



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

TAB E

March 24, 2022

Financial Ratio Report

Background

Annually the Commissioner's Office prepares a system-wide report for the Board to measure institutional financial health. Three ratios are reported (viability, debt burden, and composite score) that have historically proven 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*¹ using industry standards and formulas:

- **Viability Ratio** — measures how many times an institution can cover its 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. 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 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 to be considered to have a good financial position.

¹ KPMG Institutes, *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks*, 7th 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

Dixie State University

Dixie State University (DSU) continues to grow and must ensure they have appropriate facilities available for their student's needs. The institution regularly evaluates student needs and the financial impact of potential new long-term bond issues. The viability ratio will continue to fluctuate as long-term debt payments are made reducing outstanding debt, and new bond issues are made to facilitate strategic planning and growth. DSU takes debt service into account during the annual budget process and debt service requirements are prioritized to ensure that funding is appropriately available and reserved to meet annual commitments.

Noteworthy Ratios

Snow College

All the ratios for Snow College have improved this year. The reason for the improvement is that they have had a significant reduction in the number of principal payments from FY20 to FY21. The Richfield Library and State Facility Energy Efficiency Loan and Student Fee and Housing System Revenue Bond, Series 2011, were paid off at the end FY20.

Commissioner's Recommendation

This is an information item only; no action is required.

Attachments

Financial Ratio Report

Utah System of Higher Education Industry Standards & Formulas

Viability Ratio	FY17	FY18	FY19	FY20	FY21
University of Utah	2.11	2.32	2.49	2.25	2.51
Utah State University	1.90	1.67	1.95	1.53	2.08
Weber State University	2.77	3.10	3.48	3.78	4.64
Southern Utah University	3.48	2.81	2.82	3.16	4.11
Snow College	0.97	0.98	1.26	1.31	1.70
Dixie State University	0.97	0.63	0.60	0.31	0.45
Utah Valley University	2.75	3.77	4.18	2.47	3.47
Salt Lake Community College	no debt	8.20	9.58	13.16	16.87
*Mountainland Technical College	0.55	0.87	0.69	1.00	1.96

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

Debt Burden Ratio	FY17	FY18	FY19	FY20	FY21
University of Utah	2.9%	3.4%	2.7%	2.7%	4.0%
Utah State University	2.7%	2.5%	2.2%	2.4%	2.3%
Weber State University	1.9%	2.0%	1.9%	1.8%	1.6%
Southern Utah University	1.8%	2.7%	2.3%	2.1%	2.2%
Snow College	3.2%	2.7%	2.4%	2.4%	0.7%
Dixie State University	1.7%	2.4%	3.1%	2.5%	2.7%
Utah Valley University	2.0%	2.3%	1.5%	2.3%	1.8%
Salt Lake Community College	no debt	0.0%	0.7%	0.7%	0.6%
*Mountainland Technical College	2.3%	2.4%	2.2%	2.2%	1.7%

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

Composite Index	FY17	FY18	FY19	FY20	FY21
University of Utah	4.58	5.11	5.04	4.71	5.63
Utah State University	4.05	3.49	4.17	3.82	6.15
Weber State University	4.82	5.14	5.84	5.83	7.96
Southern Utah University	5.00	3.60	3.68	3.31	6.80
Snow College	1.40	3.12	2.19	1.63	3.20
Dixie State University	1.88	1.89	2.09	2.80	3.22
Utah Valley University	4.68	5.89	6.31	5.18	7.05
Salt Lake Community College	4.28	6.79	5.01	6.51	6.90
*Mountainland Technical College	1.66	2.10	1.65	2.29	4.15
System Wide Score - Weighted Avg.	4.39	4.84	4.77	4.51	5.83
System Wide Score - Simple Avg.	3.59	4.12	4.00	4.01	5.67

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.

Source: Excerpts from "Strategic Financial Analysis for Higher Education," 7th Edition (Prager, Sealy & Co., LLC) *Some of the above calculations are based on financials that have not been audited. The numbers are subject to change but we do not expect any significant differences in the ratios above

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	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	576,934,000	757,165,000	750,207,000	757,882,000	820,913,000
Net Position Unrestricted	1,762,352,000	1,884,954,000	2,184,226,000	2,396,035,000	2,749,324,000
Net Position Restricted-Non-Expendable	564,118,000	604,497,000	633,722,000	629,359,000	820,051,000
Expendable Net Position	2,339,286,000	2,642,119,000	2,934,433,000	3,153,917,000	3,570,237,000
Long Term Debt-Current	105,961,000	74,285,000	84,452,334	93,858,543	74,641,642
Long Term Debt-Non-Current	1,000,795,000	1,066,917,000	1,094,884,826	1,309,247,073	1,349,932,976
Total Long-Term Debt	1,106,756,000	1,141,202,000	1,179,337,160	1,403,105,616	1,424,574,618
Beginning Net Position	4,521,706,000	4,978,908,000	5,501,821,000	5,990,936,000	6,385,713,000
Ending Net Position	4,940,555,000	5,567,486,000	5,980,021,000	6,431,837,000	7,192,517,000
Increase (Decrease) in Net Position	418,849,000	588,578,000	478,200,000	440,901,000	806,804,000
Interest Expense	39,135,000	41,942,000	65,552,000	41,987,000	78,050,000
Depreciation Expense	222,143,000	222,591,000	236,321,000	247,453,000	277,697,000
Principal Payments	82,850,000	110,571,000	69,280,000	96,258,000	154,689,000
Total Expenses	4,364,965,000	4,585,138,000	5,105,317,000	5,311,744,000	5,997,162,000
Operating Revenue	4,151,959,000	4,390,605,000	4,825,426,000	5,062,988,000	5,685,372,000
Non-Operating Revenue	576,686,000	619,811,000	681,911,000	635,862,000	950,908,000
Net Non-Operating Revenues	537,546,000	577,869,000	616,359,000	634,356,000	919,835,000
Capital and Endowment Additions	94,309,000	205,242,000	141,732,000	55,301,000	167,686,000
Total Revenues	4,783,814,000	5,173,716,000	5,583,517,000	5,752,645,000	6,803,966,000

Utah State University

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	232,443,839	225,915,233	235,919,473	244,405,552	333,447,768
Net Position Unrestricted	189,690,138	194,423,914	235,814,535	290,129,831	372,274,367
Net Position Restricted-Non-Expendable	136,970,804	141,644,718	149,442,413	155,829,338	167,630,092
Expendable Net Position	422,133,977	420,339,147	471,734,008	534,535,383	705,722,135
Long Term Debt-Current	11,047,538	9,129,281	9,092,891	9,952,963	9,866,922
Long Term Debt-Non-Current	210,586,802	242,805,264	233,203,908	339,461,836	329,894,639
Total Long-Term Debt	221,634,340	251,934,545	242,296,799	349,414,799	339,761,561
Beginning Net Position	1,169,809,217	1,229,439,684	1,269,381,044	1,370,984,265	1,448,492,830
Ending Net Position	1,229,439,684	1,269,381,044	1,363,679,618	1,448,492,830	1,635,817,662
Increase (Decrease) in Net Position	59,630,467	39,941,360	94,298,574	77,508,565	187,324,832
Interest Expense	8,647,493	6,539,164	8,710,766	9,841,796	8,778,969
Depreciation Expense	45,590,704	48,888,124	51,165,284	53,059,756	56,821,556
Principal Payments	10,740,201	47,829,906	9,141,649	9,159,891	10,427,085
Total Expenses	691,820,881	733,720,380	820,398,788	833,752,194	877,043,516
Operating Revenue	435,930,061	461,038,498	537,822,409	559,213,489	560,209,760
Non-Operating Revenue	287,557,720	315,480,903	339,468,382	318,289,076	474,014,377
Net Non-Operating Revenues	278,910,227	279,984,433	318,877,984	306,563,598	464,286,578
Capital and Endowment Additions	36,611,060	32,638,809	57,996,969	45,483,672	30,144,211
Total Revenues	751,451,348	773,661,740	914,697,362	911,260,759	1,064,368,348

Weber State University

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	67,478,345	67,339,976	68,672,087	61,777,525	79,081,997
Net Position Unrestricted	79,471,139	88,409,783	95,766,913	107,599,810	145,444,181
Net Position Restricted-Non-Expendable	91,739,272	104,605,640	110,974,030	112,338,244	141,611,543
Expendable Net Position	146,949,484	155,749,759	164,439,000	169,377,335	224,526,178
Long Term Debt-Current	2,829,362	2,909,362	2,979,362	3,054,944	3,231,634
Long Term Debt-Non-Current	50,200,194	47,290,832	44,311,470	41,703,186	45,120,343
Total Long-Term Debt	53,029,556	50,200,194	47,290,832	44,758,130	48,351,977
Beginning Net Position	517,887,494	544,454,795	570,735,900	620,648,511	646,132,558
Ending Net Position	544,454,795	570,735,900	620,648,511	646,132,558	730,263,509
Increase (Decrease) in Net Position	26,567,301	26,281,105	49,912,611	25,484,047	84,130,951
Interest Expense	1,849,221	1,840,955	1,760,107	1,444,189	1,374,486
Depreciation Expense	16,816,285	17,299,707	18,013,006	18,704,747	19,419,461
Principal Payments	2,470,000	2,610,000	2,690,000	2,760,000	2,790,000
Total Expenses	236,149,554	240,454,335	253,768,737	251,126,743	273,427,368
Operating Revenue	107,734,021	107,000,651	111,908,413	111,233,651	103,978,018
Non-Operating Revenue	140,262,480	144,413,769	155,589,853	157,719,968	239,164,798
Net Non-Operating Revenues	138,413,259	142,572,814	153,829,746	156,275,779	237,790,312
Capital and Endowment Additions	16,569,575	17,161,975	37,943,189	9,101,360	14,415,503
Total Revenues	262,716,855	266,735,440	303,681,348	276,610,790	357,558,319

Southern Utah University

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	42,593,216	40,296,434	34,868,949	30,135,864	33,864,841
Net Position Unrestricted	35,965,044	33,180,962	30,266,557	32,064,732	49,112,182
Net Position Restricted-Non-Expendable	21,738,081	22,698,727	23,705,648	24,738,427	33,391,324
Expendable Net Position	78,558,260	73,477,396	65,135,506	62,200,596	82,977,023
Long Term Debt-Current	2,848,323	3,304,338	3,395,266	3,462,137	4,005,021
Long Term Debt-Non-Current	19,724,853	22,842,332	19,688,302	16,222,149	16,193,696
Total Long-Term Debt	22,573,176	26,146,670	23,083,568	19,684,286	20,198,717
Beginning Net Position	210,059,109	219,282,683	221,062,466	231,036,645	230,428,836
Ending Net Position	219,759,499	221,062,466	231,036,645	231,036,754	259,152,795
Increase (Decrease) in Net Position	9,700,390	1,779,783	9,974,179	109	28,981,024
Interest Expense	792,878	1,070,333	311,276	290,648	257,065
Depreciation Expense	6,591,452	7,472,652	7,958,166	8,091,458	9,311,495
Principal Payments	1,669,788	2,758,815	3,417,016	3,343,950	3,486,913
Total Expenses	141,128,837	147,352,795	165,569,417	176,881,525	177,299,785
Operating Revenue	75,999,632	75,762,675	86,507,230	88,998,079	89,889,650
Non-Operating Revenue	68,172,726	70,452,818	75,353,615	81,846,961	112,064,723
Net Non-Operating Revenues	67,379,848	69,382,485	73,722,713	81,548,097	111,807,658
Capital and Endowment Additions	7,449,747	3,987,418	15,313,653	6,335,458	4,326,436
Total Revenues	150,829,227	149,132,578	175,543,596	176,881,634	206,280,809

Snow College

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	9,191,047	5,266,322	7,944,964	8,232,470	7,713,726
Net Position Unrestricted	5,658,565	9,253,930	10,111,703	10,113,734	14,818,351
Net Position Restricted-Non-Expendable	5,707,220	5,839,027	6,508,994	7,024,179	10,004,274
Expendable Net Position	14,849,612	14,520,252	18,056,667	18,346,204	22,532,077
Long Term Debt-Current	607,414	681,226	739,885	800,445	782,780
Long Term Debt-Non-Current	14,721,084	14,205,818	13,547,658	13,239,590	12,456,810
Total Long-Term Debt	15,328,498	14,887,044	14,287,543	14,040,035	13,239,590
Beginning Net Position	94,666,782	94,457,518	116,646,845	124,281,618	124,319,590
Ending Net Position	94,563,924	116,646,845	124,281,618	124,013,426	130,132,223
Increase (Decrease) in Net Position	-102,858	22,189,327	7,634,773	-268,192	5,812,633
Interest Expense	858,084	781,220	586,019	272,511	227,308
Depreciation Expense	4,500,453	5,052,408	5,346,790	5,503,154	5,721,720
Principal Payments	634,244	561,880	669,740	964,271	185,766
Total Expenses	50,824,561	54,596,462	57,216,581	55,958,775	60,911,430
Operating Revenue	14,851,462	14,779,775	15,927,460	13,973,320	15,121,525
Non-Operating Revenue	35,678,912	36,923,042	39,343,601	40,359,341	48,832,968
Net Non-Operating Revenues	34,820,828	36,141,822	38,731,190	39,781,801	48,095,885
Capital and Endowment Additions	1,049,413	25,864,192	10,192,704	1,935,462	2,769,570
Total Revenues	50,721,703	76,785,789	64,851,354	55,690,583	66,724,063

Dixie State University

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	14,120,417	19,593,791	14,972,705	11,916,362	18,366,134
Net Position Unrestricted	13,857,685	11,477,948	14,281,285	16,294,891	26,370,944
Net Position Restricted-Non-Expendable	21,832,573	21,876,830	23,893,056	23,040,339	22,725,255
Expendable Net Position	27,978,102	31,071,739	29,253,990	28,211,253	44,737,078
Long Term Debt-Current	1,246,239	1,336,902	1,812,024	1,982,473	2,798,256
Long Term Debt-Non-Current	27,725,688	48,302,751	46,752,778	89,555,383	97,392,331
Total Long-Term Debt	28,971,927	49,639,653	48,564,802	91,537,856	100,190,587
Beginning Net Position	170,515,806	174,834,583	183,155,962	193,764,759	227,154,716
Ending Net Position	174,834,583	183,155,962	194,460,988	227,361,662	249,945,523
Increase (Decrease) in Net Position	4,318,777	8,321,379	11,305,026	33,596,903	22,790,807
Interest Expense	550,514	1,215,046	1,973,092	1,369,253	1,581,914
Depreciation Expense	6,117,520	6,684,305	6,970,943	7,933,733	9,131,245
Principal Payments	1,172,104	1,349,085	1,459,384	1,674,875	1,727,061
Total Expenses	106,566,064	111,327,709	117,814,741	127,829,759	129,924,434
Operating Revenue	51,263,030	56,015,163	57,347,317	61,110,804	55,329,463
Non-Operating Revenue	58,140,916	59,391,826	67,648,971	74,905,276	92,016,847
Net Non-Operating Revenues	57,066,968	57,688,405	65,640,508	70,654,195	90,434,933
Capital and Endowment Additions	2,554,843	5,945,520	6,131,942	29,661,663	5,368,931
Total Revenues	110,884,841	119,649,088	129,119,767	161,426,662	152,715,241

Utah Valley University

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	73,191,370	83,962,083	64,707,877	92,099,189	84,275,163
Net Position Unrestricted	95,867,574	102,118,156	126,459,323	114,493,918	188,565,821
Net Position Restricted-Non-Expendable	30,277,353	34,757,550	39,785,573	40,718,850	52,128,603
Expendable Net Position	169,058,944	186,080,239	191,167,200	206,593,107	272,840,984
Long Term Debt-Current	4,108,854	3,655,486	3,835,213	5,267,071	5,307,860
Long Term Debt-Non-Current	57,321,038	45,695,427	41,860,215	78,536,033	73,228,173
Total Long-Term Debt	61,429,892	49,350,913	45,695,428	83,803,104	78,536,033
Beginning Net Position	499,228,060	528,803,364	567,265,274	621,087,593	674,166,714
Ending Net Position	528,803,364	572,309,458	622,014,818	674,166,714	766,307,209
Increase (Decrease) in Net Position	29,575,304	43,506,094	54,749,544	53,079,121	92,140,495
Interest Expense	2,690,261	4,133,796	1,723,815	2,072,761	2,383,873
Depreciation Expense	16,383,638	17,052,818	18,273,218	19,535,894	19,796,956
Principal Payments	3,688,501	3,198,915	3,360,987	6,369,613	4,796,499
Total Expenses	335,065,479	336,881,398	359,420,366	375,774,904	406,326,790
Operating Revenue	161,947,422	163,682,513	173,266,832	202,927,503	174,821,920
Non-Operating Revenue	193,072,868	204,581,121	210,144,804	228,176,248	307,632,652
Net Non-Operating Revenues	190,382,607	200,447,325	208,420,989	218,475,818	307,632,652
Capital and Endowment Additions	12,310,754	16,257,654	32,482,089	7,450,704	16,012,713
Total Revenues	364,640,783	380,387,492	414,169,910	428,854,025	498,467,285

Salt Lake Community College

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	7,684,077	7,066,298	7,859,641	5,985,661	5,348,299
Net Position Unrestricted	89,455,633	104,652,157	108,853,622	137,222,703	156,347,721
Net Position Restricted-Non-Expendable	837,612	842,330	848,379	853,412	841,456
Expendable Net Position	97,139,710	111,718,455	116,713,263	143,208,364	161,696,020
Long Term Debt-Current	37,509	1,446,772	1,274,016	1,298,497	1,321,840
Long Term Debt-Non-Current	482,421	12,177,861	10,903,845	9,584,560	8,262,721
Total Long-Term Debt	519,930	13,624,633	12,177,861	10,883,057	9,584,561
Beginning Net Position	327,056,317	320,678,759	369,330,187	371,788,867	391,906,334
Ending Net Position	320,678,759	369,330,187	371,788,867	391,468,739	421,328,451
Increase (Decrease) in Net Position	-6,377,558	48,651,428	2,458,680	19,679,872	29,422,117
Interest Expense	-	9,583	305,584	282,169	258,605
Depreciation Expense	11,582,961	11,090,100	12,512,711	12,118,233	12,191,898
Principal Payments	-	18,755	1,183,773	1,040,018	1,090,018
Total Expenses	217,178,211	203,467,357	212,267,015	205,176,768	226,637,178
Operating Revenue	82,244,004	78,687,222	75,352,500	73,184,316	62,101,625
Non-Operating Revenue	128,702,556	135,883,445	143,085,803	155,918,060	188,906,339
Net Non-Operating Revenues	128,481,649	134,122,645	137,433,533	151,313,200	184,739,999
Capital and Endowment Additions	75,000	39,308,918	1,939,662	359,124	5,051,331
Total Revenues	210,800,653	252,118,785	214,725,695	224,856,640	256,059,295

Mountainland Technical College

Financial Statement Data	2017	2018	2019	2020	2021
Net Position Restricted-Expendable	29,452	1,034,892	1,046,954	54,755	-
Net Position Unrestricted	1,226,330	1,608,200	885,834	2,459,545	4,308,570
Net Position Restricted-Non-Expendable	635,223	636,382	638,167	639,478	-
Expendable Net Position	1,255,782	2,643,092	1,932,788	2,514,300	4,308,570
Long Term Debt-Current	196,089	268,842	282,425	301,890	317,297
Long Term Debt-Non-Current	2,104,749	2,785,907	2,503,482	2,201,592	1,884,295
Total Long-Term Debt	2,300,838	3,054,749	2,785,907	2,503,482	2,201,592
Beginning Net Position	27,278,278	29,110,032	31,370,954	35,182,148	37,504,921
Ending Net Position	29,110,032	31,370,954	35,182,148	38,199,154	69,916,097
Increase (Decrease) in Net Position	1,831,754	2,260,922	3,811,194	3,017,006	32,411,176
Interest Expense	151,716	139,742	162,533	148,951	129,485
Depreciation Expense	950,428	1,107,832	1,233,242	1,285,237	2,110,792
Principal Payments	184,115	256,089	268,842	282,425	301,890
Total Expenses	15,459,563	17,570,045	20,426,223	20,799,921	26,761,111
Operating Revenue	4,546,640	5,127,898	4,631,449	5,290,143	8,428,554
Non-Operating Revenue	11,738,917	13,049,343	14,804,578	16,440,306	18,769,087
Net Non-Operating Revenues	11,587,201	12,909,601	14,642,045	16,284,742	18,469,897
Capital and Endowment Additions	1,157,476	1,793,468	4,963,923	2,242,042	31,974,646
Total Revenues	17,291,317	19,830,967	24,237,417	23,816,927	59,172,287