

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

Senate Bill 6 Ratios

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 2016 ratios and scores are depicted in the table below:

Senate Bill 6 Sliding Scale						YSU Factor	Weight	YSU Score
Net Income Ratio								
0	1	2	3	4	5	Factor	Weight	Score
<-.049	-.05 to 0	0 to .009	.01 to .029 0.027	.03 to .049	=>.05	3	20%	0.60
Viability Ratio:								
0	1	2	3	4	5	Factor	Weight	Score
<0	0 to .29	.30 to .59	.60 to .99 0.725	1.0 to 2.50	>2.50	3	30%	0.90
Primary Reserve Ratio:								
0	1	2	3	4	5	Factor	Weight	Score
<-.10	-.10 to .049	.05 to .099	.10 to .249 0.298	.25 to .49	=>.50	4	50%	2.00
YSU Composite Score for FY 2016 =>								3.50

What the ratios mean:

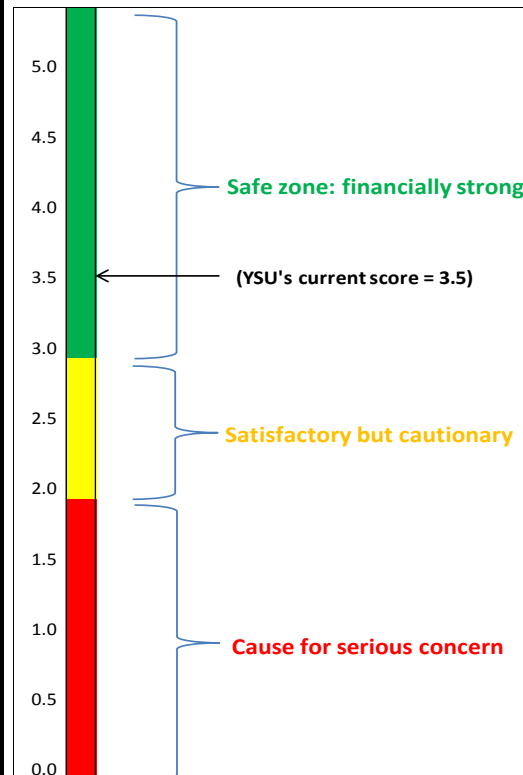
***Net income ratio:** compares expenses and revenues to determine if a campus is operating within its resources.

***Viability ratio:** measures a campus's ability to manage long-term debt obligations.

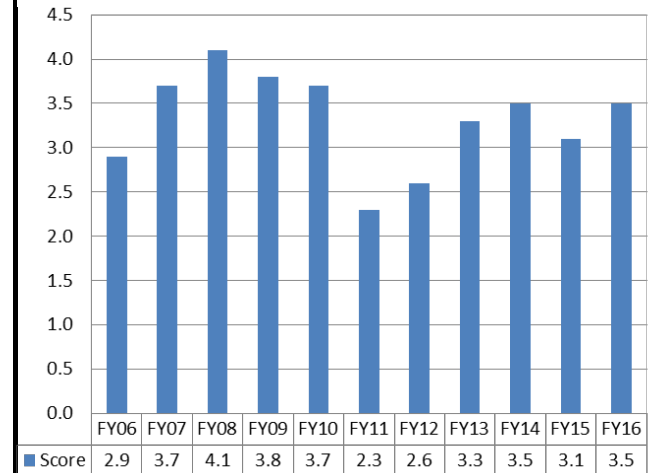
***Primary reserve ratio:** measures a campus's ability to use reserves in the absence of future revenue.

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:



Bond Ratings

The YSU 2020 Strategic Plan also cites the University's bond rating as a metric of fiscal health. Measured by independent rating agencies, this metric signifies the University's credit worthiness in the public debt market. YSU's current ratings are as follows:

*** Moody's (2014): A2, stable outlook**

*** Standard & Poor's (2015): A, stable outlook**

These ratings indicate that YSU is a high quality investment with only moderate risk. The table below summarizes the rating scales used by Moody's and S&P.

Moody's			S & P	Description
Aaa1	Aaa2	Aaa3	AAA	Best quality, little or no risk
Aa1	Aa2	Aa3	AA	High quality, low risk
A1	A2	A3	A	High quality, moderate risk
Baa1	Baa2	Baa3	BBB	Good quality, some risk
Ba1	Ba2	Ba3	BB	Medium quality, some risk
B1	B2	B3	B	Medium quality, higher risk
Caa1	Caa2	Caa3	CCC	Low quality, susceptible to default
Ca1	Ca2	Ca3	CC	Lower quality, susceptible to default
C1	C2	C3	C	Lowest quality, highly susceptible to default
-	-	-	D	In default (S&P rating only)