

AGENDA ITEM: C.2.d.

AGENDA TOPIC: Strategic Plan Cornerstone Dashboard Update

STAFF CONTACT(S): Neal McNally, Vice President for Finance & Business Operations, and Katrena Davidson, Controller

BACKGROUND: Each quarter, a representative from one of the four Strategic Plan cornerstone committees provides an update in "dashboard" format on a specific cornerstone metric. For this quarter, an update on the Accountability & Sustainability cornerstone is presented.

The Accountability & Sustainability Cornerstone of the YSU 2020 Strategic Plan identifies the institution/Board metric for Theme 1 (fiscal health) as an "Index of Pertinent Financial Ratios (Senate Bill 6 Ratio)."

Using each institution's audited financial statements, the Ohio Department of Higher Education (ODHE) annually calculates the S.B. 6 ratio analysis as a way to measure and monitor the fiscal health of Ohio's state-supported colleges and universities. (Note: For FY 2015, the methodology for computing this ratio analysis was adjusted to omit the impact of GASBs 68 and 71, since the need to include the unfunded pension liability on the financial statements is a reporting requirement, not a funding requirement.)

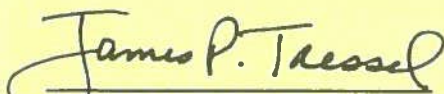
SUMMARY AND ANALYSIS: The S.B. 6 ratio analysis consists of three ratios, which are weighted and summed into a single composite score, ranging from 0 to 5 with 5 indicating a very strong financial position.

Although not yet finalized by the ODHE, the preliminary FY 2015 composite score for YSU is a 3.1. And although this score indicates a financially healthy position, this score is 0.4 points lower than the previous year. This lower score is largely attributable to a decline in the net income ratio, which was negatively affected by an unfavorable investment environment during FY 2015, as well as reduced tuition and fee income that resulted from a decline in enrolled students.

Greater detail is provided on the accompanying "dashboard" exhibit.

RESOLUTION: N/A – DISCUSSION ITEM ONLY

REVIEWED AS TO FORM AND CONTENT:


James P. Tressel, President

YSU 2020 Strategic Plan Update: Accountability & Sustainability Cornerstone - Fiscal Health

The Accountability & Sustainability Cornerstone of the YSU 2020 Strategic Plan identifies the institution/Board metric for **fiscal health** as an "Index of Pertinent Financial Ratios (Senate Bill 6 Ratio)."

The Ohio Department of Higher Education annually calculates the S.B. 6 ratios on the basis each institution's audited financial statements:

- * **Net income ratio**: change in total net assets ÷ total revenues. = **20% of composite score**
- * **Viability ratio**: expendable net assets ÷ plant debt. = **30% of composite score**
- * **Primary reserve ratio**: expendable net assets ÷ total operating expenses + interest on debt. = **50% of composite score**

YSU's FY 2015 ratios and scores:

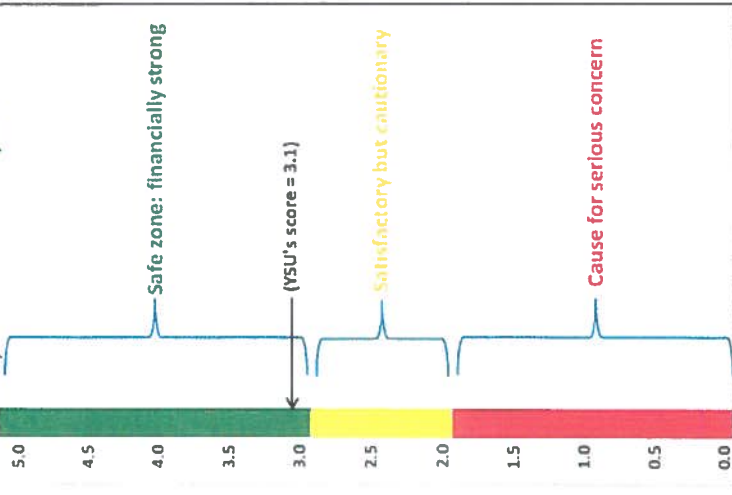
Net Income Ratio:	SB6 Factor Ranges					Factor	Weight	Score
0	1	2	3	4	5			
<-.05	-0.011	0 to .009	.01 to .029	.03 to .049	=>.05	1	20%	0.2
Viability Ratio:								
0	1	2	3	4	5			
<0	0 to .299	.30 to .599	.60 to .999	1.0 to 2.499	=>2.50	3	30%	0.9
Primary Ratio:								
0	1	2	3	4	5			
<-.10	-.10 to .049	.05 to .099	.10 to .249	.25 to .499	=>.50	4	50%	2.0
								3.1

What the ratios mean:

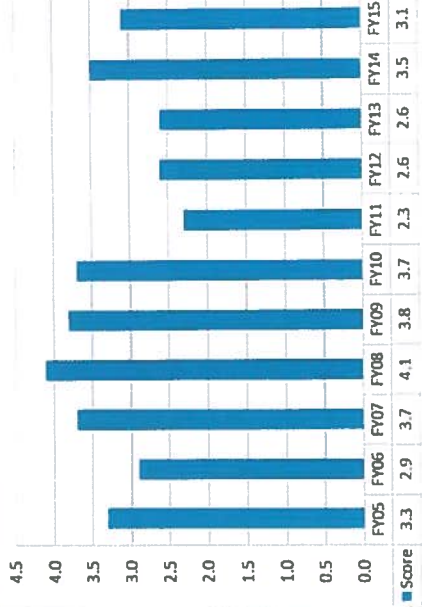
- * **Net income ratio**: compares expenses and revenues to determine if a campus is operating within its resources.
- * **Viability ratio**: measures a campus's ability to manage long-term debt obligations.
- * **Primary reserve ratio**: measures a campus's ability to use reserves in the absence of future revenue.

Key metric: **Composite Score**, the sum of weighted scores from the net income, viability and primary reserve ratios.

How to interpret the S.B. 6 Composite Score:



How YSU's S.B. 6 composite score has changed over the last 10 years:



How YSU compares to other Ohio universities:

S.B. 6 Composite Scores - Ohio IUC Institutions
Sorted from Highest to Lowest Score

	FY 2015	FY 2014
OHIO STATE	4.7	4.7
MIAMI UNIV.	4.4	4.4
KENT STATE	4.0	4.4
OHIO UNIVERSITY	3.9	4.7
NEOMED	3.7	4.7
UNIV. CINCINNATI	3.6	3.6
BOWLING GREEN	3.4	4.7
SHAWNEE STATE	3.4	4.0
CLEVELAND STATE	3.2	3.6
UNIV. TOLEDO	3.1	3.8
YOUNGSTOWN STATE	3.1	3.5
UNIV. AKRON	2.8	3.2
WRIGHT STATE	2.4	3.4
CENTRAL STATE*	1.5	1.5
Average	3.4	3.9

Note: FY15 scores are unofficial and subject to change.
*Central State did not report its FY15 score.