

Viability Ratio (Expendable Resources to Debt)

The Viability Ratio measures one of the most basic determinants of clear financial health: the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date.

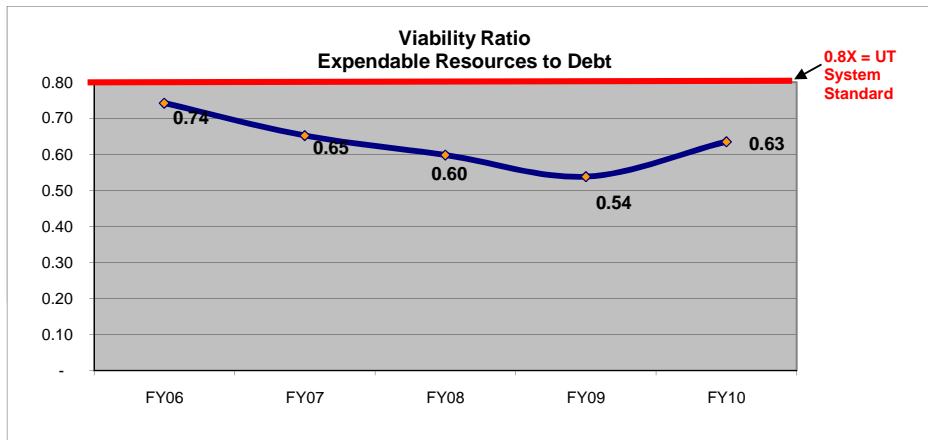
Debt Management - is debt managed strategically to advance the mission?

A **Viability Ratio** measures one of the most basic determinants of clear financial health: the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. A ratio in the range of 1.25X to 2.0X indicates a strong creditworthy institution. However, the level that is 'right' is institution-specific. The institution should develop a target for this ratio that balances its financial, operating and programmatic objectives. (1) To maintain its high bond rating, The UT System has established a minimum standard of 0.8X.

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	Change
Viability Ratio	0.72	0.66	0.74	0.65	0.60	0.54	0.63	0.18
<i>Data</i>								
Expendable Net Assets	\$ 117,216,224	\$ 130,213,038	\$ 168,027,052	\$ 184,882,027	\$ 210,902,701	\$ 197,452,816	\$ 221,085,866	\$ 23,633,051
Long Term Debt	\$ 163,783,000	\$ 198,699,000	\$ 226,436,000	\$ 283,597,000	\$ 352,815,000	\$ 367,237,000	\$ 348,350,000	\$ (18,887,000)

Formula

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



(1) "Ratio Analysis in Higher Education-Measuring Past Performance to Chart Future Direction", 1999, Fourth Edition, KPMG LLP and Prager, McCarthy & Sealy, LLC, pages 21 - 23.