MEMORANDUM

TAB F

December 6, 2019

USHE – Debt Ratio Analysis

During the March 2014 Regents Finance & Facilities Committee review of R588 *Delegation of Debt Policy to Boards of Trustees*, several members recommended the Commissioner's office prepare a system-wide debt ratio analysis for presentation in future meetings. The following document contains the financial ratios that historically have proven good basic measures and are recommended the KPMG publication, "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks *7th Edition*." Each ratio is defined and presented by institution using industry standards and formulas.

Institutional Controllers submitted financial information from their audited annual financial statements, and will have the opportunity to review the results along with Chief Financial Officers, Budget Officers, and OCHE staff. Additional work is currently underway to include a composite index calculation for inclusion in the final debt ratio analysis for the January Board meeting. The current information is preliminary and subject to change.

Commissioner's Recommendation

Information item only; no action is required.

Attachment

Debt Ratio Analysis

Utah System of Higher Education

Viability Ratio	FY15	FY16	FY17	FY18	FY19
University of Utah	2.10	2.14	2.11	2.32	2.19
Utah State University	2.66	1.79	1.91	1.67	1.95
Weber State University	2.36	2.64	2.77	3.10	3.48
Southern Utah University	3.82	2.15	2.06	1.90	1.68
Snow College	0.88	0.97	0.97	0.98	1.25
Dixie State University	0.67	0.48	0.76	0.76	0.38
Utah Valley University	1.27	1.61	3.20	3.77	4.18
Salt Lake Community College	17.91	no debt	no debt	8.20	9.58

Viability Ratio measures how many times an Institution can cover their entire long-term debt obligation using their total Expendable Net Assets. A ratio of 1:1 or greater indicates that an Institution has sufficient expendable net assets to satisfy debt obligations.

Debt Burden Ratio	FY15	FY16	FY17	FY18	FY19
University of Utah	6.0%	2.4%	2.4%	2.5%	5.6%
Utah State University	2.2%	5.0%	2.7%	2.5%	2.2%
Weber State University	2.0%	2.0%	1.9%	2.0%	1.9%
Southern Utah University	3.5%	1.0%	1.8%	2.3%	2.3%
Snow College	2.8%	2.7%	2.7%	2.5%	2.4%
Dixie State University	2.7%	2.0%	2.2%	2.5%	2.0%
Utah Valley University	1.7%	3.0%	1.7%	1.5%	1.5%
Salt Lake Community College	0.6%	no debt	no debt	0.0%	0.7%

Debt Burden Ratio measures an Institution's dependence on borrowed funds to finance it's operation, by measuring the relative cost of borrowing to overall expenditures. The industry has established 7.0% as the upper threshold for a healthy institution. Debt Service is defined as Interest Expense + Principal Payments. Total Expenditure is defined as Total Expenses - Depreciation Expense + Principal Payments.

Industry Standards & Formulas

1:1

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

< 7.0%

$$\frac{\text{Debt Service}}{\text{Total Expenditure}}$$