Proposed Financial Metric Ranges

June 2, 2016
Introduction

• Financial Ratios Were Selected to Evaluate
  • Historical operating performance
  • Currently available resources
  • Prospectively evaluate impacts of strategic decisions and investments

• Financial Ratios Are
  • Balance sheet ratios, reflecting wealth and liquidity
  • Income statement ratios, reflecting current operating results
How Ratios Are Used

• Ratios Help Determine:
  • Sustainability of OSU operations
  • Availability of cash and liquid investments to respond to adversity that may occur, such as
    • Enrollment decline,
    • Decreased research funding, or
    • Decreased appropriations
  • Expected impacts from strategic investments that reduce available near-term income or resources
  • Justification for larger annual surpluses to allow future strategic investments
Key Financial Ratios for Oregon State University

1. **Viability Ratio** – Expendable resources over debt
2. **Primary Reserve Ratio** – Expendable resources over total expenditures
3. **Net Income Ratio** – Surplus or deficit to operating revenues
4. **Return on Net Assets Ratio** – Three-year average of the change in net assets to total assets
5. **Debt Burden Ratio** – Debt service over total expenditures minus depreciation plus debt principal payments
6. **Debt Service Coverage** – Three-year average net operating income plus non-operating revenues plus interest and depreciation over debt service
7. **Debt to Revenues Ratio** – Direct debt over revenues
8. **E&G Fund Balance** – Ending unrestricted net assets operating balance as a % of revenues
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Note: Range of FY 2014 ratios for 40 universities rated Aa3 by Moody's representing 80% of the 51 rated universities and excluding high and low outliers.
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Viability Ratio

- FY13
- FY14
- FY15

Primary Reserve Ratio

- FY13
- FY14
- FY15

Net Income Ratio

- FY13
- FY14
- FY15

Return on Net Assets Ratio

- FY13
- FY14
- FY15
Questions?