



WASHINGTON STATE
UNIVERSITY

WSU Annual Financial Performance Report



Fiscal Year Ended June 30, 2023



WSU Annual Financial Performance Report

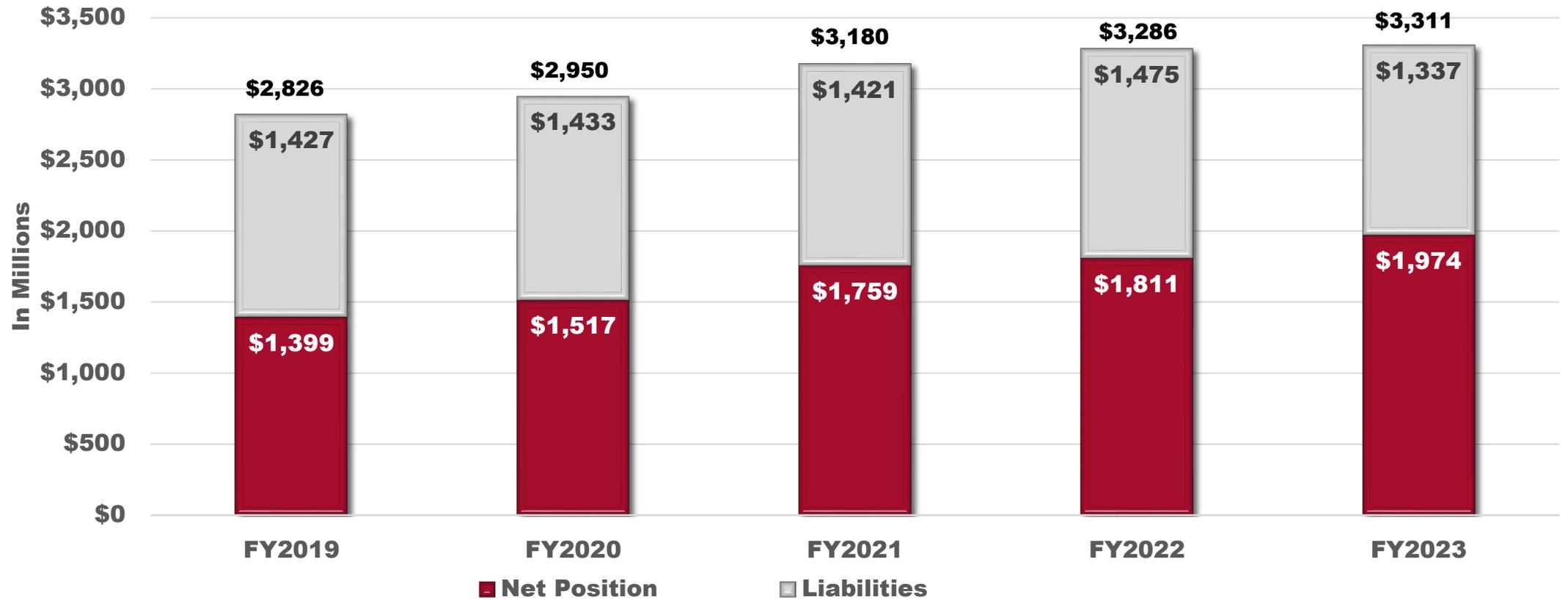
- FY23 Financial Statement Summary
- Key Trends, Financial Highlights and Benchmarking
- FY23 Debt Profile & Bond Rating Update



FY23 Financial Statement Summary



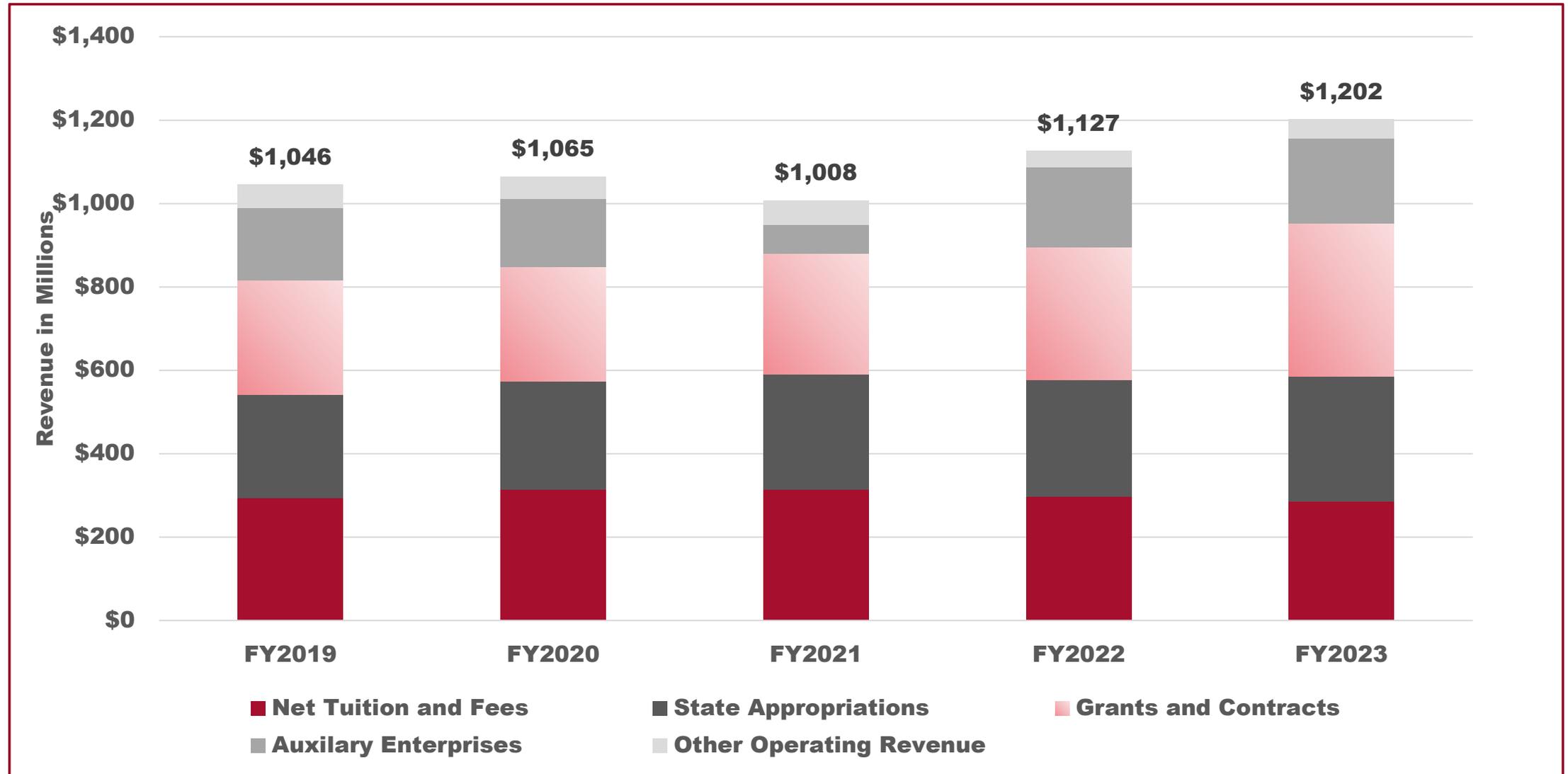
FY23 Results – Statement of Net Position



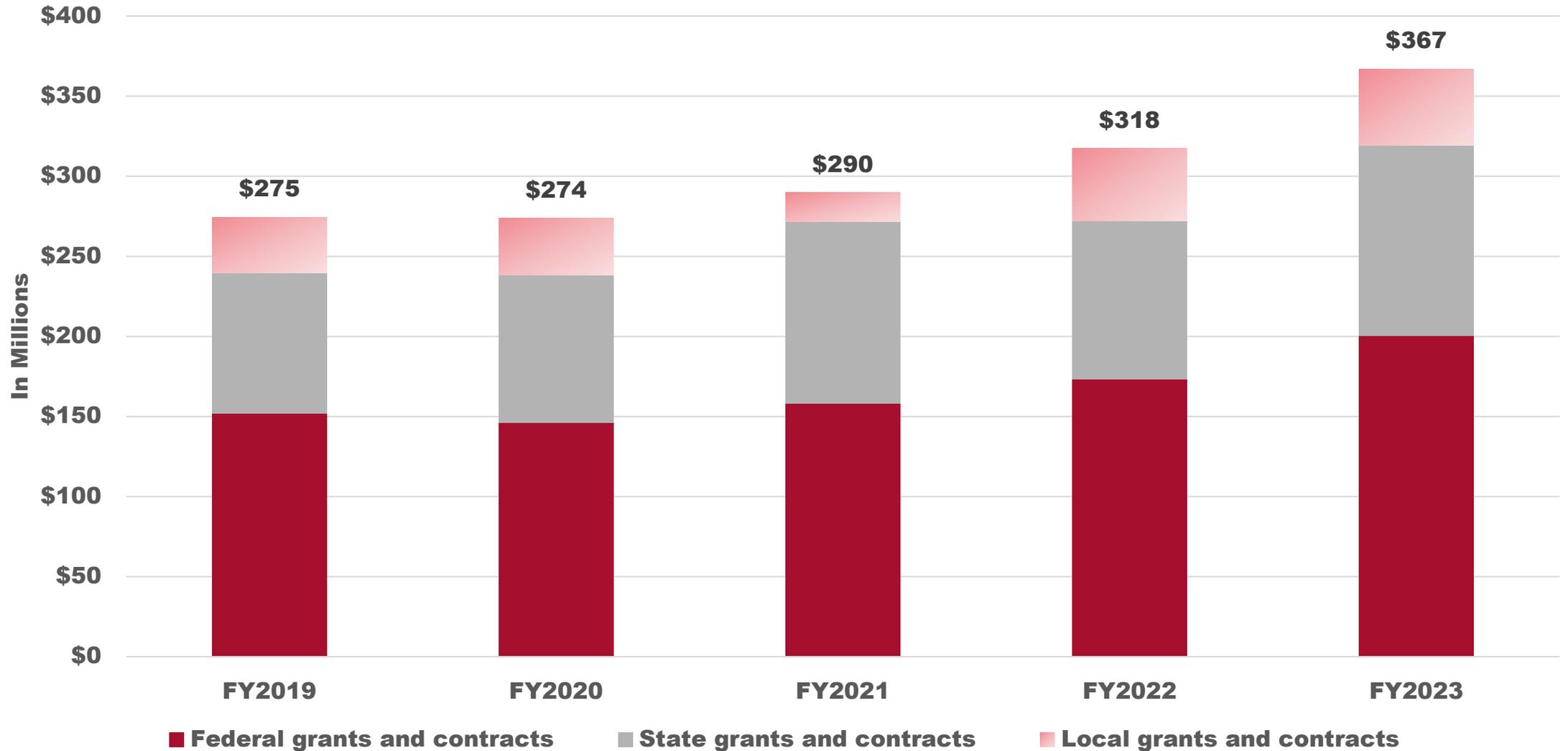
Annual Change						
	2019	2020	2021	2022	2023	5- Year Change
Assets	4%	4%	8%	3%	1%	17%
Liabilities	1%	0%	-1%	4%	-9%	-6%
Net Position	7%	8%	14%	3%	9%	41%



FY23 Results – Operating Revenue + State Appropriations

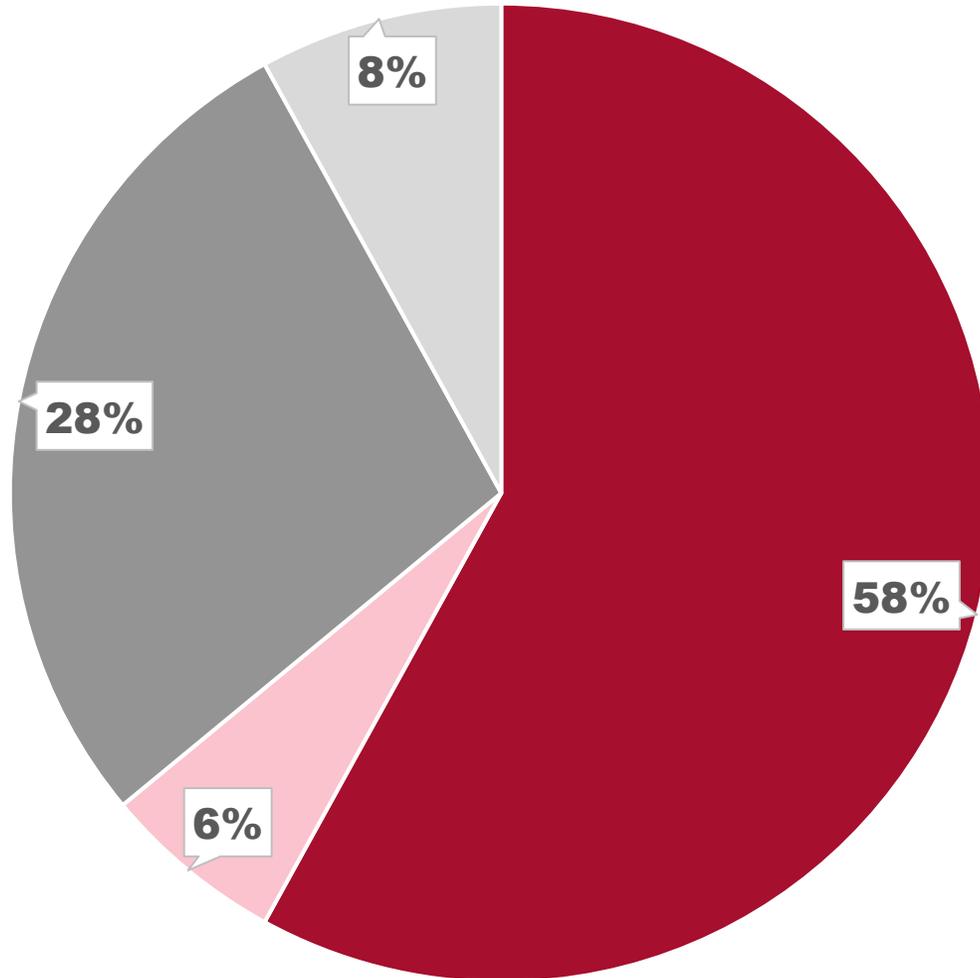


FY23 Results – Grants and Contracts



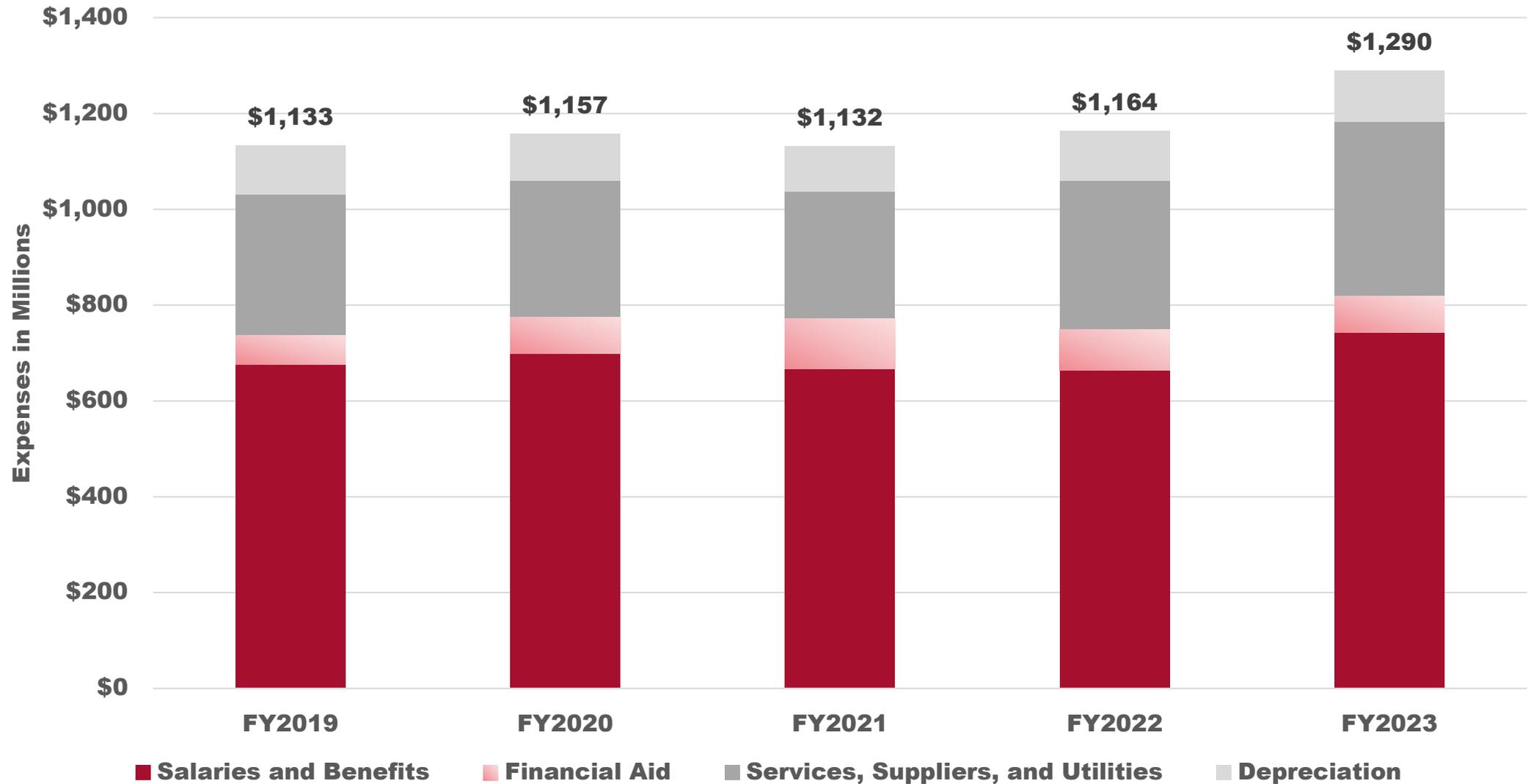


FY23 Results – Operating Expenses (in millions)

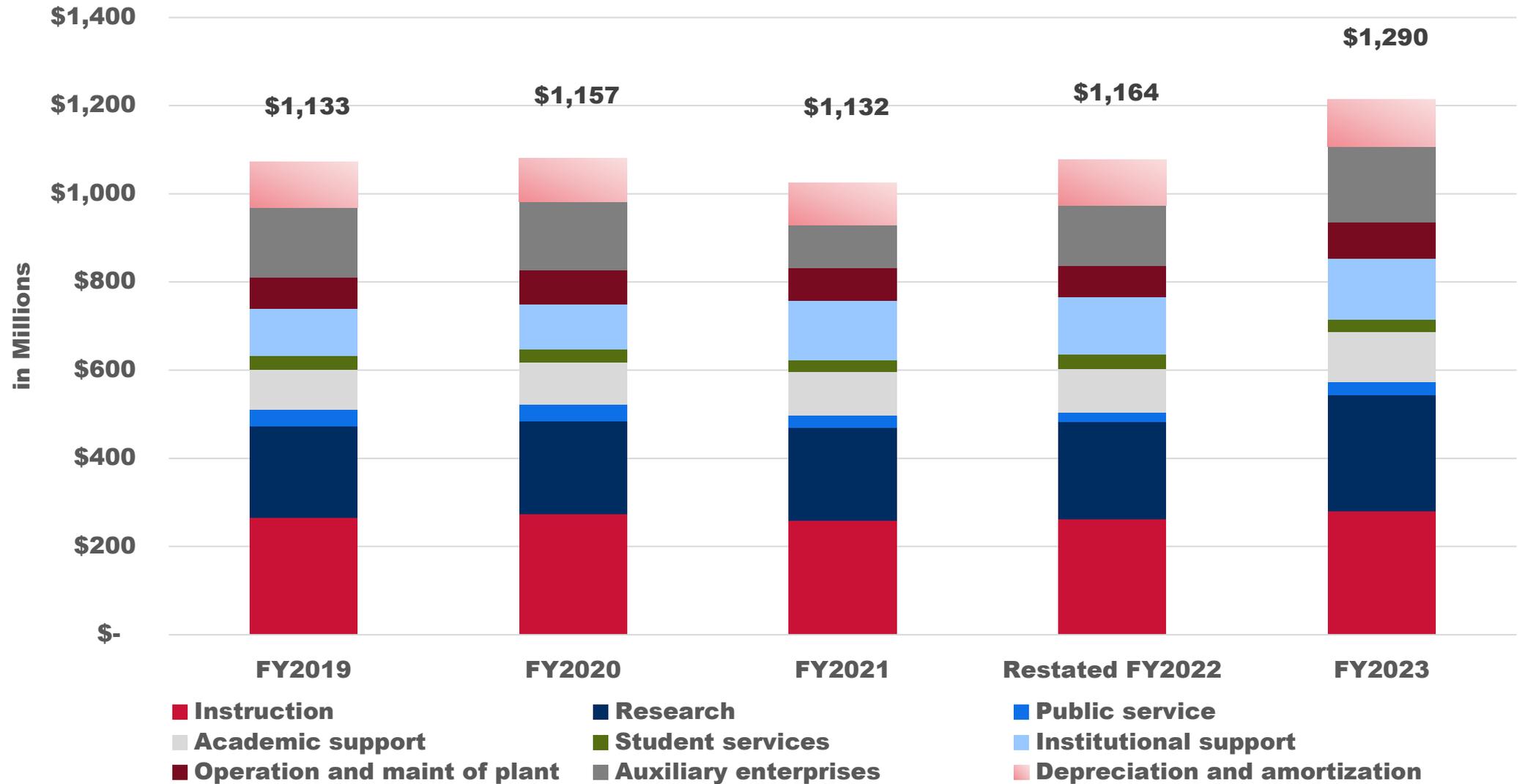


Salaries and Benefits	\$743
Financial Aid	\$77
Services, Suppliers, and Utilities	\$363
Depreciation	\$107
Total Expenses	\$1,290

FY23 Results – Operating Expenses



FY23 Results – Expenses by Functional Class – Financial Statements



FY23 Financial Takeaways

Strengths:

- Operating revenues increased by more than 6%.
- State funding support remained strong with 7% growth.

Challenges:

- Operating expenses outpaced the increase in operating revenues and state appropriations.
- State appropriations target specific new activities or purposes and much of the revenue growth is in designated funds that cannot be used for general university operations
- Tuition revenue continues to decline with enrollment.

All combined, growing costs and declining undesignated revenue sources continue to create the budgetary pressures underlying budget reductions put in place for FY24 and expected for FY25.

The impact of changes in pension and OPEB significantly impacts financial performance.





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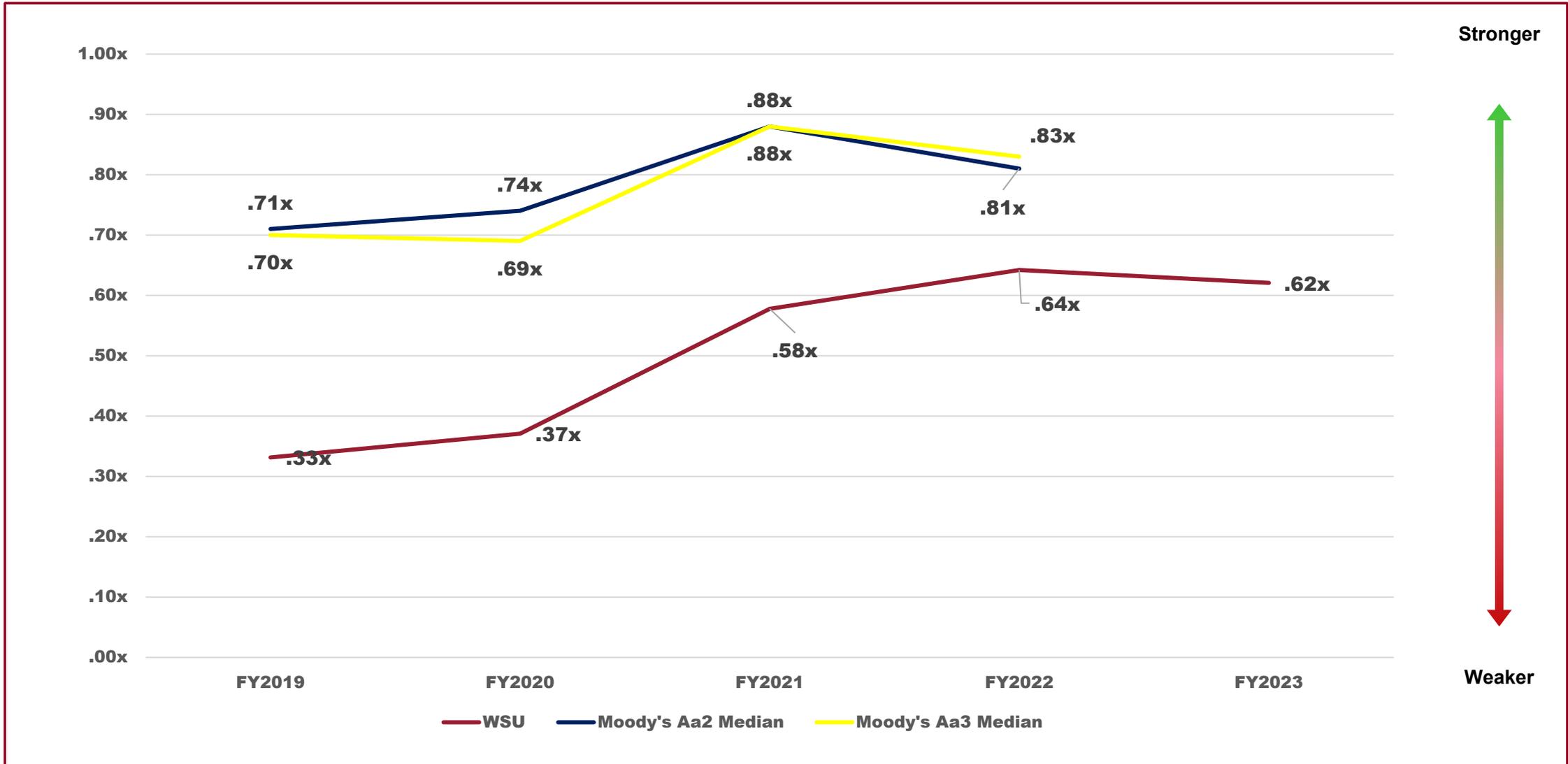
Key Trends, Financial Highlights & Benchmarking

Sources: WSU Financial Statements, Moody's MFRA & Medians Report (as of June 29, 2023)

- (1) Moody's Aa2 & Aa3 median data from "Medians – Public universities' operating performance boosted by federal, state aid", June 29, 2023
- (2) WSU FY 2018-22 data is from audited financial statements and Moody's MFRA Database, which may not include any accounting changes or restatements
- (3) FY 2023 includes preliminary calculations based on unaudited WSU financial statements
- (4) Includes CFI ratios , data sourced form WSU Finance and Administration

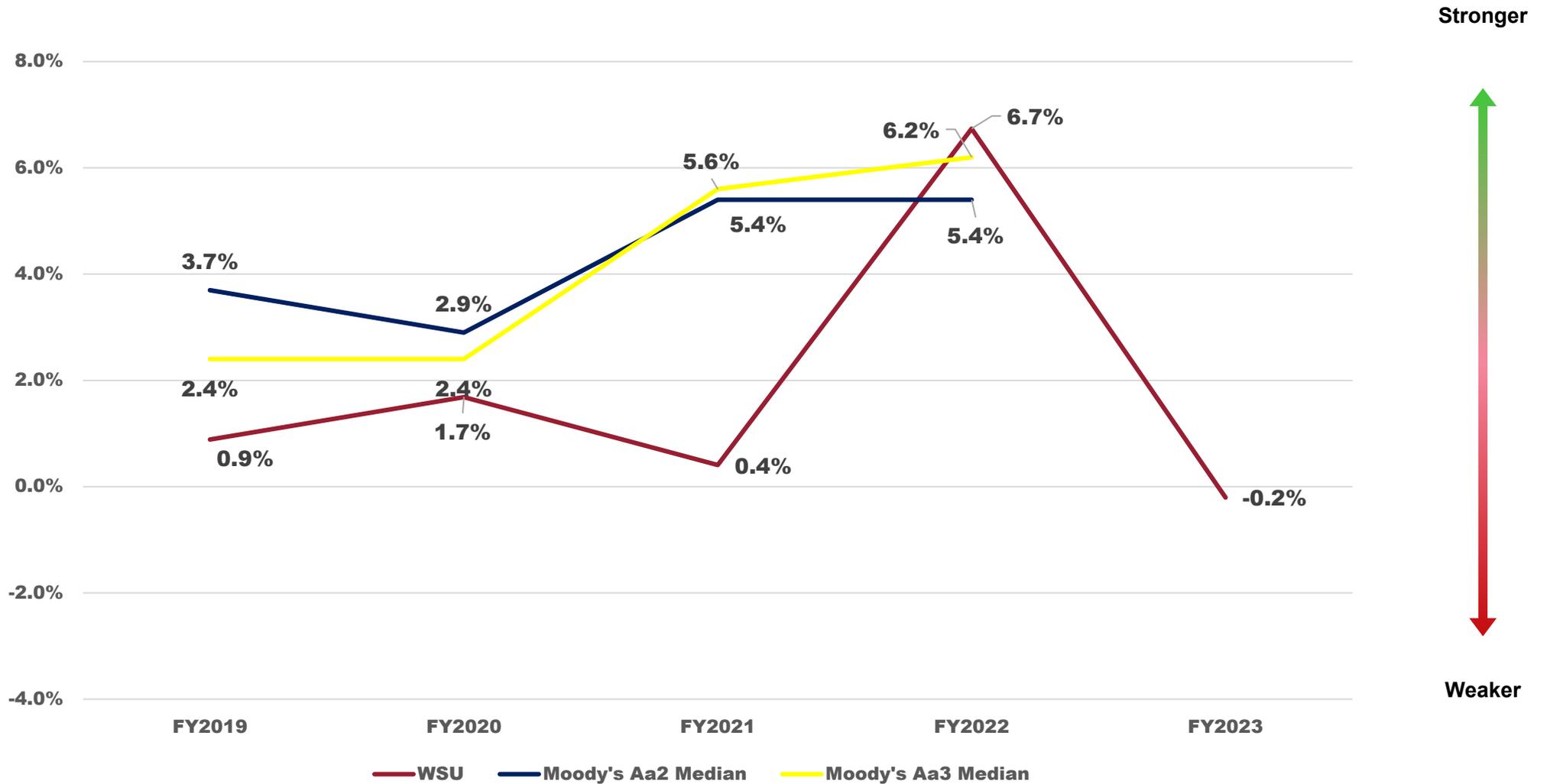
Key Trends and Highlights – Reserves and Liquidity

Spendable Cash & Investments to Operating Expenses (Moody's)



Key Trends and Highlights – Operating Performance

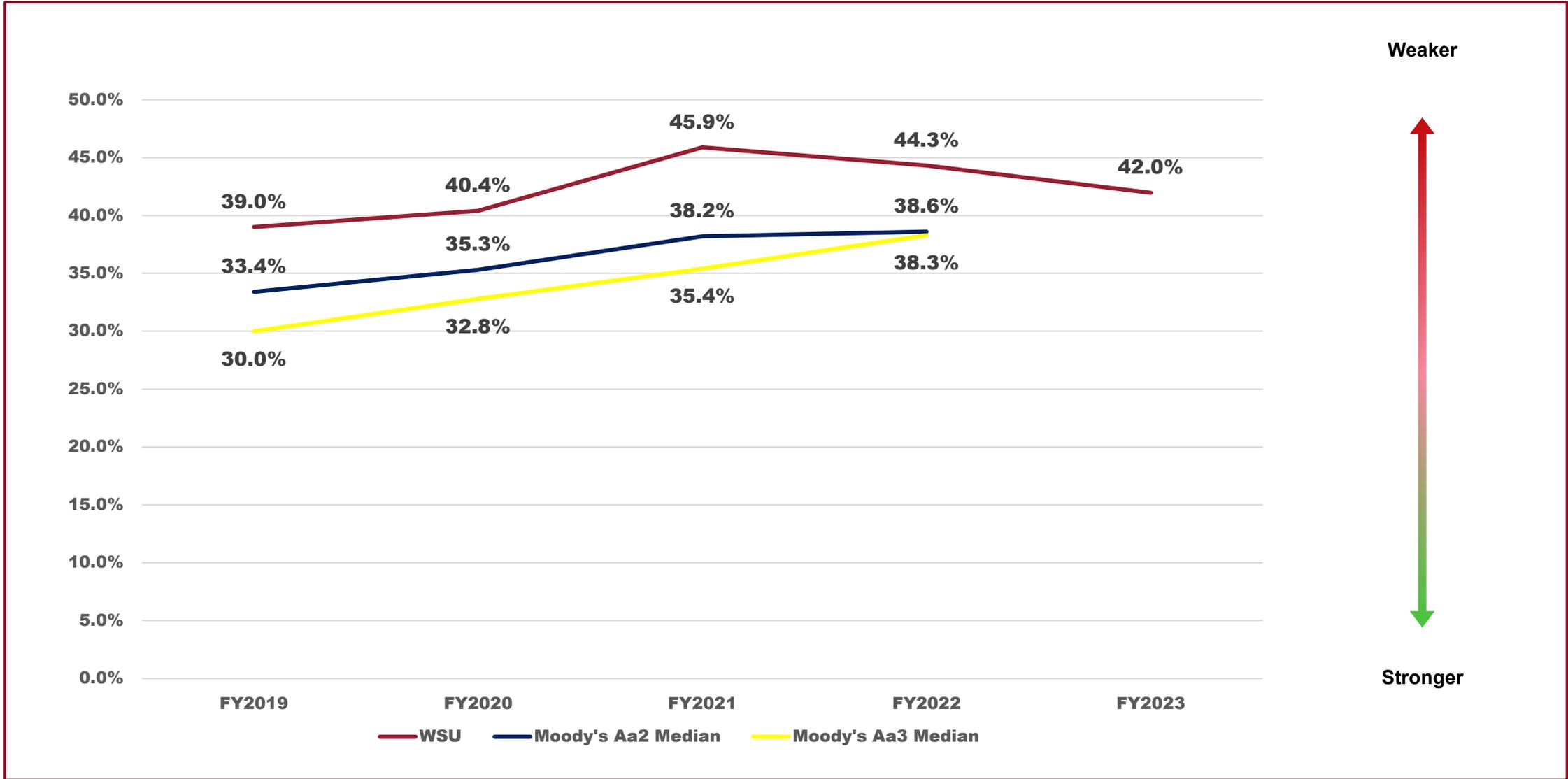
Operating Margin (Moody's)





Key Trends and Highlights – Operating Performance

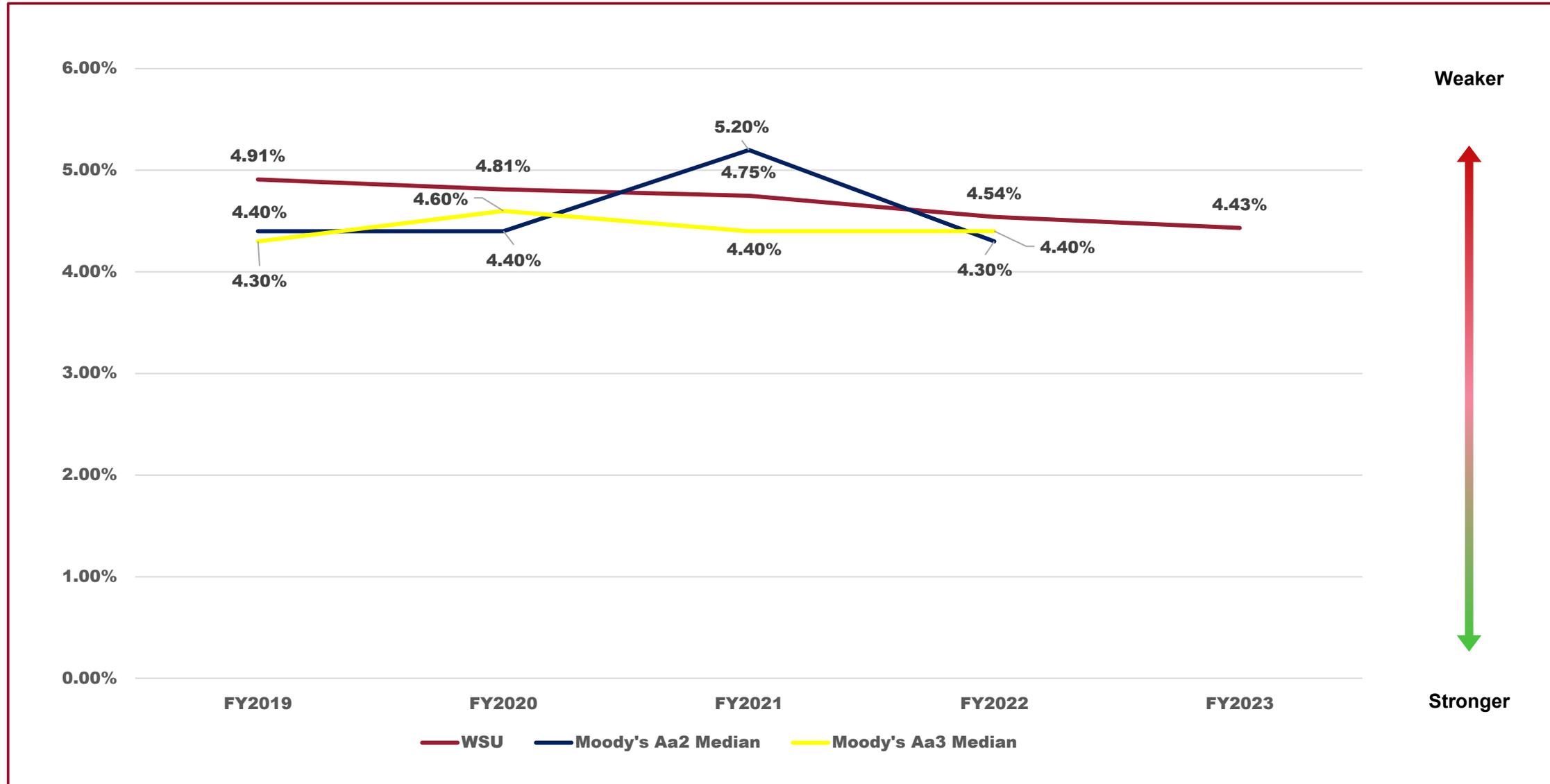
Total Tuition Discount (Moody's)





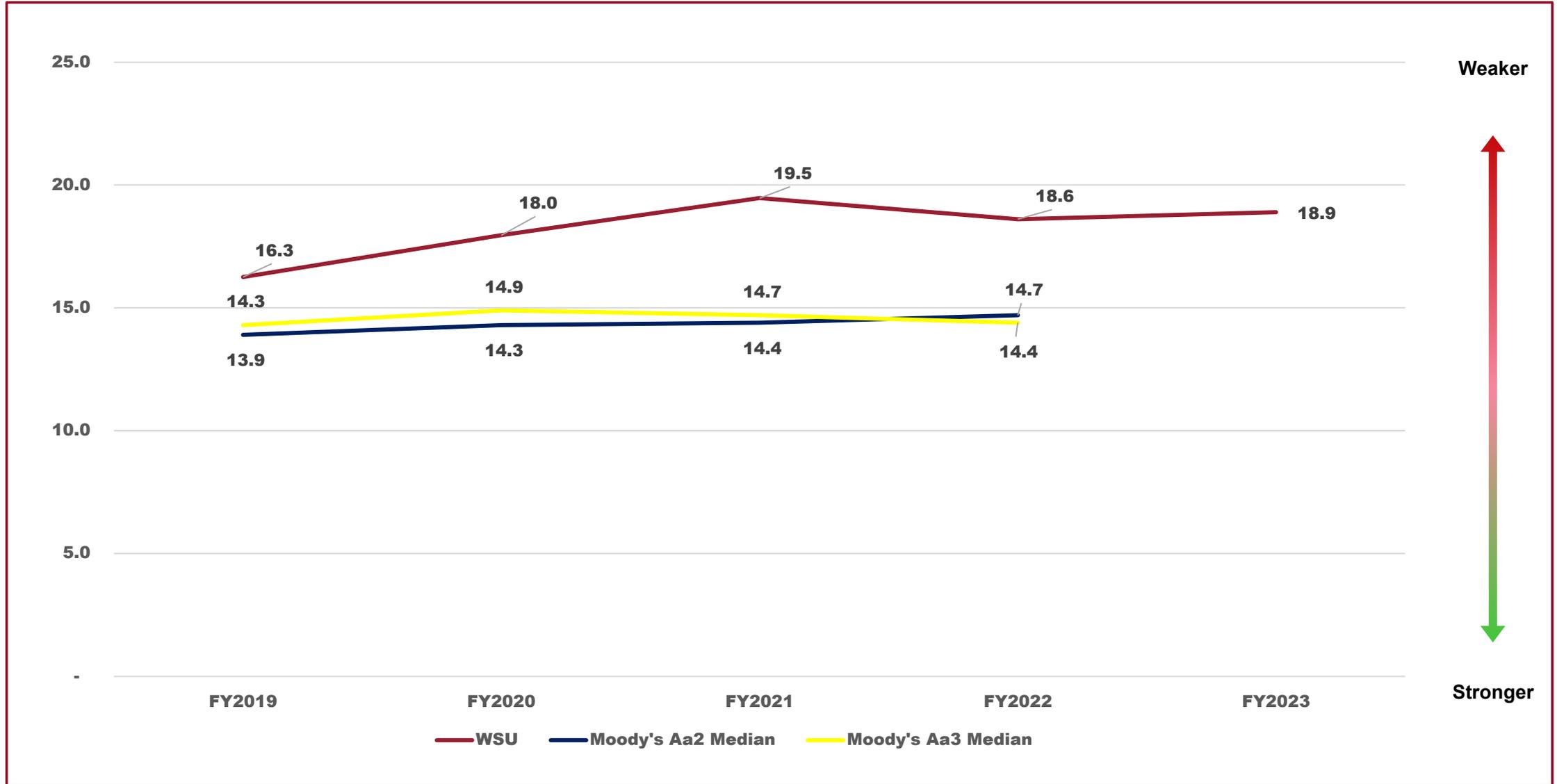
Key Trends and Highlights – Debt Affordability

Debt Burden Ratio (Moody's)



Key Trends and Highlights – Facilities & Infrastructure

Age of Plant (Moody's)





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FY23 Debt Profile & Bond Rating Update



Debt Policy Governing Principles (BOR Policy #5)

- BOR Policy #5 requires an annual debt report to include overall debt status and outlook.
- Debt is not issued without prior approval of the Regents.
- The University will comply with all applicable laws, regulations, and bond covenants.
- Debt is a limited resource that will be used to fund only capital projects that are consistent with the University's mission, strategic priorities, and capital plan.
- The maturity and term of debt repayment will be determined on the basis of: expected availability of resources; other long-term goals and obligations of the borrowing unit and the University; useful life of the assets being financed; and market conditions at the time of financing.



Debt Activities During Fiscal Year 2023

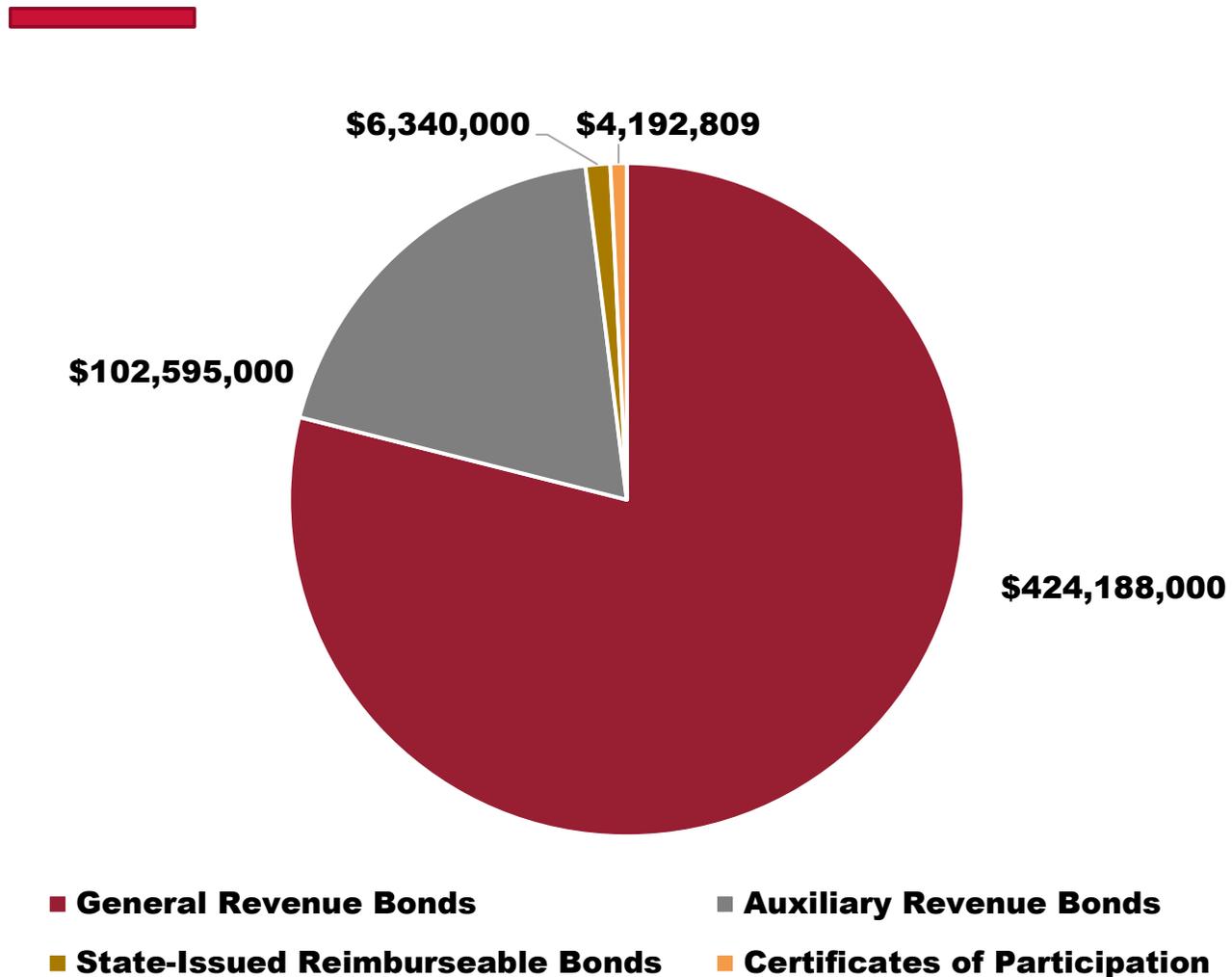


- The University did not issue any Bonds in fiscal year 2023.
- In September 2023, the University issued General Revenue Refunding Bonds 2023 to refund the 2013 General Revenue Bonds at a par value of \$20.28 million and a true interest cost of 3.42%.
- The refunding resulted in \$1.37 million, or 5.97% net present value savings while maintaining the same final maturity of October 1, 2038.

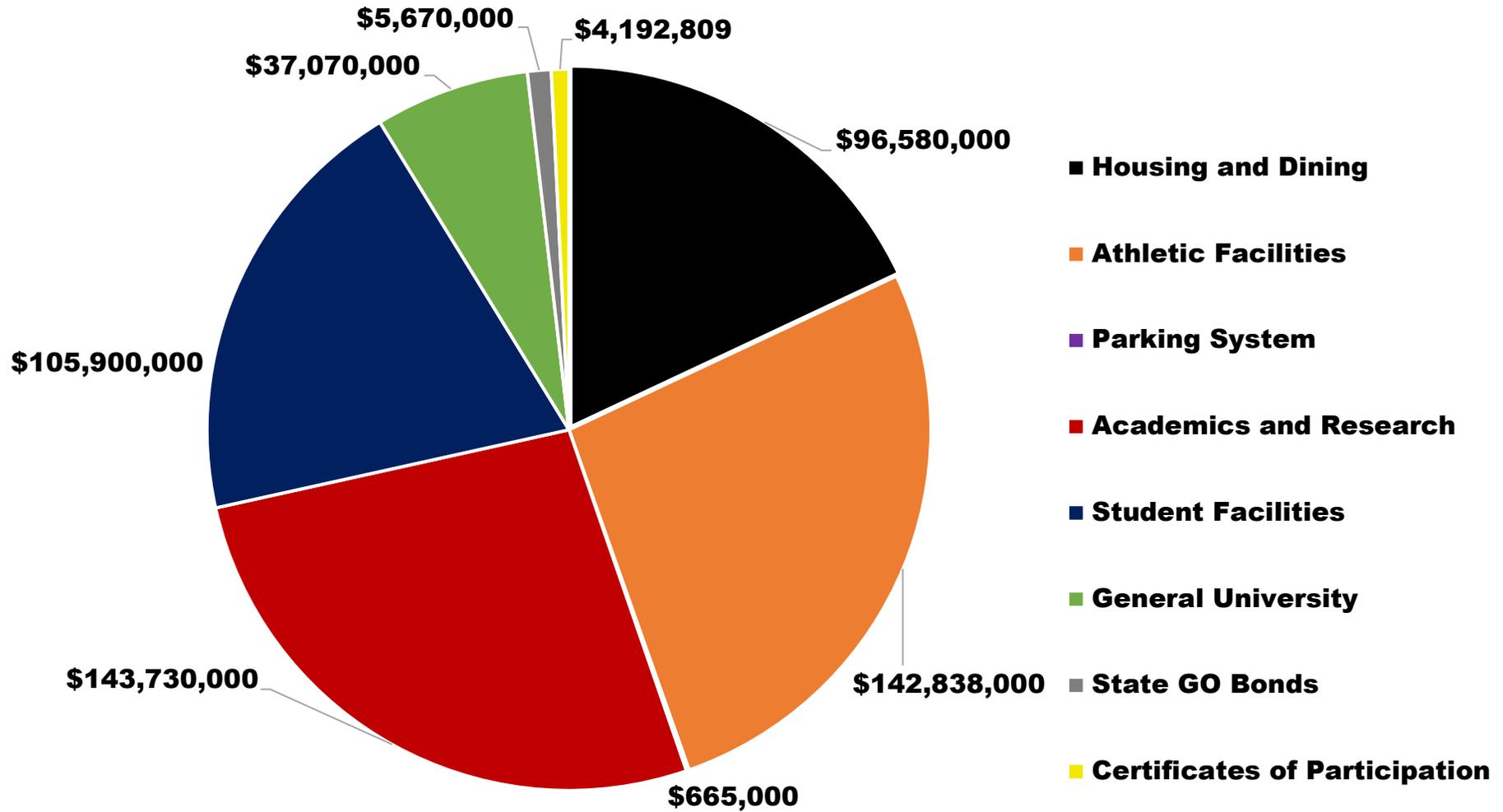


Current Bond Debt Profile

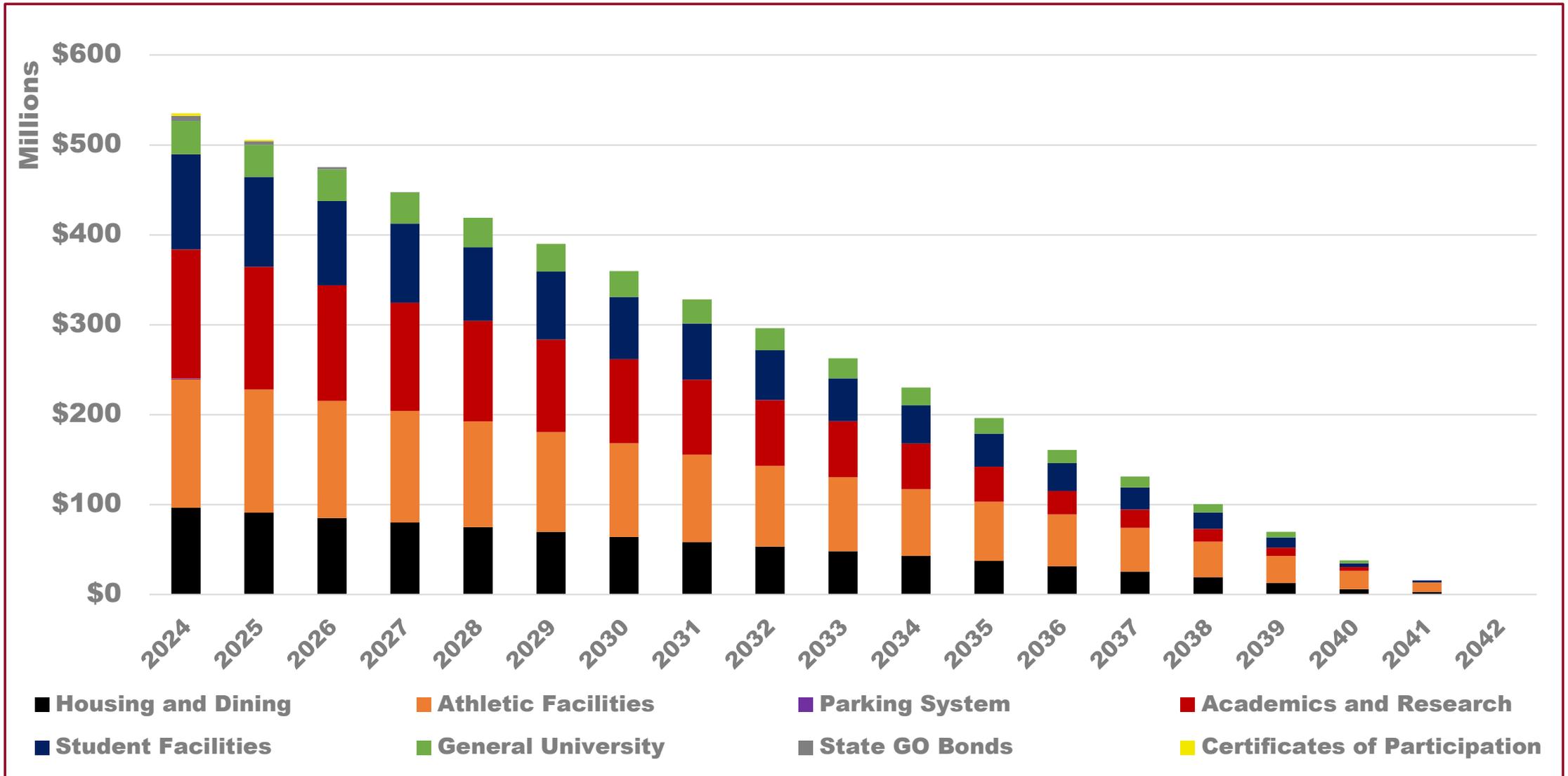
- \$535 million in outstanding principal as of June 30, 2023.
- WSU will pay off approximately 54% of outstanding debt principal in the next 10 years (2023-2032).



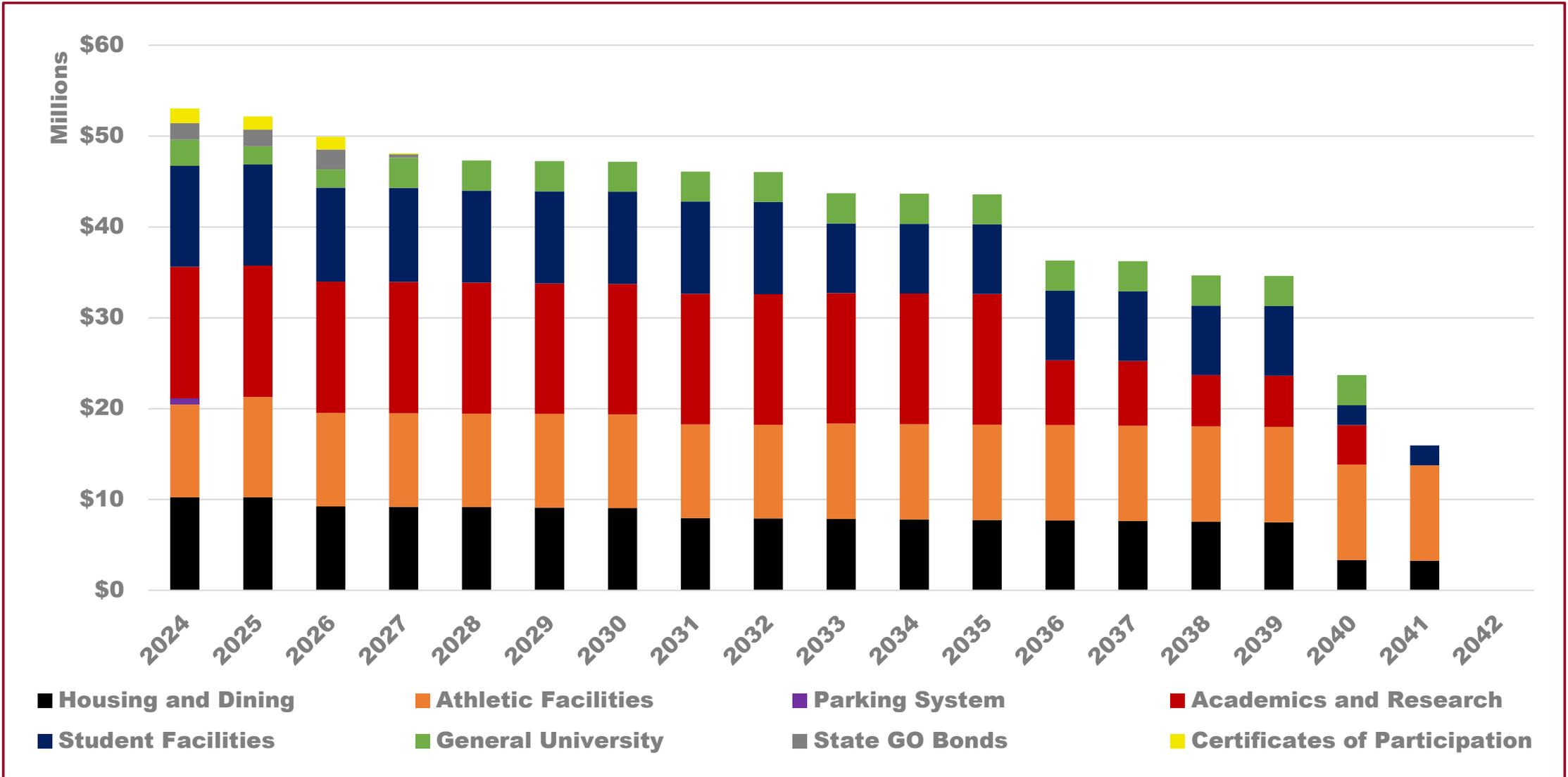
Outstanding Principal By Use



Outstanding Principal By Use



Annual Debt Service by Use



Recent Rating Activities

- WSU utilizes both Moody's Investors Service and S&P Global for bond rating services.
- On August 11, 2023 Moody's assigned a rating of Aa3 (stable) for the University's General Revenue Refunding Bonds, 2023.
- On August 9, 2023 S&P Global assigned a rating of A+ to WSU General Revenue Refunding Bonds, 2023.

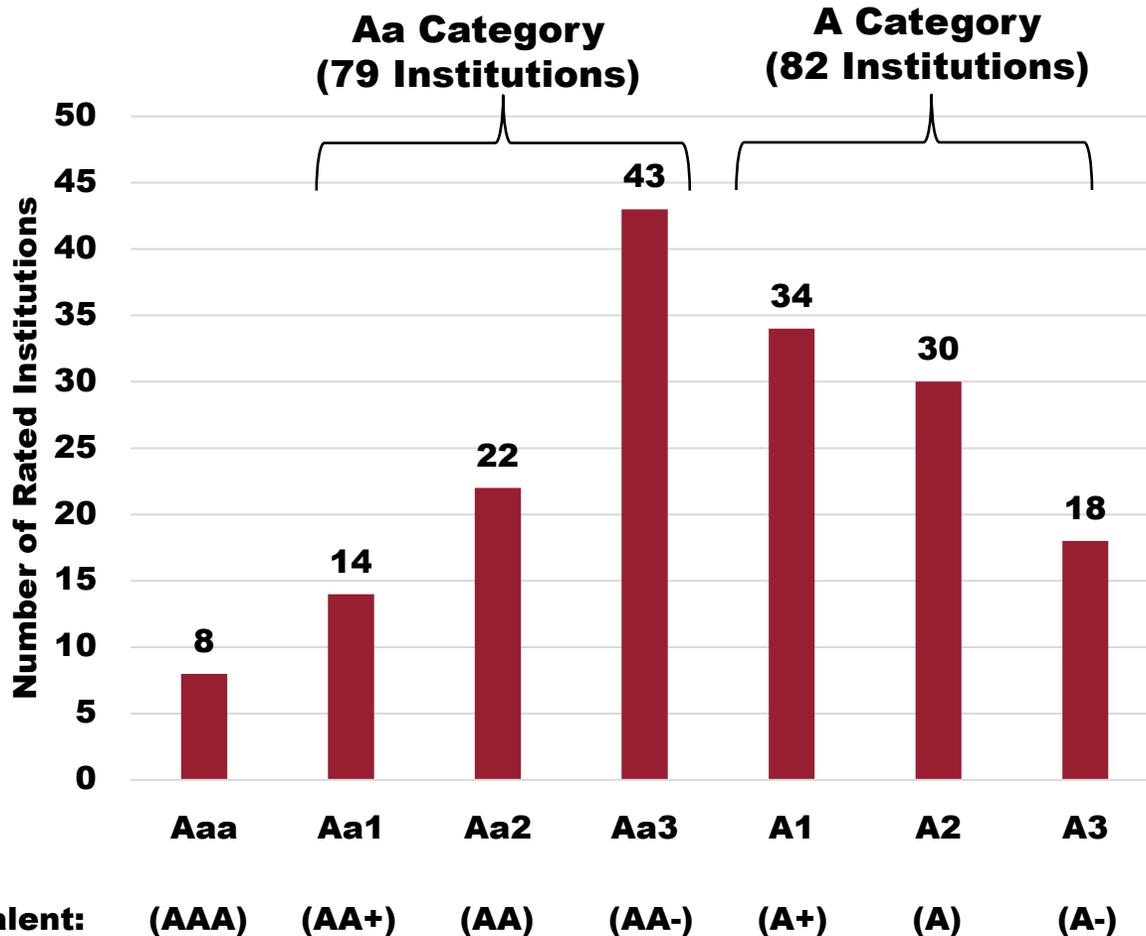


Moody's Rating Distribution of Public Higher Education Institutions

Moody's	S&P
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3 	AA-
A1	A+ 
A2	A
A3	A-

Both Moody's and S&P's WSU ratings carry a stable outlook

S&P Equivalent:



(AAA) (AA+) (AA) (AA-) (A+) (A) (A-)



Debt Report Takeaways

- WSU continues to manage debt strategically.
- Interest rate increases have made debt more costly, and reduced opportunities to create savings in the existing debt portfolio through refunding activities.
- Any consideration of new debt must have a new and sustainable revenue stream to support repayment.





Appendix



Peers and Benchmarking Groups



Benchmark Group – Moody's

Auburn University
California State University
City University of New York
Clemson University
Florida State University
Michigan State University
Mississippi Institutions of Higher Learning
Nevada System of Higher Education
Texas State University System
University of Alabama at Birmingham
University of Alabama

University of Arizona
University of Arkansas
University of California
University of Florida
University of Illinois
University of Kansas
University of Kentucky
University of Massachusetts
University of North Texas System
University of Oregon
University of South Carolina



Benchmark Group – Moody's

Appalachian State University

Ball State University

Board of Regents of The University
System of Georgia

Boise State University

East Carolina University

Florida International University

Georgia Institute of Technology

Georgia State University

Kansas State University

Kent State University

Miami University

Montana State University

North Carolina Agriculture & Technical
State University

Ohio University

Oregon State University

Rutgers, The State University of New
Jersey

South Dakota Board of Regents

State System of Higher Education, PA

Temple University

Texas Woman's University

University of Alabama in Huntsville

University of Cincinnati

University of Connecticut

University of Georgia

University of Hawaii

University of Montana

University of New Mexico

University of North Carolina at
Charlotte

University of North Carolina at
Greensboro

University of North Carolina at
Wilmington

University of Rhode Island

University of South Florida

University of Vermont & State
Agricultural College

University of Wyoming

University System of New Hampshire

Virginia Commonwealth University &
Health System

Washington State University

Wayne State University

West Virginia Higher Education Policy
Commission

West Virginia University

Western Carolina University

Western Michigan University

Wichita State University

