 5%
- Nonoperating: 14%

2015
- Student Tuition & Fees: 29%
- Grants & Contracts: 21%
- Auxiliary Enterprises: 15%
- State Appropriations: 16%
- Other: 6%
- Nonoperating: 14%
Oregon State University
Expenditures (excluding Auxiliary Programs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Instruction</th>
<th>Research and Public Services</th>
<th>Support Services &amp; Aid</th>
<th>Institutional Support</th>
<th>Physical Plant</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>27%</td>
<td>38%</td>
<td>15%</td>
<td>7%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>2012</td>
<td>27%</td>
<td>36%</td>
<td>15%</td>
<td>7%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>2013</td>
<td>29%</td>
<td>34%</td>
<td>15%</td>
<td>8%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>2014</td>
<td>31%</td>
<td>32%</td>
<td>15%</td>
<td>8%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>2015</td>
<td>30%</td>
<td>33%</td>
<td>15%</td>
<td>8%</td>
<td>4%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Analysis of Key Financial Information to Peer Data

• Key financial FY14 information comparison to peer data.
  o FY15 data not available
  o Peer information only available if peer institution has separate audit.

• Design provides a comparison of OSU’s operations relative to peer institutions.
Calculation: Full-time equivalent (FTE) students /FTE faculty members

Oregon State University
Peer Institutions
Student/Faculty Ratio

OSU 23.5
Arizona 22.1
UC Davis 21.4
Iowa State 20.5
NC State 19.0
Michigan State 19.6

Peer Average 20.4
Oregon State University
Peer Institutions
State Appropriations and Tuition & Fees per Student FTE

Peer average $21,050

<table>
<thead>
<tr>
<th>Institution</th>
<th>State Appropriations</th>
<th>Tuition &amp; Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSU</td>
<td>$16,459</td>
<td>$10,646</td>
</tr>
<tr>
<td>Arizona</td>
<td>$19,623</td>
<td>$12,687</td>
</tr>
<tr>
<td>UC Davis</td>
<td>$25,149</td>
<td>$13,648</td>
</tr>
<tr>
<td>Iowa State</td>
<td>$17,622</td>
<td>$9,647</td>
</tr>
<tr>
<td>NC State</td>
<td>$24,037</td>
<td>$8,400</td>
</tr>
<tr>
<td>Michigan State</td>
<td>$23,408</td>
<td>$16,649</td>
</tr>
</tbody>
</table>

State $5,813

Tuition & Fees $10,646

Tuition & Fees $12,687

Tuition & Fees $13,648

Tuition & Fees $9,647

State $7,975

State $15,637

State $6,759
Oregon State University
Peer Institutions
Instruction Cost per Student FTE

Peer Average $13,423

OSU: $9,830
Arizona: $11,141
UC Davis: $21,659
Iowa State: $7,727
NC State: $12,628
Michigan State: $13,961
Oregon State University
Peer Institutions
Research Costs per Faculty FTE

OSU $193,274
Arizona $254,119
UC Davis $366,843
Iowa State $117,329
NC State $160,276
Michigan State $142,383

Peer Average $208,190
Oregon State University
Peer Institutions

*Academic support costs per faculty FTE*

- OSU: $58,586
- Arizona: $117,452
- UC Davis: $125,695
- Iowa State: $98,934
- NC State: $48,076
- Michigan State: $40,967

Peer Average: $86,225
Oregon State University
Peer Institutions
Student services costs per student FTE

Peer Average $1,585
Oregon State University
Peer Institutions

Student aid costs per student FTE

OSU: $1,232
Arizona: $1,677
UC Davis: $1,737
Iowa State: $955
NC State: $1,562
Michigan State: $1,334

Peer Average: $1,453
Oregon State University
Peer Institutions
Primary Reserve & Debt Burden Ratios

<table>
<thead>
<tr>
<th></th>
<th>OSU</th>
<th>Arizona</th>
<th>UC Davis</th>
<th>Iowa State</th>
<th>NC State</th>
<th>Michigan State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve</td>
<td>14.0%</td>
<td>29.5%</td>
<td>-8.3%</td>
<td>47.0%</td>
<td>32.9%</td>
<td>78.3%</td>
</tr>
<tr>
<td>Debt Burden</td>
<td>3.2%</td>
<td>5.8%</td>
<td>4.6%</td>
<td>3.8%</td>
<td>2.7%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>
Trend Analysis of Specific Financial Metrics

• Presents specific financial metrics approved by the Committee last March, including:
  o Metrics included in the Debt Policy.
  o Industry standard core measures of financial health.

• Design provides a view of the University’s financial health.

• The ratios combine OSU Foundation’s financial statements:
  o Industry best practice.
  o Holistically portrays the financial health of the University.
Oregon State University
Debt Burden Ratio

Calculation: Debt Service*/Adjusted Expenses (1)
*Debt Service & Debt excludes State paid debt, example XI-G
(1) Total expenses: Operating expenses & principal and interest paid less depreciation expense
**Oregon State University**

**Debt Service Coverage Ratio**

Calculation: 3 year average net revenues available for debt service/debt service

*Debt Service & Debt excludes State paid debt, example XI-G*
Oregon State University
Income Statement Leverage Ratio

Calculation: Debt/Revenues
*Debt Service & Debt excludes State paid debt, example XI-G
Oregon State University
Viability Ratio

Calculation: Expendable net assets/debt
*Debt Service & Debt excludes State paid debt, example XI-G

2011: 132.6%
2012: 113.5%
2013: 125.3%
2014: 107.7%
2015: 91.9%
Oregon State University
Primary Reserve Ratio

Calculation: Expendable net assets/Operating expenses plus interest expense
Oregon State University
Return on Net Assets Ratio

Calculation: Change in net assets/Total net assets
Oregon State University
Net Operating Revenues Ratio

Calculation: Income(loss) before capital & other/Operating revenues plus non-operating revenues
Questions?