



UTAH SYSTEM OF  
HIGHER EDUCATION

# MEMORANDUM

TAB H

March 25, 2021

## Financial Ratio Report

### Background

Annually, the Commissioner's office prepares a systemwide report for the Utah Board of Higher Education to measure institutional financial health. Three ratios are reported (viability, debt burden, and composite score) that have historically proven as good basic measures of higher education fiscal health. These measures are adopted from the KPMG publication, *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks*<sup>1</sup> using industry standards and formulas:

- **Viability Ratio** — measures how many times an institution can cover its entire long-term debt obligation using its total expendable net assets. A ratio of 1:1 or greater indicates that an institution has sufficient expendable net assets to satisfy debt obligations. As the ratio falls below 1:1, the institution's ability to respond to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.
- **Debt Burden Ratio** — measures an institution's dependence on borrowed funds to finance its operation by measuring the relative cost of borrowing to overall expenditures. Industry standards recommend 7% as the upper threshold for a healthy institution. The higher the ratio, the fewer resources are available for other operational needs. A level trend, or a decreasing trend, indicates that debt service has sufficient coverage, whereas a rising trend signifies an increasing demand on financial resources to pay back debt.
- **Composite Index** — this calculation combines and weights four ratios (viability, debt burden, leverage, and primary reserve) into one single financial metric. This allows a weakness or strength in a specific ratio to be offset by another ratio result, thereby allowing a more holistic approach to understanding the institution's total financial health. KPMG's publication establishes a threshold value of 3.0 for institutions that are considered to have a good financial position.

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<sup>1</sup> KPMG Institutes, *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks*, 7<sup>th</sup> edition, <http://nacubo.org/>

Institutional controllers submitted all financial information from their audited annual financial statements and will have reviewed the results along with Chief Financial Officers, budget officers, and OCHE staff.

### **Ratios Not Meeting Standards**

#### *Snow College*

During FY 2018 and 2019, the college received a significant amount of capital appropriations which helped the composite score. In 2020 there was a slight improvement from the score of 1.40 in 2017, which was the last year the college did not have significant capital appropriations.

#### *Dixie State University*

Dixie State University continues to grow and must ensure they have appropriate facilities available for its students' needs. In FY20, it was necessary to issue long-term bonds to facilitate the construction of a new student housing building, which caused a decrease in the university's viability ratio. Although the viability ratio and composite score are not meeting the standard, we expect these will continue to trend upward as debt is paid off.

#### *Mountainland Technical College*

Historically, Mountainland Technical College has tried to spend its yearly appropriations in the same year it was received without carrying forward reserves. This has had an impact on the viability ratio and composite score. Although the viability ratio and composite score are not meeting the standard, both are trending upward. We expect the ratios to improve in the coming year.

### **Commissioner's Recommendation**

This is a discussion item only; no action is required.

### **Attachments**

# Financial Ratio Report

Viability Ratio	FY16	FY17	FY18	FY19	FY20
University of Utah	2.14	2.11	2.32	2.49	2.25
Utah State University	1.79	1.90	1.67	1.95	1.53
Weber State University	2.64	2.77	3.10	3.48	3.78
Southern Utah University	4.02	3.48	2.81	2.82	3.16
Snow College	0.96	0.97	0.98	1.26	1.31
Dixie State University	0.61	0.97	0.63	0.60	0.31
Utah Valley University	5.42	2.75	3.77	4.18	2.47
Salt Lake Community College	no debt	no debt	8.20	9.58	13.16
*Mountainland Technical College	0.03	0.55	0.87	0.69	1.00

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	FY16	FY17	FY18	FY19	FY20
University of Utah	3.0%	2.9%	3.4%	2.7%	2.7%
Utah State University	2.3%	2.7%	2.5%	2.2%	2.4%
Weber State University	2.1%	1.9%	2.0%	1.9%	1.8%
Southern Utah University	9.3%	1.8%	2.7%	2.3%	2.1%
Snow College	2.7%	3.2%	2.7%	2.4%	2.4%
Dixie State University	1.8%	1.7%	2.4%	3.1%	2.5%
Utah Valley University	2.9%	2.0%	2.3%	1.5%	2.3%
Salt Lake Community College	no debt	no debt	0.0%	0.7%	0.7%
*Mountainland Technical College	2.4%	2.3%	2.4%	2.2%	2.2%

Debt Burden Ratio measures an institution's dependence on borrowed funds to finance its 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.

Composite Index	FY16	FY17	FY18	FY19	FY20
University of Utah	4.42	4.58	5.11	5.04	4.71
Utah State University	4.06	4.05	3.49	4.17	3.82
Weber State University	5.70	4.82	5.14	5.84	5.83
Southern Utah University	4.73	5.00	3.60	3.68	3.31
Snow College	0.87	1.40	3.12	2.19	1.63
Dixie State University	1.12	1.88	1.89	2.09	2.80
Utah Valley University	5.95	4.68	5.89	6.31	5.18
Salt Lake Community College	5.20	4.28	6.79	5.01	6.51
*Mountainland Technical College	0.44	1.66	2.10	1.65	2.29

Composite Index: this calculation combines and weights all four ratios (viability, debt burden, leverage, and primary reserve) into one single financial metric. This allows a weakness or strength in a specific ratio to be offset by another ratio result, thereby allowing a more holistic approach to understanding the institution's total financial health.

**Industry Standards & Formulas**

**1:1**

Expendable Net Assets  
Long-Term Debt

**< 7.0%**

Debt Service  
Total Expenditure

**> 3.00**

This is a combination of four financial ratios and the higher the number the greater the institutions financial health

## Appendix

### Financial Ratio Data

University of Utah					
Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	510,895,000	576,934,000	757,165,000	750,207,000	757,882,000
Net Position Unrestricted	1,701,748,000	1,762,352,000	1,884,954,000	2,184,226,000	2,396,035,000
Net Position Restricted—Non-Expendable	524,471,000	564,118,000	604,497,000	633,722,000	629,359,000
Expendable Net Position	2,212,643,000	2,339,286,000	2,642,119,000	2,934,433,000	3,153,917,000
Long-Term Debt—Current	123,179,000	105,961,000	74,285,000	84,452,334	93,858,543
Long-Term Debt—Non-Current	910,080,000	1,000,795,000	1,066,917,000	1,094,884,826	1,309,247,073
Total Long-Term Debt	1,033,259,000	1,106,756,000	1,141,202,000	1,179,337,160	1,403,105,616
Beginning Net Position	4,233,415,000	4,521,706,000	4,978,908,000	5,501,821,000	5,990,936,000
Ending Net Position	4,521,706,000	4,940,555,000	5,567,486,000	5,980,021,000	6,431,837,000
Increase (Decrease) in Net Position	288,291,000	418,849,000	588,578,000	478,200,000	440,901,000
Interest Expense	40,552,000	39,135,000	41,942,000	65,552,000	41,987,000
Depreciation Expense	204,396,000	222,143,000	222,591,000	236,321,000	247,453,000
Principal Payments	74,162,000	82,850,000	110,571,000	69,280,000	96,258,000
Total Expenses	3,965,735,000	4,364,965,000	4,585,138,000	5,105,317,000	5,311,744,000
Operating Revenue	3,760,817,000	4,151,959,000	4,390,605,000	4,825,426,000	5,062,988,000
Non-Operating Revenue	466,154,000	576,686,000	619,811,000	681,911,000	635,862,000
Net Non-Operating Revenues	425,602,000	537,546,000	577,869,000	616,359,000	634,356,000
Capital and Endowment Additions	67,607,000	94,309,000	205,242,000	141,732,000	55,301,000
Total Revenues	4,254,026,000	4,783,814,000	5,173,716,000	5,583,517,000	5,752,645,000

## Utah State University

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	200,416,834	232,443,839	225,915,233	235,919,473	244,405,552
Net Position Unrestricted	157,165,904	189,690,138	194,423,914	235,814,535	290,129,831
Net Position Restricted—Non-Expendable	129,588,279	136,970,804	141,644,718	149,442,413	155,829,338
Expendable Net Position	357,582,738	422,133,977	420,339,147	471,734,008	534,535,383
Long-Term Debt—Current	8,924,795	11,047,538	9,129,281	9,092,891	9,952,963
Long-Term Debt—Non-Current	190,369,718	210,586,802	242,805,264	233,203,908	339,461,836
Total Long-Term Debt	199,294,513	221,634,340	251,934,545	242,296,799	349,414,799
Beginning Net Position	1,080,863,582	1,169,809,217	1,229,439,684	1,269,381,044	1,370,984,265
Ending Net Position	1,169,809,217	1,229,439,684	1,269,381,044	1,363,679,618	1,448,492,830
Increase (Decrease) in Net Position	88,945,635	59,630,467	39,941,360	94,298,574	77,508,565
Interest Expense	5,343,156	8,647,493	6,539,164	8,710,766	9,841,796
Depreciation Expense	43,260,346	45,590,704	48,888,124	51,165,284	53,059,756
Principal Payments	8,943,982	10,740,201	47,829,906	9,141,649	9,159,891
Total Expenses	653,554,241	691,820,881	733,720,380	820,398,788	833,752,194
Operating Revenue	401,299,136	435,930,061	461,038,498	537,822,409	559,213,489
Non-Operating Revenue	277,641,352	287,557,720	315,480,903	339,468,382	318,289,076
Net Non-Operating Revenues	270,305,968	278,910,227	279,984,433	318,877,984	306,563,598
Capital and Endowment Additions	70,894,772	36,611,060	32,638,809	57,996,969	45,483,672
Total Revenues	742,499,876	751,451,348	773,661,740	914,697,362	911,260,759

## Weber State University

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	62,115,610	67,478,345	67,339,976	68,672,087	61,777,525
Net Position Unrestricted	84,579,041	79,471,139	88,409,783	95,766,913	107,599,810
Net Position Restricted—Non-Expendable	82,975,244	91,739,272	104,605,640	110,974,030	112,338,244
Expendable Net Position	146,694,651	146,949,484	155,749,759	164,439,000	169,377,335
Long-Term Debt—Current	2,616,028	2,829,362	2,909,362	2,979,362	3,054,944
Long-Term Debt—Non-Current	52,973,260	50,200,194	47,290,832	44,311,470	41,703,186
Total Long-Term Debt	55,589,288	53,029,556	50,200,194	47,290,832	44,758,130
Beginning Net Position	452,865,146	517,887,494	544,454,795	570,735,900	620,648,511
Ending Net Position	517,887,494	544,454,795	570,735,900	620,648,511	646,132,558
Increase (Decrease) in Net Position	65,022,348	26,567,301	26,281,105	49,912,611	25,484,047
Interest Expense	2,118,499	1,849,221	1,840,955	1,760,107	1,444,189
Depreciation Expense	15,310,909	16,816,285	17,299,707	18,013,006	18,704,747
Principal Payments	2,410,000	2,470,000	2,610,000	2,690,000	2,760,000
Total Expenses	226,469,962	236,149,554	240,454,335	253,768,737	251,126,743
Operating Revenue	105,398,591	107,734,021	107,000,651	111,908,413	111,233,651
Non-Operating Revenue	122,395,799	140,262,480	144,413,769	155,589,853	157,719,968
Net Non-Operating Revenues	119,549,122	138,413,259	142,572,814	153,829,746	156,275,779
Capital and Endowment Additions	66,544,597	16,569,575	17,161,975	37,943,189	9,101,360
Total Revenues	291,492,310	262,716,855	266,735,440	303,681,348	276,610,790

## Southern Utah University

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	28,148,393	42,593,216	40,296,434	34,868,949	30,135,864
Net Position Unrestricted	41,497,851	35,965,044	33,180,962	30,266,557	32,064,732
Net Position Restricted—Non-Expendable	19,469,379	21,738,081	22,698,727	23,705,648	24,738,427
Expendable Net Position	69,646,244	78,558,260	73,477,396	65,135,506	62,200,596
Long-Term Debt—Current	1,429,649	2,848,323	3,304,338	3,395,266	3,462,137
Long-Term Debt—Non-Current	15,880,306	19,724,853	22,842,332	19,688,302	16,222,149
Total Long-Term Debt	17,309,955	22,573,176	26,146,670	23,083,568	19,684,286
Beginning Net Position	206,698,793	210,059,109	219,282,683	221,062,466	231,036,645
Ending Net Position	210,059,109	219,759,499	221,062,466	231,036,645	231,036,754
Increase (Decrease) in Net Position	3,360,316	9,700,390	1,779,783	9,974,179	109
Interest Expense	682,981	792,878	1,070,333	311,276	290,648
Depreciation Expense	5,978,493	6,591,452	7,472,652	7,958,166	8,091,458
Principal Payments	13,470,836	1,669,788	2,758,815	3,417,016	3,343,950
Total Expenses	144,837,352	141,128,837	147,352,795	165,569,417	176,881,525
Operating Revenue	81,951,814	75,999,632	75,762,675	86,507,230	88,998,079
Non-Operating Revenue	61,917,241	68,172,726	70,452,818	75,353,615	81,846,961
Net Non-Operating Revenues	61,234,260	67,379,848	69,382,485	73,722,713	81,548,097
Capital and Endowment Additions	5,011,594	7,449,747	3,987,418	15,313,653	6,335,458
Total Revenues	148,197,668	150,829,227	149,132,578	175,543,596	176,881,634

## Snow College

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	7,675,576	9,191,047	5,266,322	7,944,964	8,232,470
Net Position Unrestricted	7,727,156	5,658,565	9,253,930	10,111,703	10,113,734
Net Position Restricted—Non-Expendable	5,750,345	5,707,220	5,839,027	6,508,994	7,024,179
Expendable Net Position	15,402,732	14,849,612	14,520,252	18,056,667	18,346,204
Long-Term Debt—Current	634,244	607,414	681,226	739,885	800,445
Long-Term Debt—Non-Current	15,328,518	14,721,084	14,205,818	13,547,658	13,239,590
Total Long-Term Debt	15,962,762	15,328,498	14,887,044	14,287,543	14,040,035
Beginning Net Position	98,057,084	94,666,782	94,457,518	116,646,845	124,281,618
Ending Net Position	94,666,782	94,563,924	116,646,845	124,281,618	124,013,426
Increase (Decrease) in Net Position	-3,390,302	-102,858	22,189,327	7,634,773	-268,192
Interest Expense	612,258	858,084	781,220	586,019	272,511
Depreciation Expense	4,558,158	4,500,453	5,052,408	5,346,790	5,503,154
Principal Payments	611,061	634,244	561,880	669,740	964,271
Total Expenses	50,106,325	50,824,561	54,596,462	57,216,581	55,958,775
Operating Revenue	14,263,088	14,851,462	14,779,775	15,927,460	13,973,320
Non-Operating Revenue	32,993,842	35,678,912	36,923,042	39,343,601	40,359,341
Net Non-Operating Revenues	32,381,584	34,820,828	36,141,822	38,731,190	39,781,801
Capital and Endowment Additions	71,351	1,049,413	25,864,192	10,192,704	1,935,462
Total Revenues	46,716,023	50,721,703	76,785,789	64,851,354	55,690,583



## Dixie State University

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	10,476,900	14,120,417	19,593,791	14,972,705	11,916,362
Net Position Unrestricted	6,891,398	13,857,685	11,477,948	14,281,285	16,294,891
Net Position Restricted—Non-Expendable	22,145,485	21,832,573	21,876,830	23,893,056	23,040,339
Expendable Net Position	17,368,298	27,978,102	31,071,739	29,253,990	28,211,253
Long-Term Debt—Current	1,548,501	1,246,239	1,336,902	1,812,024	1,982,473
Long-Term Debt—Non-Current	26,993,736	27,725,688	48,302,751	46,752,778	89,555,383
Total Long-Term Debt	28,542,237	28,971,927	49,639,653	48,564,802	91,537,856
Beginning Net Position	165,059,492	170,515,806	174,834,583	183,155,962	193,764,759
Ending Net Position	170,515,806	174,834,583	183,155,962	194,460,988	227,361,662
Increase (Decrease) in Net Position	5,456,314	4,318,777	8,321,379	11,305,026	33,596,903
Interest Expense	786,957	550,514	1,215,046	1,973,092	1,369,253
Depreciation Expense	5,633,804	6,117,520	6,684,305	6,970,943	7,933,733
Principal Payments	857,562	1,172,104	1,349,085	1,459,384	1,674,875
Total Expenses	97,866,898	106,566,064	111,327,709	117,814,741	127,829,759
Operating Revenue	44,793,099	51,263,030	56,015,163	57,347,317	61,110,804
Non-Operating Revenue	51,613,748	58,140,916	59,391,826	67,648,971	74,905,276
Net Non-Operating Revenues	50,658,687	57,066,968	57,688,405	65,640,508	70,654,195
Capital and Endowment Additions	7,871,426	2,554,843	5,945,520	6,131,942	29,661,663
Total Revenues	103,323,212	110,884,841	119,649,088	129,119,767	161,426,662

## Utah Valley University

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted-Expendable	62,047,001	73,191,370	83,962,083	64,707,877	92,099,189
Net Position Unrestricted	105,635,430	95,867,574	102,118,156	126,459,323	114,493,918
Net Position Restricted—Non-Expendable	22,396,842	30,277,353	34,757,550	39,785,573	40,718,850
Expendable Net Position	167,682,431	169,058,944	186,080,239	191,167,200	206,593,107
Long-Term Debt—Current	3,751,137	4,108,854	3,655,486	3,835,213	5,267,071
Long-Term Debt—Non-Current	27,208,212	57,321,038	45,695,427	41,860,215	78,536,033
Total Long-Term Debt	30,959,349	61,429,892	49,350,913	45,695,428	83,803,104
Beginning Net Position	472,485,779	499,228,060	528,803,364	567,265,274	621,087,593
Ending Net Position	499,228,060	528,803,364	572,309,458	622,014,818	674,166,714
Increase (Decrease) in Net Position	26,742,281	29,575,304	43,506,094	54,749,544	53,079,121
Interest Expense	3,065,702	2,690,261	4,133,796	1,723,815	2,072,761
Depreciation Expense	15,602,306	16,383,638	17,052,818	18,273,218	19,535,894
Principal Payments	5,641,601	3,688,501	3,198,915	3,360,987	6,369,613
Total Expenses	306,876,428	335,065,479	336,881,398	359,420,366	375,774,904
Operating Revenue	148,692,315	161,947,422	163,682,513	173,266,832	202,927,503
Non-Operating Revenue	185,387,342	193,072,868	204,581,121	210,144,804	228,176,248
Net Non-Operating Revenues	182,321,640	190,382,607	200,447,325	208,420,989	218,475,818
Capital and Endowment Additions	2,604,754	12,310,754	16,257,654	32,482,089	7,450,704
Total Revenues	333,618,709	364,640,783	380,387,492	414,169,910	428,854,025

## Salt Lake Community College

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	7,653,279	7,684,077	7,066,298	7,859,641	5,985,661
Net Position Unrestricted	88,626,753	89,455,633	104,652,157	108,853,622	137,222,703
Net Position Restricted—Non-Expendable	833,883	837,612	842,330	848,379	853,412
Expendable Net Position	96,280,032	97,139,710	111,718,455	116,713,263	143,208,364
Long-Term Debt—Current	-	37,509	1,446,772	1,274,016	1,298,497
Long-Term Debt—Non-Current	-	482,421	12,177,861	10,903,845	9,584,560
Total Long-Term Debt	-	519,930	13,624,633	12,177,861	10,883,057
Beginning Net Position	317,710,367	327,056,317	320,678,759	369,330,187	371,788,867
Ending Net Position	325,931,570	320,678,759	369,330,187	371,788,867	391,468,739
Increase (Decrease) in Net Position	8,221,203	-6,377,558	48,651,428	2,458,680	19,679,872
Interest Expense	7,533	-	9,583	305,584	282,169
Depreciation Expense	11,330,681	11,582,961	11,090,100	12,512,711	12,118,233
Principal Payments	4,780,798	-	18,755	1,183,773	1,040,018
Total Expenses	207,011,850	217,178,211	203,467,357	212,267,015	205,176,768
Operating Revenue	84,356,723	82,244,004	78,687,222	75,352,500	73,184,316
Non-Operating Revenue	129,096,298	128,702,556	135,883,445	143,085,803	155,918,060
Net Non-Operating Revenues	128,825,819	128,481,649	134,122,645	137,433,533	151,313,200
Capital and Endowment Additions	2,050,511	75,000	39,308,918	1,939,662	359,124
Total Revenues	215,233,053	210,800,653	252,118,785	214,725,695	224,856,640

## Mountainland Technical College

Financial Statement Data	2016	2017	2018	2019	2020
Net Position Restricted—Expendable	29,852	29,452	1,034,892	1,046,954	54,755
Net Position Unrestricted	41,247	1,226,330	1,608,200	885,834	2,459,545
Net Position Restricted—Non-Expendable	634,489	635,223	636,382	638,167	639,478
Expendable Net Position	71,099	1,255,782	2,643,092	1,932,788	2,514,300
Long-Term Debt—Current	184,115	196,089	268,842	282,425	301,890
Long-Term Debt—Non-Current	2,300,838	2,104,749	2,785,907	2,503,482	2,201,592
Total Long-Term Debt	2,484,953	2,300,838	3,054,749	2,785,907	2,503,482
Beginning Net Position	26,420,298	27,278,278	29,110,032	31,370,954	35,182,148
Ending Net Position	27,278,278	29,110,032	31,370,954	35,182,148	38,199,154
Increase (Decrease) in Net Position	857,980	1,831,754	2,260,922	3,811,194	3,017,006
Interest Expense	162,960	151,716	139,742	162,533	148,951
Depreciation Expense	994,587	950,428	1,107,832	1,233,242	1,285,237
Principal Payments	172,871	184,115	256,089	268,842	282,425
Total Expenses	14,775,024	15,459,563	17,570,045	20,426,223	20,799,921
Operating Revenue	4,104,502	4,546,640	5,127,898	4,631,449	5,290,143
Non-Operating Revenue	10,995,156	11,738,917	13,049,343	14,804,578	16,440,306
Net Non-Operating Revenues	10,832,196	11,587,201	12,909,601	14,642,045	16,284,742
Capital and Endowment Additions	696,306	1,157,476	1,793,468	4,963,923	2,242,042
Total Revenues	15,633,004	17,291,317	19,830,967	24,237,417	23,816,927

Paul C. Morris  
Vice President for Administrative Affairs  
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March 11, 2021

Dr. David R. Woolstenhulme  
Commissioner of Higher Education  
60 South 400 West  
Salt Lake City, Utah 84101

Dear Dr. Woolstenhulme,

Purpose

Dixie State University's explanation of its current Viability Ratio.

Explanation

Dixie State University (DSU) is rapidly growing and evolving as Utah's newest public university. This transformation, coupled with aged, inadequate, or non-existent infrastructure, has placed the institution in the position of needing to build new facilities that will accommodate a rapidly growing student-body. Many of the needed new facilities are self-support operations (new buildings that must be financed by bonds and repaid by user fees) as the State of Utah does not pay for these facilities. A couple of examples for DSU are two new student housing buildings and about half of the Human Performance Center (student recreation portion of the building).

DSU's need to bond to build new facilities, in a relatively short period of time, at today's high construction cost results in a Viability Ratio below industry standards. However, as DSU continues to evolve into a stronger economy of scale, the institution will improve its Viability Ratio over time, as the institution continues to increase in enrollments, resulting in increased revenues (Expendable Net Assets) relative to debt levels. On a more positive note, DSU exceeds the industry standard on the Debt Burden Ratio. The Debt Burden Ratio does a better job of matching annual expenditure levels with annual debt service payments that give a more accurate benchmark of the institution's ability to service its annual debt. Finally, the Composite Index at DSU has improved over the past couple of years. However, this ratio will continue to be difficult for DSU as the Viability Ratio is a significant component of the Composite Index.

To ensure that DSU is able to make its debt service payments, DSU put a bonding umbrella in place for the Campus View Suites student housing bond that pledged nearly all of the institution's non-appropriated general (gross) revenues for repayment of bonds. This bonding umbrella gives the institution a debt coverage ratio far beyond the typical 1.1X. In fact, the debt coverage ratio for FY20 is 5.73X under the bonding umbrella. The advantage of the general revenue bond is to guard against technical default as the revenue committed to pay bond payments is not limited to the specific user fees. Although the bonding umbrella is a good safety net to support the bonds, DSU has been able to fund the bond payments from the specific user fees.

Sincerely,

  
Paul C. Morris