

FY2021 to 2025 Financial Metrics Update

EXECUTIVE SUMMARY

This update provides information on the financial health of the university as of June 30, 2025, including comparison of key financial metrics over time.

Operating Performance

- **EBIDA (Earnings before Interest, Depreciation and Amortization) Margin (Table 1):** For fiscal year (FY) 2025, operating expenses increased at a greater rate than operating revenues and the university's EBIDA margin was 8.0%, which is within the Board's established range of 8.0% to 18.0%.

Reserve Levels and Debt Capacity

- **Cash and Investments to Operating Expenses (Table 1):** At the end of FY25, the university could meet annual operating expenditures 0.93 times, which is within the Board's established range of 0.75 to 1.25 times. This ratio has seen slight declines since FY21.
- **Cash and Investments to Adjusted Debt (Table 1):** At the end of FY25, the university could repay debt and pension obligations 0.8 times, which is within the Board's established range of 0.5 to 2.0 times. This ratio has remained relatively constant from FY21 to FY25.

Debt Affordability

- **Debt Service Coverage (Table 1):** The debt service coverage ratio is 1.1 for FY25, which is below the Board's established range of 1.5 to 3.5 times primarily due to the \$60M repayment of commercial paper.

CONCLUSION

The EBIDA metric is at the lower end of the operating range. In FY25, OSU's operating revenues grew by \$20.4M, while adjusted operating expenses grew by \$34.2M. Research-intensive land grant universities generally spend more of their revenues for operations and hold weaker reserves.¹ The reserve levels and debt capacity metrics are within the board's established ranges, indicating continued balance sheet strength; however, the Cash and Investment to Adjusted Debt indicates the university's ability to issue new debt may be limited in the near term. The Debt Service Coverage metric was 1.1 times for FY25 primarily due to the repayment of commercial paper.

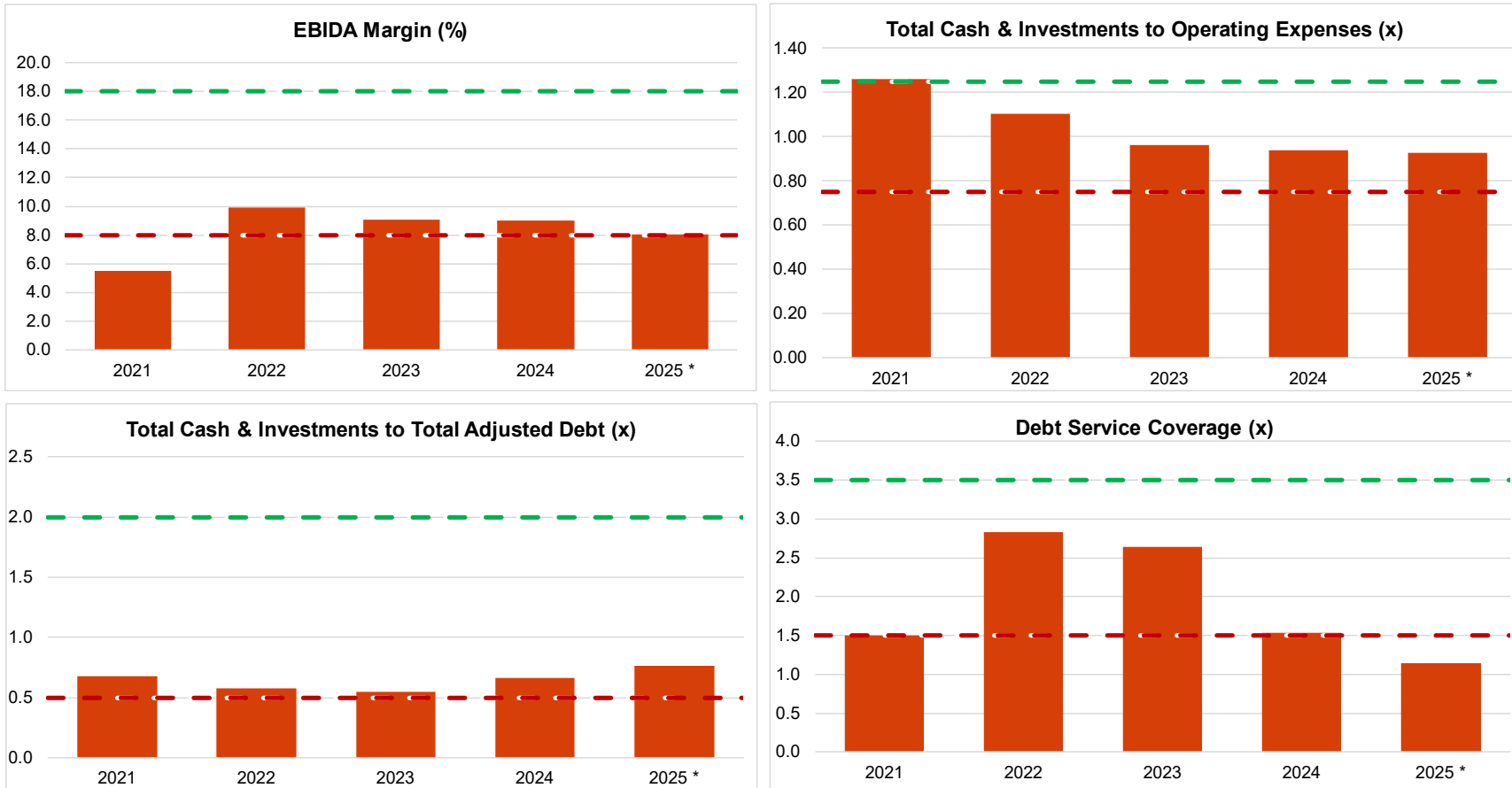
NEXT STEPS

Staff will continue to bring financial metrics to the Finance and Administration Committee for annual review and discussion.

¹ Peer financial information is available to OSU from Moody's Investor Services Financial Ratios Analysis database (Moody's MFRA database)

Table 1

Key financial metrics based on OSU's FY21 through FY25 audited financial statements.



* Calculation will be adjusted by Moody's when the financial statement analysis is completed

ATTACHMENT 1 - DEFINITIONS

On October 7, 2021, the Finance & Administration Committee updated and adopted a set of financial metrics and operating ranges to assist in monitoring the financial health of the university over time.

Operating Performance

Ratio	Operating Ranges	Purpose
Fund Balance	10.0% - 20.0%	Measures the available operating balance relative to the size of the Education and General operations and reported in the quarterly management reports
EBIDA (Earnings before Interest, Depreciation and Amortization) Margin	8.0% - 18.0%	Measures the ability to repay debt from operating revenue as well as invest in academic programs and facilities to advance strategic objectives

Reserve Levels and Debt Capacity

Ratio	Operating Ranges	Purpose
Total Cash and Investments to Operating Expenses	0.75 – 1.25 times	Measures level of available reserves to meet the university’s operating expenditures
Total Cash and Investments to Adjusted Debt	0.5 – 2.0 times	Measures the ability to repay debt and pension obligations with available financial resources

Debt Affordability

Ratio	Operating Ranges	Purpose
Debt Service Coverage	1.5 - 3.5 times	Measures the sufficiency of operations to cover debt service on a cash flow basis

OSU uses ratio analysis as a key tool for the evaluation of the financial performance of the university and in communicating financial and operational performance outcomes to key stakeholders. The Fund Balance metric is measured and reported to the Board of Trustees through the quarterly operating management reports. The university’s four key financial metrics —EBIDA, Total Cash and Investments to Operating Expenses, Total Cash and Investments to Adjusted Debt, and Debt Service Coverage—are measured and reported annually and when the use of debt capacity is assessed or considered.

EBIDA (Earnings before Interest, Depreciation and Amortization) Margin

EBIDA reflects the available cash flows generated by the university after paying operating expenses. These cash flows are available to pay debt service, reinvest in capital assets (deferred maintenance), invest in new capital projects and strategic initiatives, and to set aside reserves for uncertain events and future strategic opportunities. If cash flows and other available revenues like state capital appropriations are insufficient to meet cash needs, the university must draw on reserves.

Cash and Investments to Operating Expenses

This metric measures the level of available financial resources to meet the university's operating expenditures. The Cash and Investment to Operating Expense ratio improves if total cash and investments increase and/or operating expenses decrease.

Cash and Investments to Adjusted Debt

This metric measures the ability to repay debt and pension obligations with available financial resources. The Cash and Investments to Adjusted Debt ratio improves if total cash and investments increase and/or adjusted debt decreases. Adjusted debt includes the university's general revenue bonds, notes, university paid state issued debt, debt-like obligations and net pension liability, as calculated by Moody's Investors Service. The ratio is impacted as debt is paid off, new debt is issued, and with changes in the net pension liability.

Debt Service Coverage

This metric measures the sufficiency of operations on a cash flow basis to cover debt service. The debt service coverage ratio increases as EBIDA increases and/or debt service decreases.