University Of Rochester, NY's 2015 Revenue Bonds Rated 'AA-'

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NEW YORK (Standard & Poor's) June 8, 2015--Standard & Poor's Ratings Services assigned its 'AA-' rating to Monroe County Industrial Development Corp., N.Y.'s $302 million of various series of 2015 revenue bonds issued for the University of Rochester. In addition, Standard & Poor's affirmed its 'AA-' rating on various existing series of bonds issued for the university by the development corporation and the New York State Dormitory Authority. The outlook is stable for all issues.

Standard & Poor's also affirmed its 'AAA/A-1' rating on the series 2003A and 2003C bonds, supported by a letter of credit (LOC) from JPMorgan Chase Bank N.A., also issued by the authority for the university, based on the application of joint criteria with low correlation. The long-term component of the rating reflects the joint application of our long-term 'A+' rating on JPMorgan Chase and 'AA-' underlying SPUR on the university. The short-term component of the rating reflects our 'A-1' rating on JPMorgan Chase. The LOC expires March 3, 2017.

Standard & Poor's also affirmed its 'AAA/A-1+' rating on the series 2003B bonds, supported by an LOC from HSBC Bank USA N.A., also issued by the authority, based on the application of joint criteria with low correlation. The rating's long-term component reflects the joint application of our long-term 'AA-' rating on HSBC Bank USA and 'AA-' SPUR on the university. The short-term component reflects our 'A-1+' rating on the bank. The LOC expires Sept. 3, 2018.

Standard & Poor's also affirmed its 'AAA/A-1+' rating on the series 2006A1 and
B1 bonds, supported by an LOC from Wells Fargo Bank N.A., issued by the authority, based on the application of joint criteria with low correlation. The rating's long-term component reflects the joint application of our long-term 'AA-' rating on Wells Fargo Bank and 'AA-' SPUR on the university. The short-term component reflects our 'A-1+' rating on the bank. The LOC expires Aug. 14, 2015. We understand the university is currently negotiating the terms of a renewal for the LOC with a replacement bank and anticipates concluding those negotiations in the next 30 days.

Total long-term debt outstanding at fiscal year-end 2014 (June 30) is $1.13 billion. We understand about $130 million of bond proceeds from the current issuance will fund various needed academic buildings and other renovation projects while the majority of the remaining bond proceeds will be used to refund various outstanding bond issues for debt service savings.

"The rating continues to reflect our assessment of the university's strong student demand and positive enrollment trend; very strong financial performance for each of the past two fiscal years, which is expected for the current fiscal year's end on June 30 and next year); sound governance and management; good revenue diversity, including a well-known medical school and market leading academic medical center; adequate financial resources; low debt burden; and successful fundraising with a strong endowment," said Standard & Poor's credit analyst Ken Rodgers. "Financial resource ratios, however, trail medians for the rating category and the university's research grants and contracts have decreased to about 10% of adjusted operating revenue in fiscal 2014 from 15% three years earlier, with an indication there has been a slight further decline in the current year."

A general obligation pledge under the loan agreement with the authorities secures the bonds.

The stable outlook reflects our expectation that the university's enterprise profile will remain strong and its financial profile will further strengthen as its capital needs wind down from recent historical highs and it realizes the benefit of stronger financial resources as debt begins to recede. These beliefs are premised upon continued strong enrollment and sound management of the university, while financial performance will remain at or near current levels with any additional debt issuance commensurate with improved financial resources. We could consider a negative outlook within the next one to two years if additional debt exceeds our expectations, financial resources fail to increase, or operating results decline. We believe a positive outlook is somewhat unlikely during this period, given financial resources that trail median ratios for the rating and the possibility for additional debt.

Founded in 1850, the university is an independent, nonprofit institution of higher education, research, and health care in Rochester, N.Y.

RELATED CRITERIA AND RESEARCH

Related Criteria
University Of Rochester, NY's 2015 Revenue Bonds Rated 'AA-'

- USPF Criteria: Contingent Liquidity Risks, March 5, 2012

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