STATE OF COLORADO
OFFICE OF THE TREASURER
Dave Young

COLORADO TREASURER'S 7TH ANNUAL REPORT
STATE INSTITUTIONS OF HIGHER EDUCATION
FISCAL YEAR 2022/2023

September 1, 2022

STATE OF COLORADO
DEPARTMENT OF THE TREASURY

Dave Young
State Treasurer

Eric Rothaus
Deputy Treasurer

September 1, 2022

Colorado Capital Development Committee
Colorado Commission on Higher Education
Colorado Joint Budget Committee
Colorado Office of State Planning and Budgeting

200 East Colfax Ave.
Denver, CO 80203

Colleagues:

The Colorado Department of the Treasury ("Treasury" or the "Department") submits this report pursuant to Section 23-5-139 of the Colorado Revised Statutes. The report addresses the fiscal health of Colorado's Higher Education Institutions ("institution(s)") as it relates to outstanding debt and debt service costs. Specifically, the report presents:

1. The most recent credit rating of each institution that has issued either intercept or stand-alone bonds,
2. The debt service coverage ratio for each institution that has issued either intercept or stand-alone bonds,
3. The total amount of all intercept and stand-alone bonds issued by each institution.[1]

The report analyzes information reflecting a higher education institution's: 1) pledged revenues; 2) General Fund appropriations (limited to the appropriation for stipends and fee-for-service contracts), and 3) debt service obligations. This year, the General Assembly enacted SB22-121, permitting all public higher education governing boards to pledge up to 100% of tuition revenue to bond holders. This legislation was enacted to provide institutions greater flexibility, access lower capital costs, and the opportunity to increase pledged revenues.[2] For the institutions which have since adopted an expanded tuition revenue pledge for debt service, individual calculations were made by institution to determine what pledged revenues would have been (in their respective FY 2020-2021 audits) given the additional pledged revenue. As we have noted in past reports, due to statutory requirements, the

[1] Because of its Aa1 and AA+ credit ratings the University of Colorado has not issued any intercept bonds
[2] Legislation enacted in 2016 allowed the University of Colorado to pledge 100% of tuition revenue to debt service

timing of this document does not align with when higher education institutions have received their audited financial statements. One effect of this misalignment is that this report communicates the outstanding debt profile from one year and revenue available for debt service from a different year. This may result in understating or overstating a higher education institution's debt coverage ratio. In an effort to provide a more current financial snapshot, this report now uses fiscal year numbers from the same fiscal year for both debt service and state General Fund support (e.g., FY2023) but uses pledged revenues from the most recent available audited financial statements (e.g., FY2021).

To rectify this issue, the legislature could consider changing the due date of this report to a time after audited financial figures are available from each higher education institution which is on or around mid-January. The remaining information presented in this report is believed to be accurate and up to date. We welcome input and will do our best to make changes in accordance with that feedback.

Additionally, this report also serves as the communication mechanism to show which institutions qualify for pre-approval to participate in the State of Colorado's intercept program. Colorado law directs Treasury to calculate a pre-approval amount for qualifying institutions using the two different methods outlined in statute and then establishing the pre-approved amount at the "lesser of" the two methods.

The first calculation is the difference between seventy-five percent of the most recent fiscal year's General Fund appropriations for stipends and fee-for-service contracts that are re-appropriated to such governing board and the total annual debt service payments for intercept bonds of such governing board.

The second method allows for "the total amount of additional revenue bonds a governing board could issue while maintaining the requirements set forth in subparagraph (II) of paragraph (b) of this subsection (1)", a reference to debt service coverage of not less than 1.5x. Pre-approvals within the report have been calculated assuming a thirty-year amortization at an interest rate of 3.08%, the "AA" rated Municipal Market Data tax-exempt index rate (20-year maturity) as of August 1, 2022.

This report is the product of considerable time and effort among the contributors. The Department thanks Amanda Bickel of the Joint Budget Committee Staff, Matt Bishop and Bo Pogue of the Capital Development Committee Staff, Steph Chichester, Nick Taylor, and Jack Kroll of North Slope Capital Advisors, and Lori Ann Knutson from the Attorney General's Office for their help and guidance. We would also like to thank the Chief Financial Officers, and their staff, from the higher education institutions who edited and refined the figures used in this report. Specifically, we would like to thank Brad Baca, Ashley Brenner, Chuck Cook, Holly Estelle, Kevin Gravina, Heather Heersink, Liza Larsen, Chad Marturano, Erin McKenzie, George Middlemist, Bill Mummert, Dale Pratt, Michelle Quinn, Dave Ryan, Steve Schwartz, Mark Superka, Charlie Ulsamer, Kirsten Volpi, Tony Vu, and Suzanne Zimmerer.

Sincerely,

David L. Young
State Treasurer

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Executive Summary

The following institutions are measured as to whether they met the statutory requirements to participate in the intercept program. If all requirements are met, the pre-approval amount is included as well.

Institution:	Adams State University Colorado	Colorado Community College System	Colorado Mesa University	Colorado School of Mines	Colorado State University	Fort Lewis College	MSU Denver	CU	University of Northern Colorado	Western Colorado University
Ratings Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Coverage Ratio Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
State Funding % Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pre-Approval Amount	$36,422,471	$493,766,340	$327,795,715	$213,858,437	$1,812,817,617	$183,751,473	$1,078,319,066	$4,075,121,605	$623,560,616	$135,189,263

Ratings

Section 23-5-139(1)(b)(II)(A), C.R.S., requires the Department to confirm that an institution's governing board participating in the state higher education intercept program carries a "credit rating *in one of the three highest categories* from at least one nationally recognized statistical rating organization [NRSRO]." (emphasis added).

There are three NRSRO's from which a credit rating may be obtained: Moody's, Standard and Poor's, and Fitch. Below are the most recent ratings available for each institution. **However, not each institution has been rated recently and their financial situation may have changed since their last rating.** Note – Moody's Investors Service assigned Issuer Ratings to each of the Colorado 4-year public higher education institutions and the Colorado Community College System in conjunction with the publication on August 4, 2021, of a new methodology for assessing credit risk for higher education institutions. Concurrently, Moody's has also affirmed the associated debt instrument ratings of these higher education institutions. Since last year's report, Western Colorado University was the only institution to receive a rating change (Moody's upgraded the University to A3 from Baa3), all others remain unchanged. University of Northern Colorado received a Negative Outlook (from Stable) from S&P, but its underlying rating remains an A-; and Colorado School of Mines received a Stable Outlook from S&P (from Negative); otherwise, all other rating agency outlooks remain unchanged. The three highest categories for Moody's, S&P, and Fitch are Aaa/Aa/A, AAA/AA/A, and AAA/AA/A, respectively.

Institution	Moody's	S&P	Fitch	Most Recent Agency Report
Adams State University	A3 (Stable)	N/A	N/A	December 2020
Colorado Community College System	Aa3 (Stable)	N/A	N/A	August 2019
Colorado Mesa University	A2 (Stable)	N/A	N/A	November 2020
Colorado School of Mines	A1 (Stable)	A+ (Stable)	N/A	March 2022
Colorado State University	Aa3 (Stable)	A+ (Stable)	N/A	September 2021
Fort Lewis College	A3 (Stable)	N/A	N/A	August 2020
Metropolitan State University	A1 (Stable)	A (Stable)	N/A	August 2022
University of Colorado	Aa1 (Stable)	N/A	AA+ (Stable)	March 2022
University of Northern Colorado	A3 (Stable)	A- (Negative)	N/A	June 2022
Western Colorado University	A3 (Stable)	N/A	N/A	April 2022

Institutions Meeting the Rating Requirement	Institutions Not Meeting the Rating Requirement
	NONE

Debt Service Coverage Ratio and Outstanding Debt

The debt service coverage ratio is measured by "dividing the governing board's net revenue available for annual debt service over such governing board's total amount of annual debt service." § 23-5-139(1)(b)(II)(B), C.R.S. The four institutions which expanded their tuition pledges (from 10% to 100%) as of the writing of this report are Colorado Mesa University, Colorado School of Mines, Fort Lewis College, and Metropolitan State University of Denver. The statute requires a coverage ratio of at least one and one-half times to be eligible for the intercept program.

The following is the calculated outstanding debt, service coverage, and their respective ratios. For those institutions which have not adopted an expanded pledge, figures are provided to show what those institutions' coverage ratios would have been, should their governing boards adopt an expanded pledge.

Institution	Adams State University	Colorado Community College System	Colorado Mesa University**	Colorado School of Mines**	Colorado State University
FY2023 Debt Service-All Outstanding Bonds	$3,937,983	$7,402,688	$14,247,078	$19,023,041	$7,944,307
FY2023 Debt Service-Intercept Bonds	$3,648,233	$1,618,631	$13,371,078	$8,100,874	$1,700,000
FY2021 Net Pledged Revenues	$6,841,402	$23,771,739	$82,448,000	$154,655,864	$158,806,000
DSCR-All w/ 10% Pledge	**1.74x**	**3.21x**	**	**	**19.99x**
DSCR-Intercept w/ 10% Pledge	**1.88x**	**14.69x**	**	**	**93.42x**
DSCR-All w/ 100% Pledge	**4.87x**	**29.32x**	**5.79x**	**8.13x**	**74.96x**
DSCR-Intercept w/ 100% Pledge	**5.25x**	**134.06x**	**6.17x**	**19.09x**	**350.32x**

****Denotes university/college which has adopted 100% tuition pledge provided for in SB22-121**

Institution	Fort Lewis College**	Metropolitan State University**	University of Colorado***	University of Northern Colorado	Western Colorado University
FY2023 Debt Service-All Outstanding Bonds	$4,260,339	$9,631,627	$143,839,170	$10,165,372	$7,212,907
FY2023 Debt Service-Intercept Bonds	$3,250,953	$6,769,112	$0	$9,409,234	$6,810,426
FY2021 Net Pledged Revenues	$14,859,622	$130,086,769	$1,249,450,000	$56,984,728	$10,626,948
DSCR-All w/ 10% Pledge	**	**	**N/A**	**3.65x**	**
DSCR-Intercept w/ 10% Pledge	**	**	**N/A**	**3.94x**	**
DSCR-All w/ 100% Pledge	**3.49x**	**13.51x**	**8.69x**	**8.95x**	**3.14x**
DSCR-Intercept w/ 100% Pledge	**4.57x**	**19.22x**	**N/A**	**9.67x**	**3.33x**

****Denotes university/college which has adopted 100% tuition pledge provided for in SB22-121**
*****The University of Colorado already had flexibility to pledge 100% tuition revenue under previous legislation**

Institutions Meeting the Coverage Requirement	Institutions Not Meeting the Coverage Requirement
Adams State University Colorado Colorado Community College System Colorado Mesa University Colorado School of Mines Colorado State University Fort Lewis College MSU Denver CU University of Northern Colorado Western Colorado University	NONE

Debt Service as a Percentage of State Funding

Higher education institutions receive State funding through various mechanisms. The State supplies funding to institutions directly through the Colorado Opportunity Fund ("COF") and fee for service contracts. The maximum amount of intercept debt service owed by any institution in any year *must equal 75% or less* of the combined amount of the COF and fee for service. § 23-5-139(1)(b)(I), C.R.S.

Below is each institution's maximum annual intercept debt service, in any current or future year, as a percentage of 2022-2023 State funding.

Institution	State Funding Amount FY2022-2023	Maximum Intercept Debt Service Amount FY2022-2023	Percentage of Intercept Debt Service Amount to State Funding
Adams State University	$21,009,471	$4,504,380	21.44%
Colorado Community College System	$242,263,515	$1,623,619	0.67%
Colorado Mesa University	$40,443,534	$13,513,277	33.41%
Colorado School of Mines	$30,209,496	$11,411,721	37.78%
Colorado State University	$203,711,559	$59,767,026	29.34%
Fort Lewis College	$17,111,407	$3,405,169	19.90%
Metropolitan State University	$82,797,655	$6,769,112	8.18%
University of Colorado	$278,795,564	$0	N/A
University of Northern Colorado	$56,984,728	$10,743,317	18.85%
Western Colorado University	$18,320,398	$6,803,665	37.14%

Institutions Meeting the Percentage Requirement	Institutions Not Meeting the Percentage Requirement
Adams State University; Colorado Community College System; Colorado Mesa University; Colorado School of Mines; Colorado State University; Fort Lewis College; MSU Denver; University of Colorado; University of Northern Colorado; Western Colorado University	NONE

Institution Profiles

Click the logo to view the profile.

Adams State University Colorado

Colorado Community College System

Colorado Mesa University

Colorado School of Mines
Earth • Energy • Environment

Colorado State University

Fort Lewis College
Durango, Colorado

Metropolitan State University of Denver

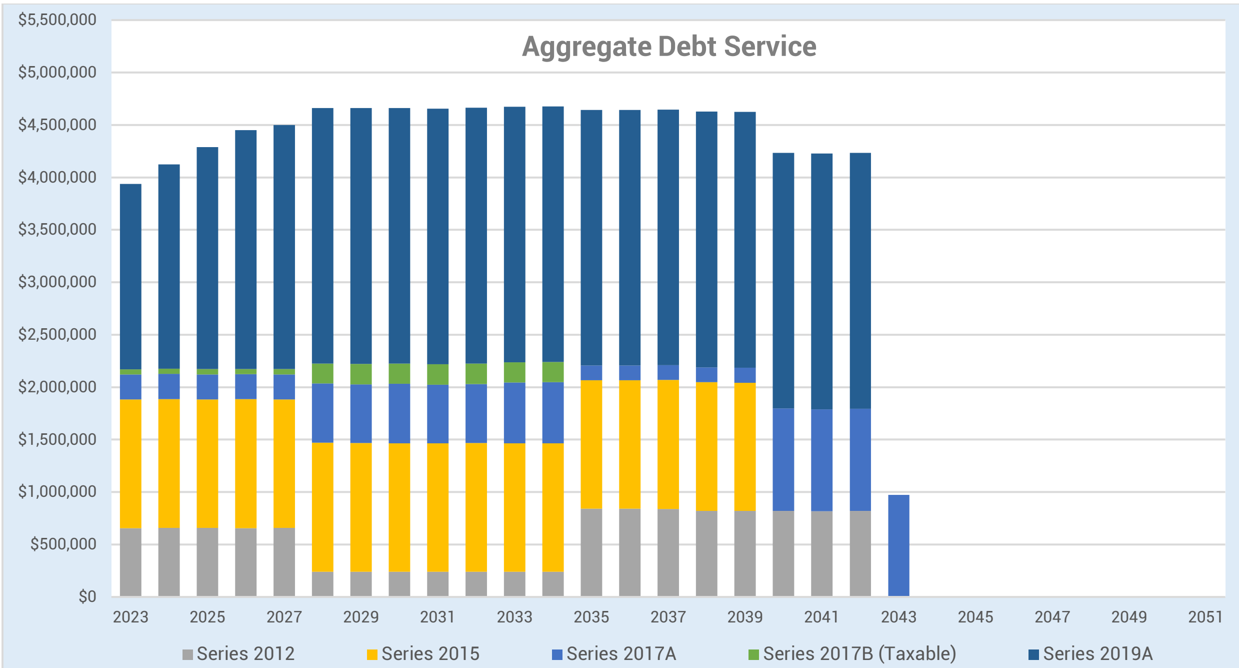
University of Colorado
Boulder | Colorado Springs | Denver | Anschutz Medical Campus

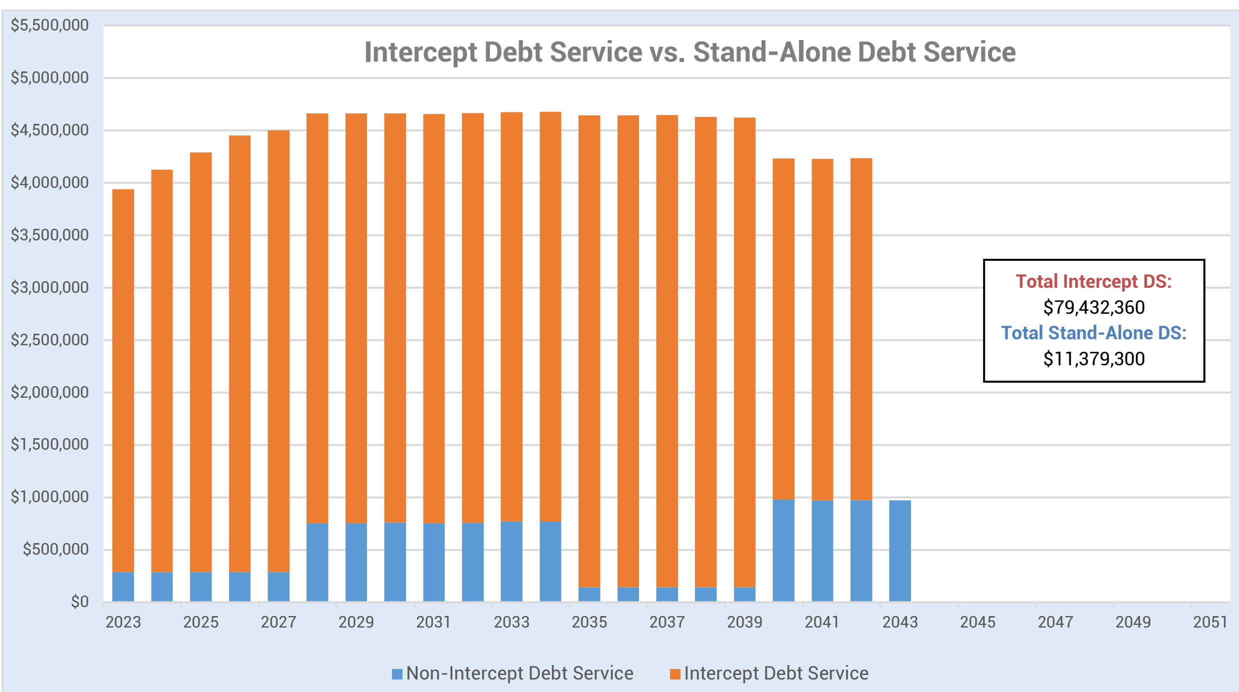
University of Northern Colorado

Western Colorado University

Adams State University

Location:	Alamosa
Underlying Ratings:	A3, N/A, N/A*
State Intercept Enhanced Ratings:	Aa2, N/A, N/A*
Most Recent Agency Rating:	December 2020
Pre-Approved for Intercept?	Yes
Pre-Approval Amount:	$36,422,471

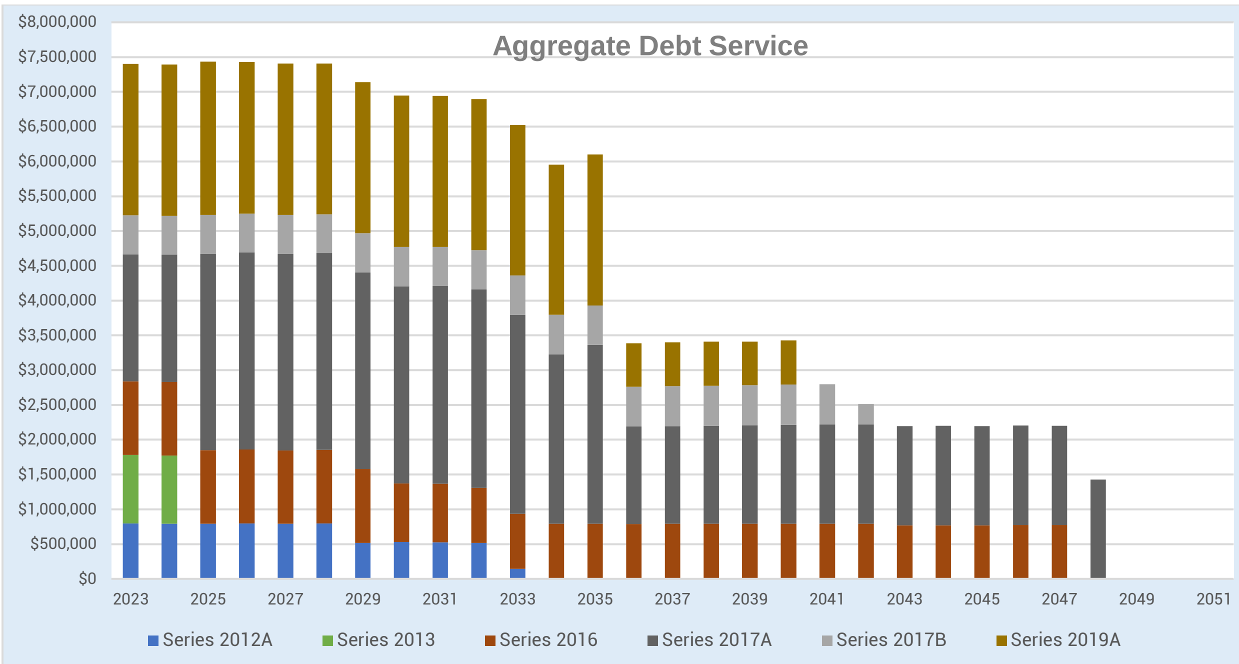


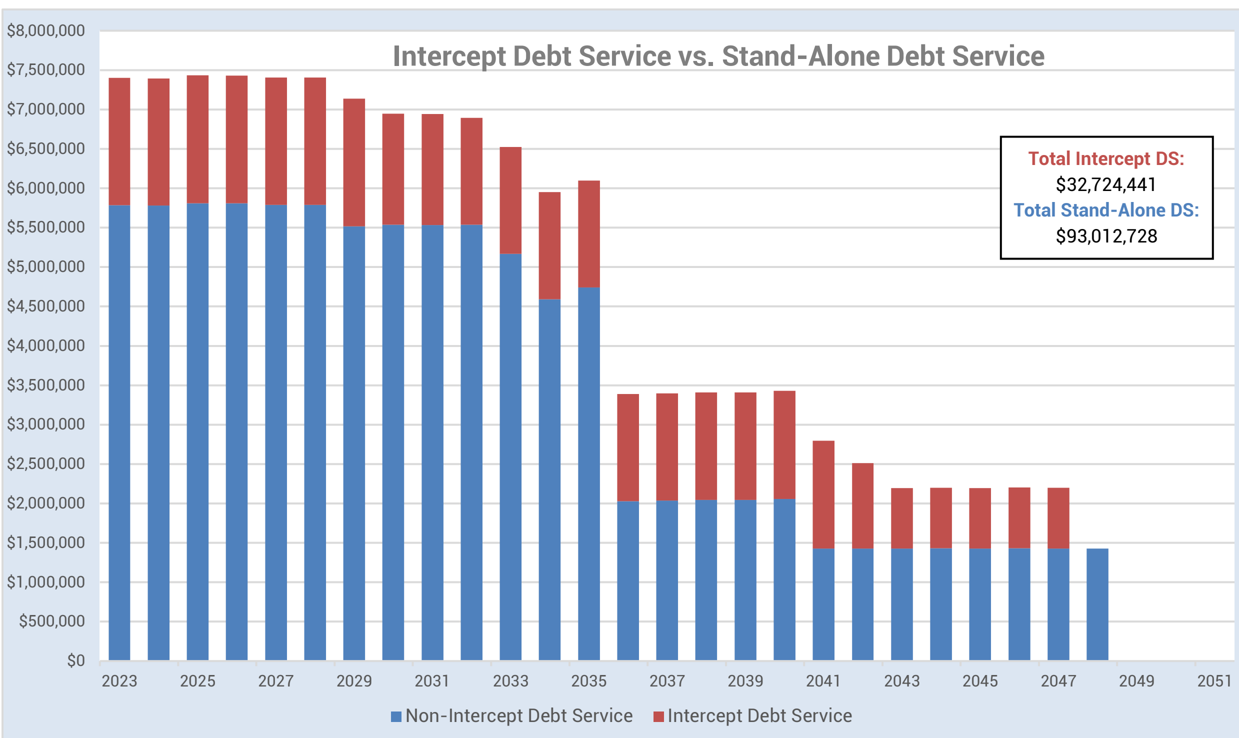


Ratings are displayed in order of Moody's, S&P, and Fitch

Colorado Community College System

Location: Various
Underlying Ratings: Aa3, N/A, N/A*
State Intercept Enhanced Ratings: Aa2, N/A, N/A*
Most Recent Agency Rating: August 2019
Pre-Approved for Intercept? Yes
Pre-Approval Amount: $493,766,340

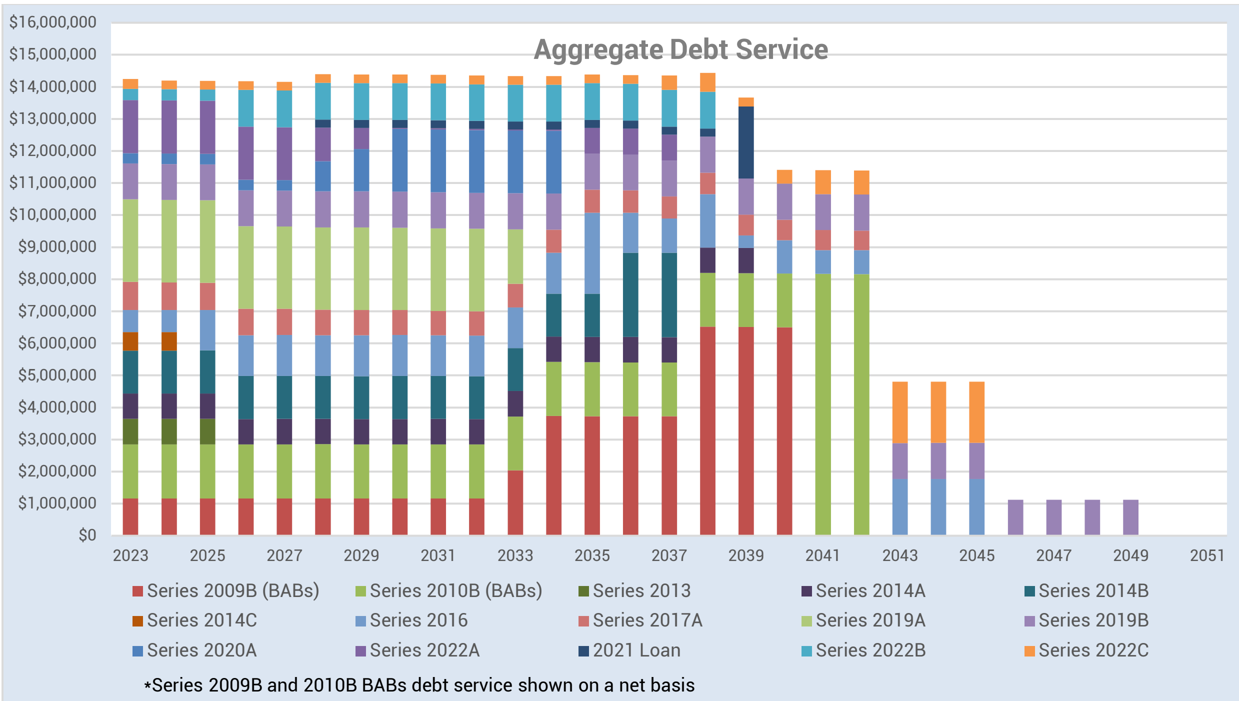


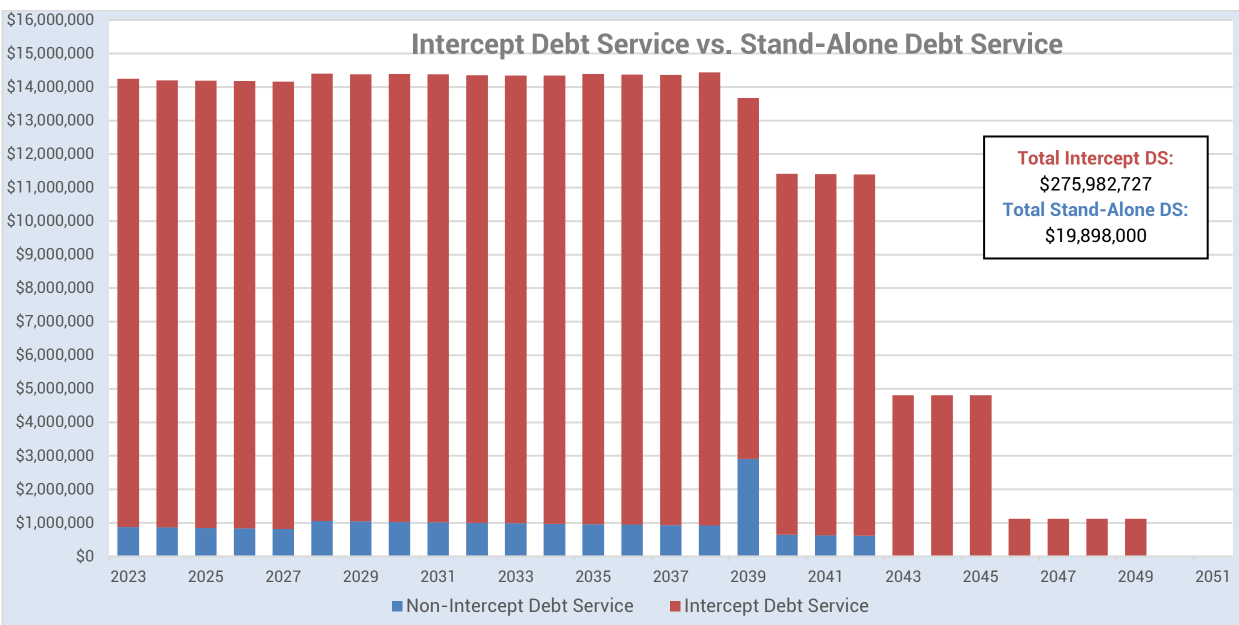


*Ratings are displayed in order of Moody's, S&P, and Fitch

Colorado Mesa University

Location:	Grand Junction
Underlying Ratings:	A2, N/A, N/A*
State Intercept Enhanced Ratings:	Aa2, N/A, N/A*
Most Recent Agency Rating:	November 2020
Pre-Approved for Intercept?	Yes
Pre-Approval Amount:	$327,795,715

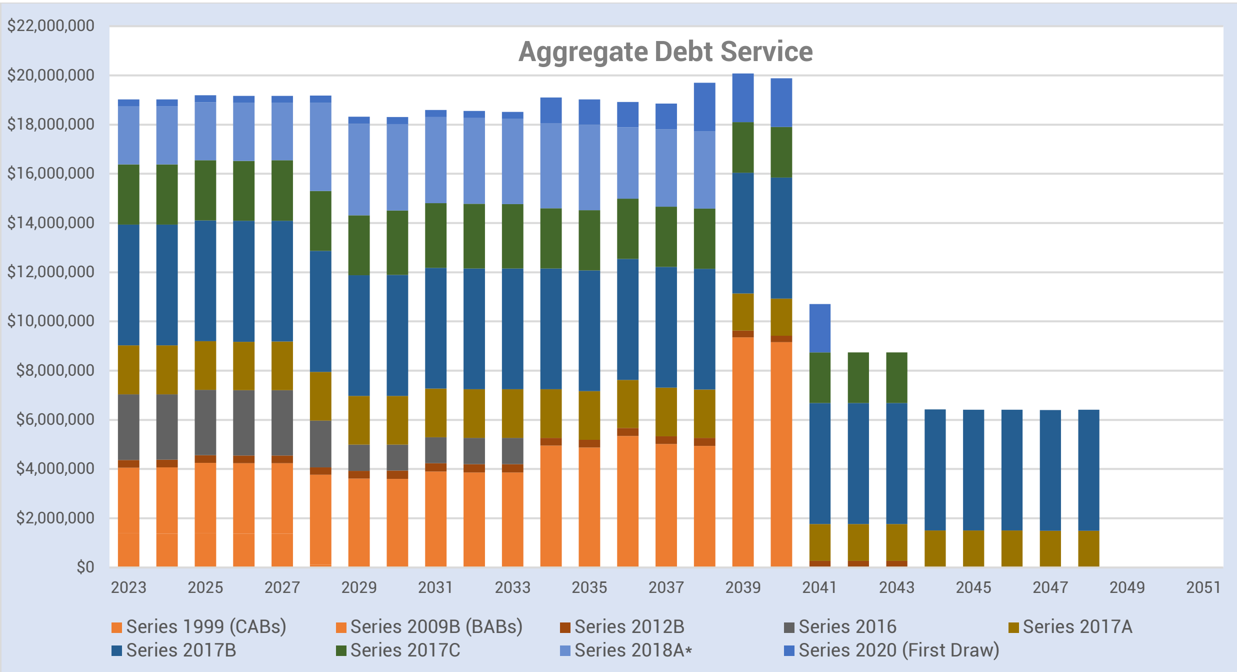




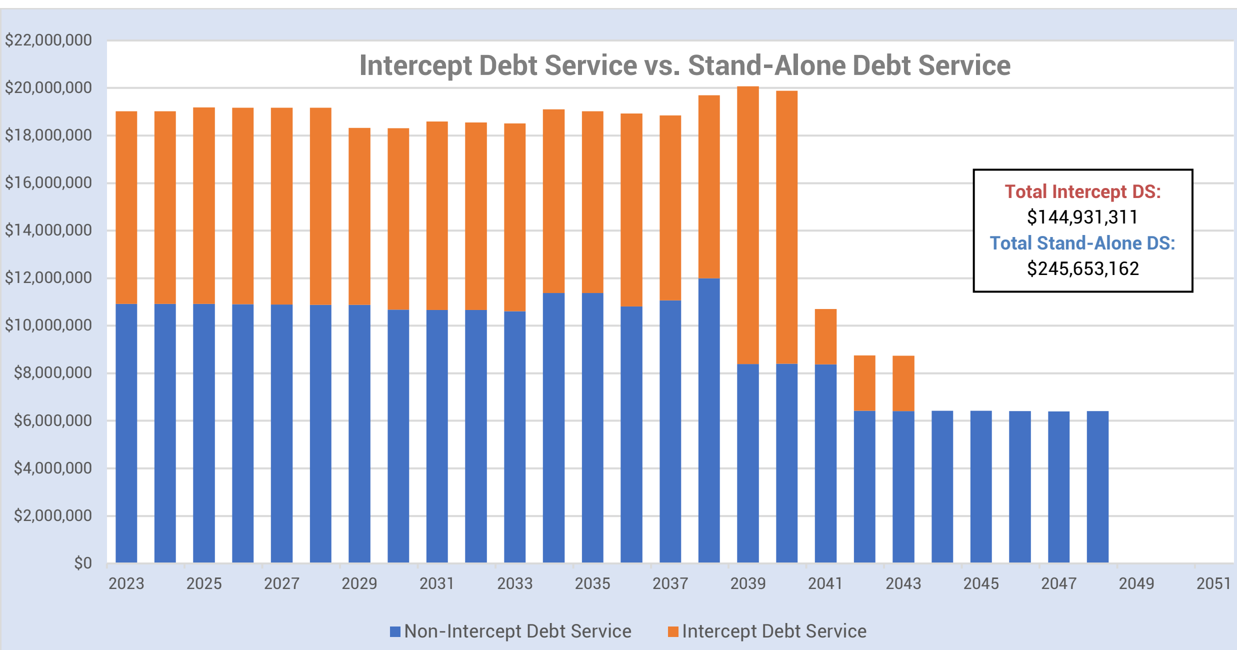
**Ratings are displayed in order of Moody's, S&P, and Fitch*

Colorado School of Mines

Location: Golden
Underlying Ratings: A1, A+, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: March 2022
Pre-Approved for Intercept? Yes
Pre-Approval Amount: $213,858,437



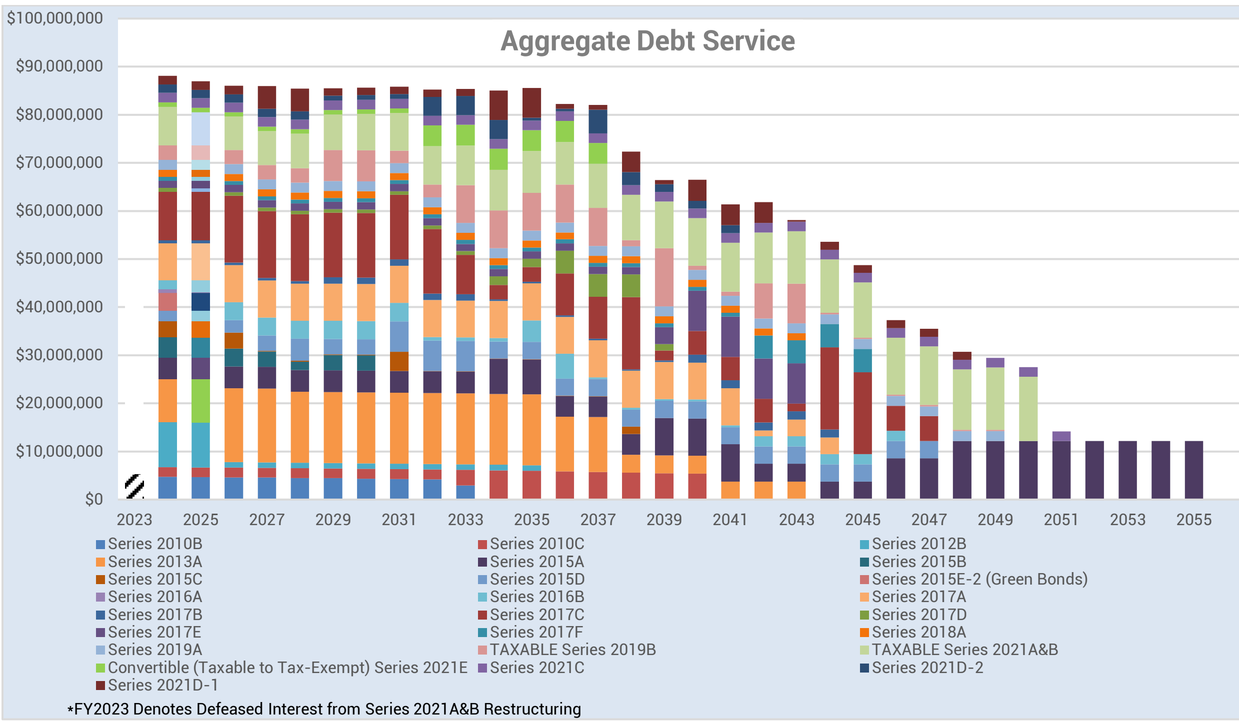
*Interest on the Series 2018A FRN is assumed at the swap rate of 3.59% plus the FRN spread of 0.50%.

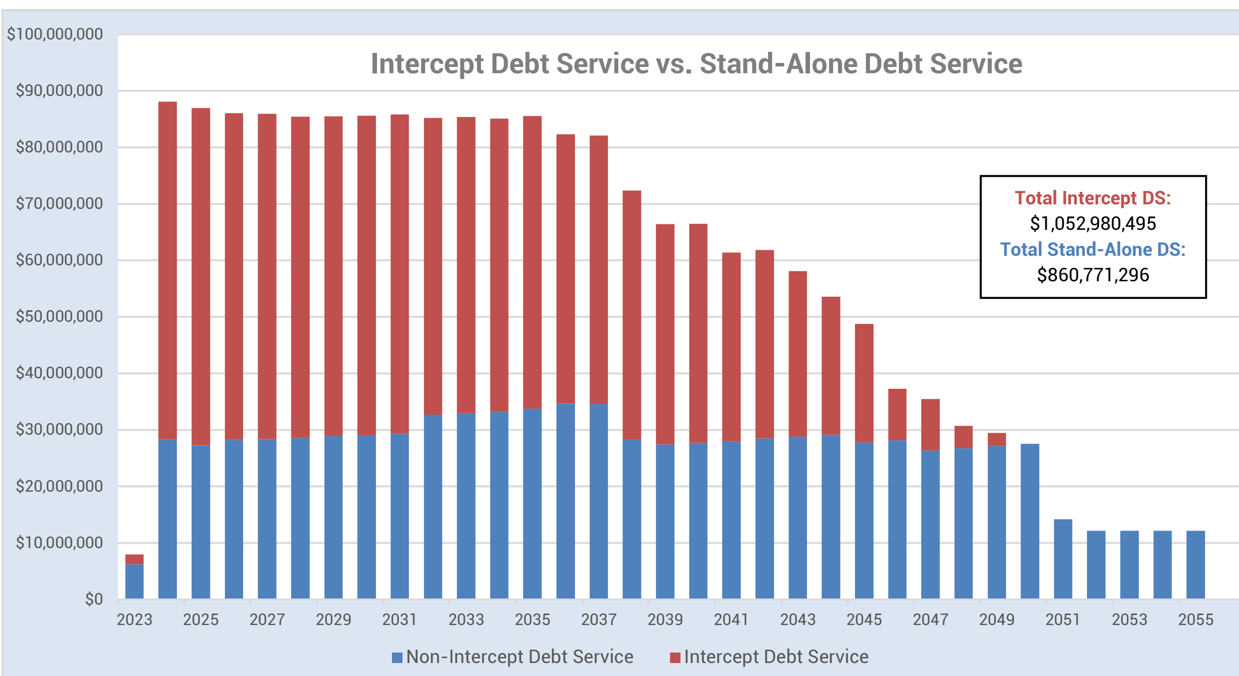


*Ratings are displayed in order of Moody's, S&P, and Fitch

Colorado State University

Location: Fort Collins, Pueblo
Underlying Ratings: Aa3, A+, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: September 2021
Pre-Approved for Intercept? Yes
Pre-Approval Amount: $1,812,817,617

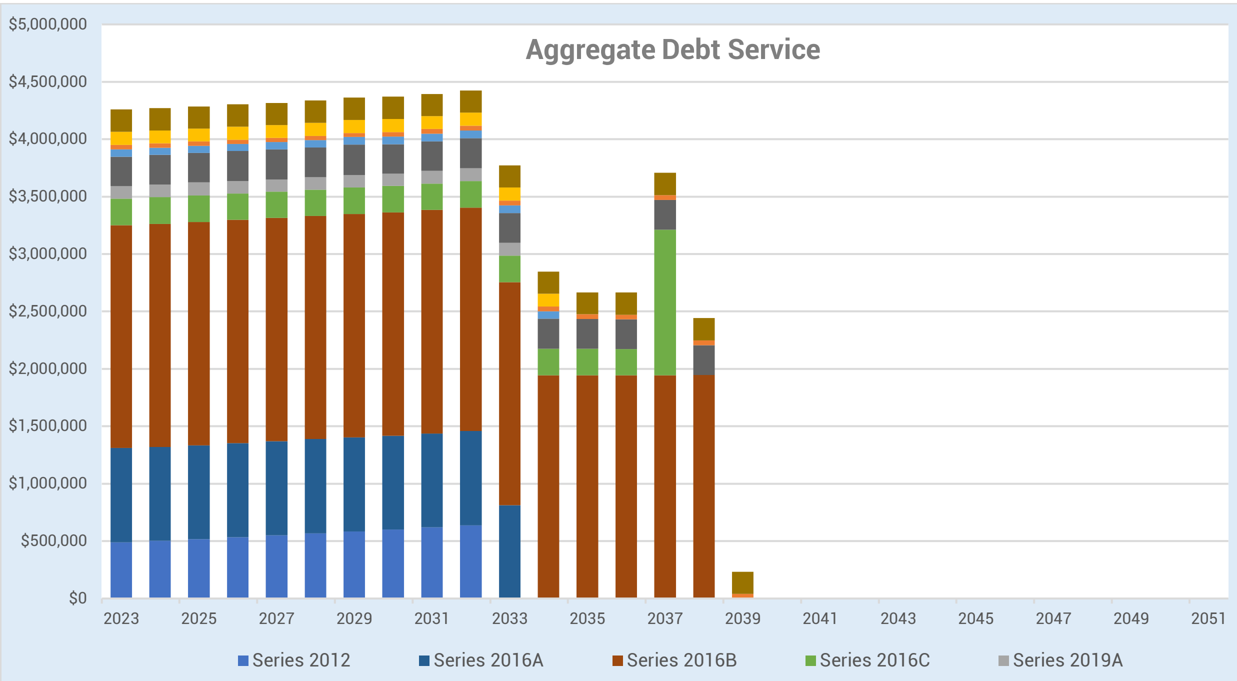


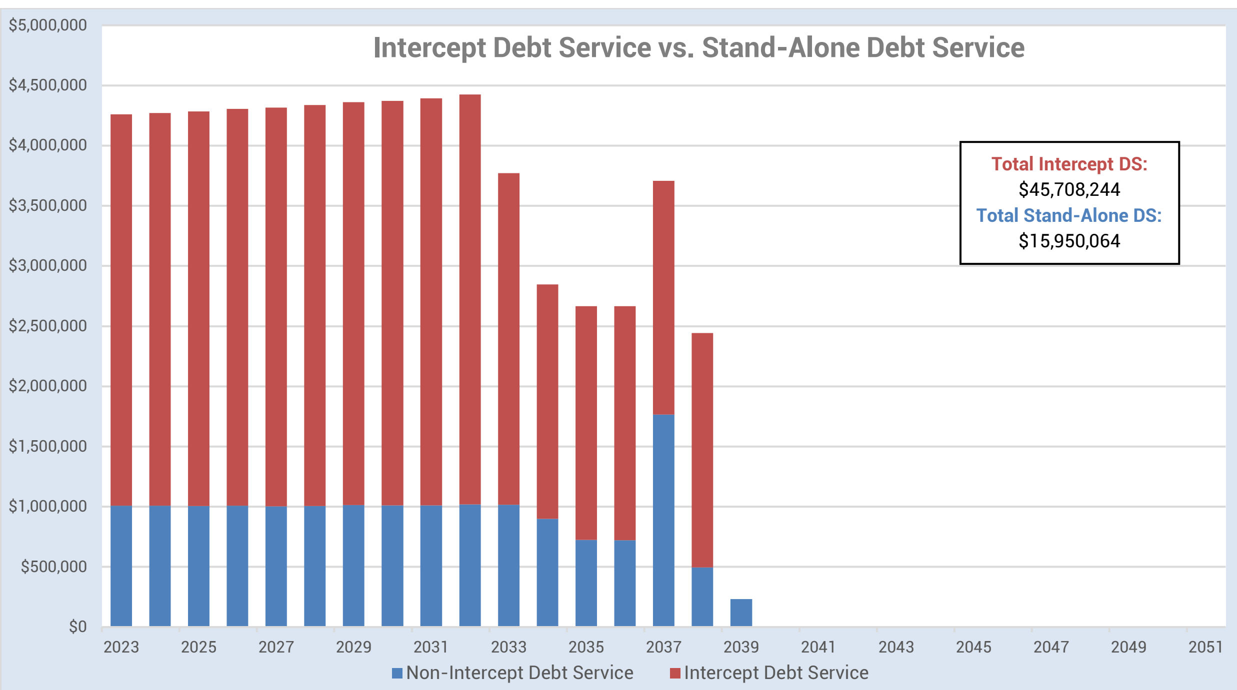


*Ratings are displayed in order of Moody's, S&P, and Fitch

Fort Lewis College

Location: Durango
Underlying Ratings: A3, N/A, N/A*
State Intercept Enhanced Ratings: Aa2, N/A, N/A*
Most Recent Agency Rating: August 2020
Pre-Approved for Intercept? Yes
Pre-Approval Amount: $183,751,473

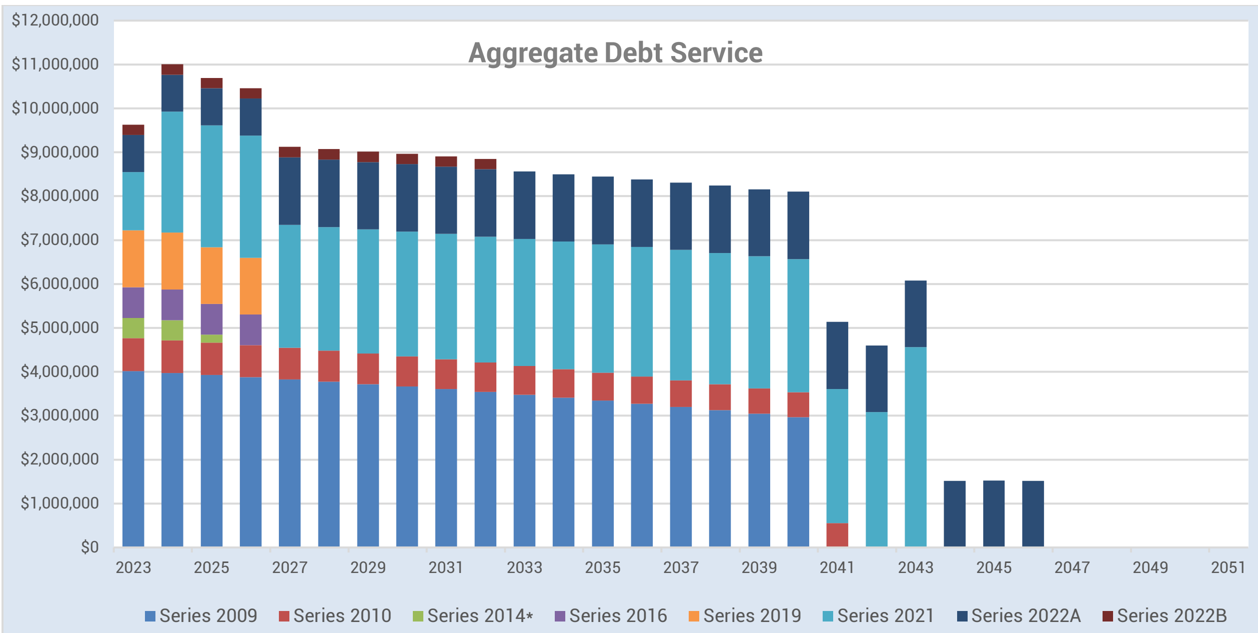




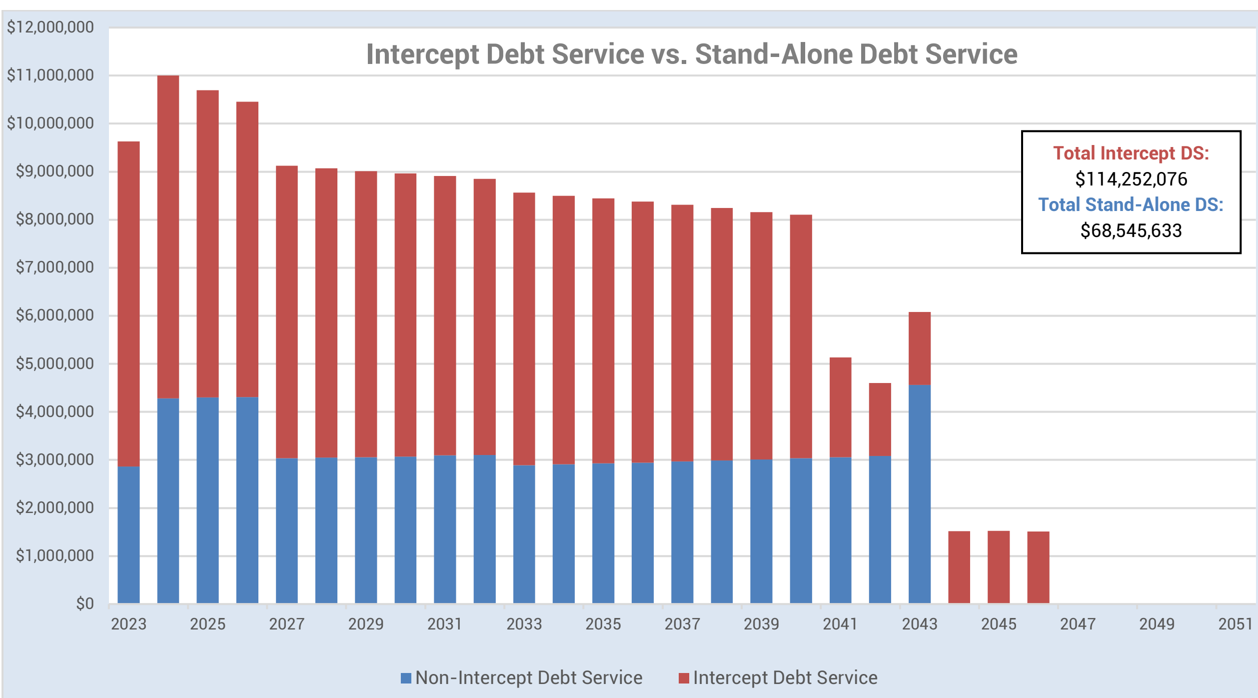
Ratings are displayed in order of Moody's, S&P, and Fitch

Metropolitan State University

Location: Denver
Underlying Ratings: A1, A, N/A*
State Intercept Enhanced Ratings: Aa2, N/A, N/A*
Most Recent Agency Rating: April 2021
Pre-Approved for Intercept? Yes
Pre-Approval Amount: $1,078,319,066



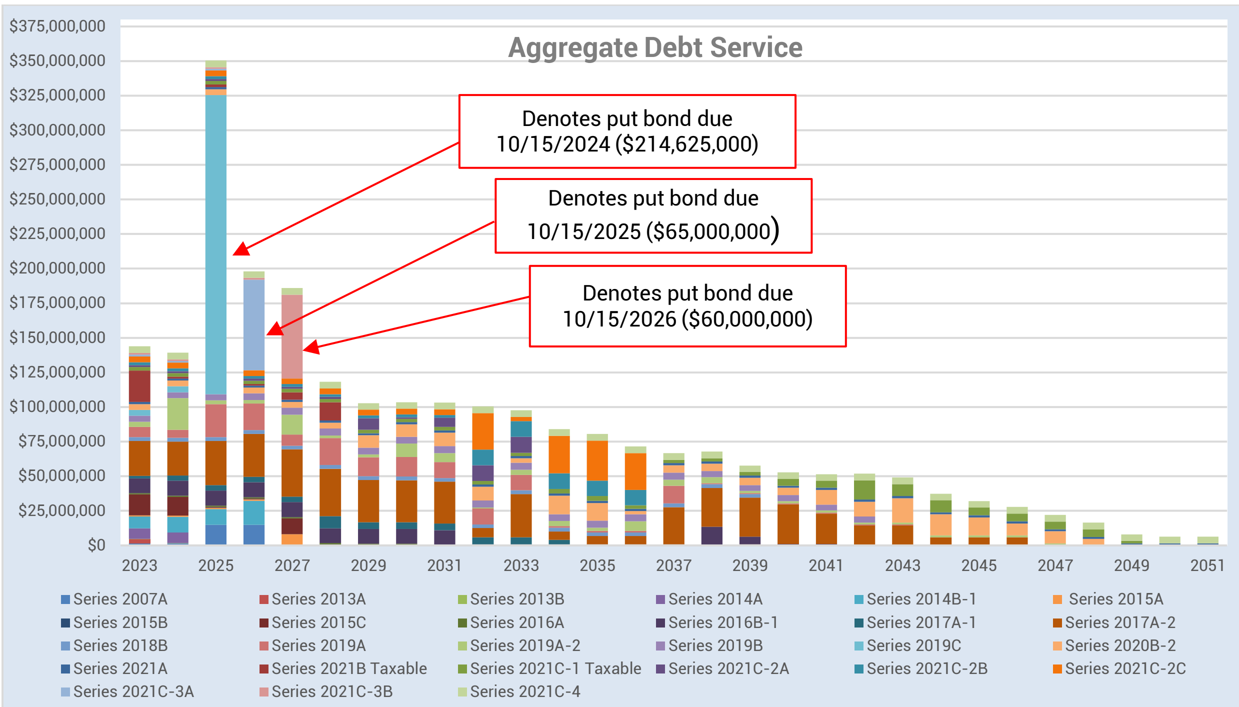
*Interest estimated at 3.00%.

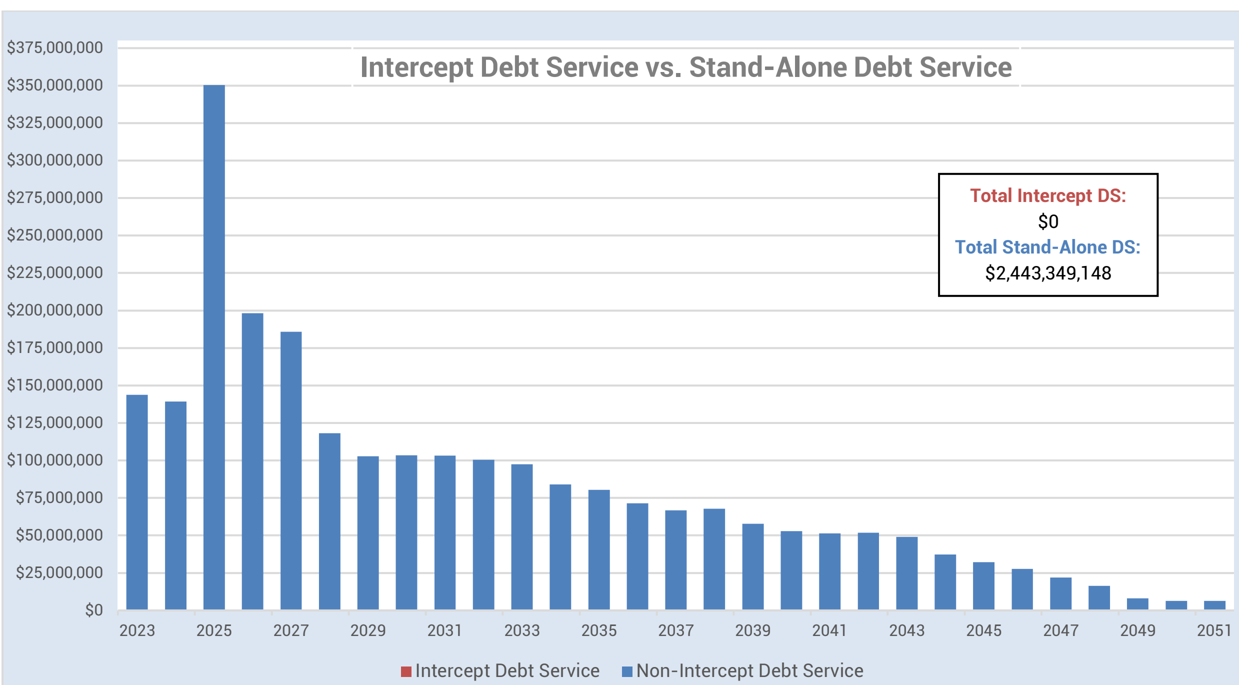


*Ratings are displayed in order of Moody's, S&P, and Fitch

University of Colorado

Location:	Various
Underlying Ratings:	Aa1, N/A, AA+*
State Intercept Enhanced Ratings:	N/A, N/A, N/A*
Most Recent Agency Rating:	March 2022
Pre-Approved for Intercept?	Yes
Pre-Approval Amount:	$4,075,121,605

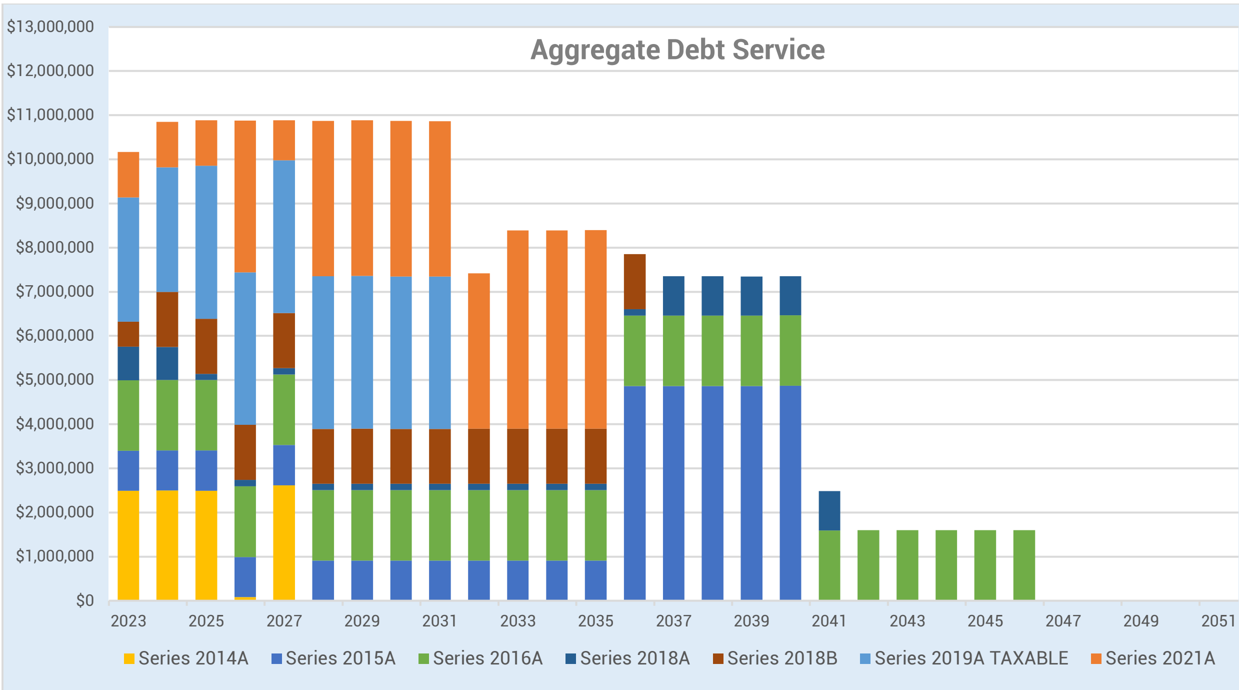


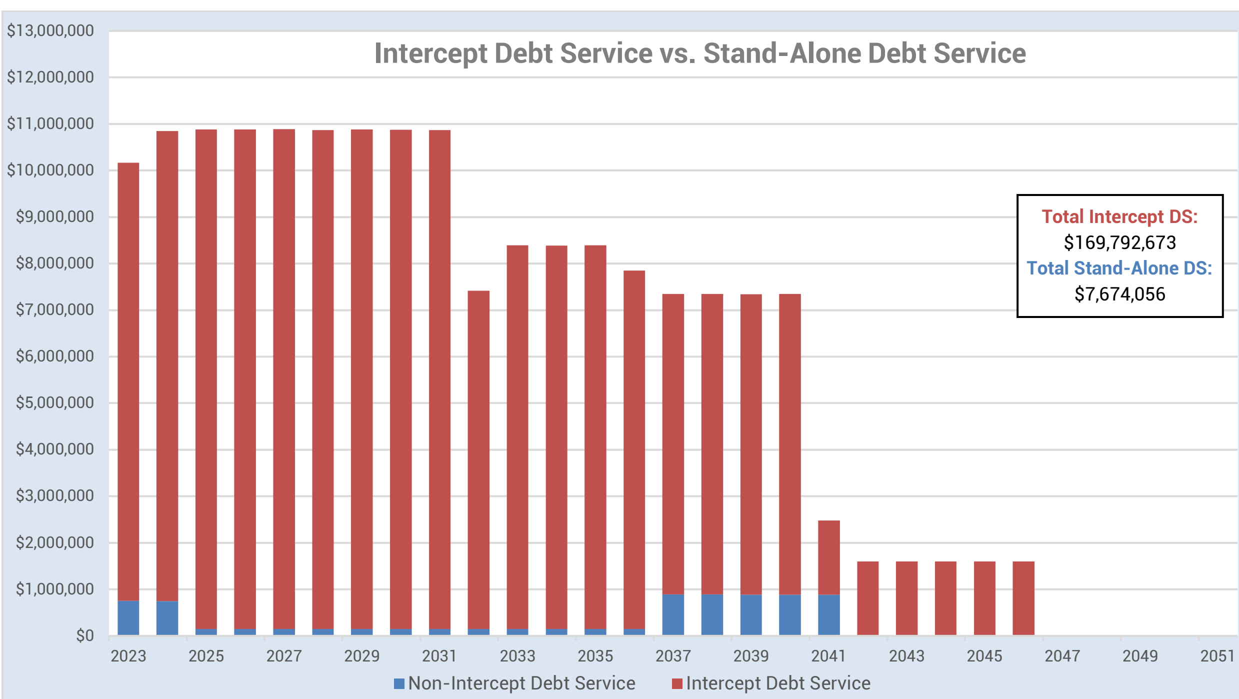


Ratings are displayed in order of Moody's, S&P, and Fitch

University of Northern Colorado

Location: Greeley
Underlying Ratings: A3, A-, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: June 2022
Pre-Approved for Intercept? Yes
Pre-Approval Amount: $623,560,616

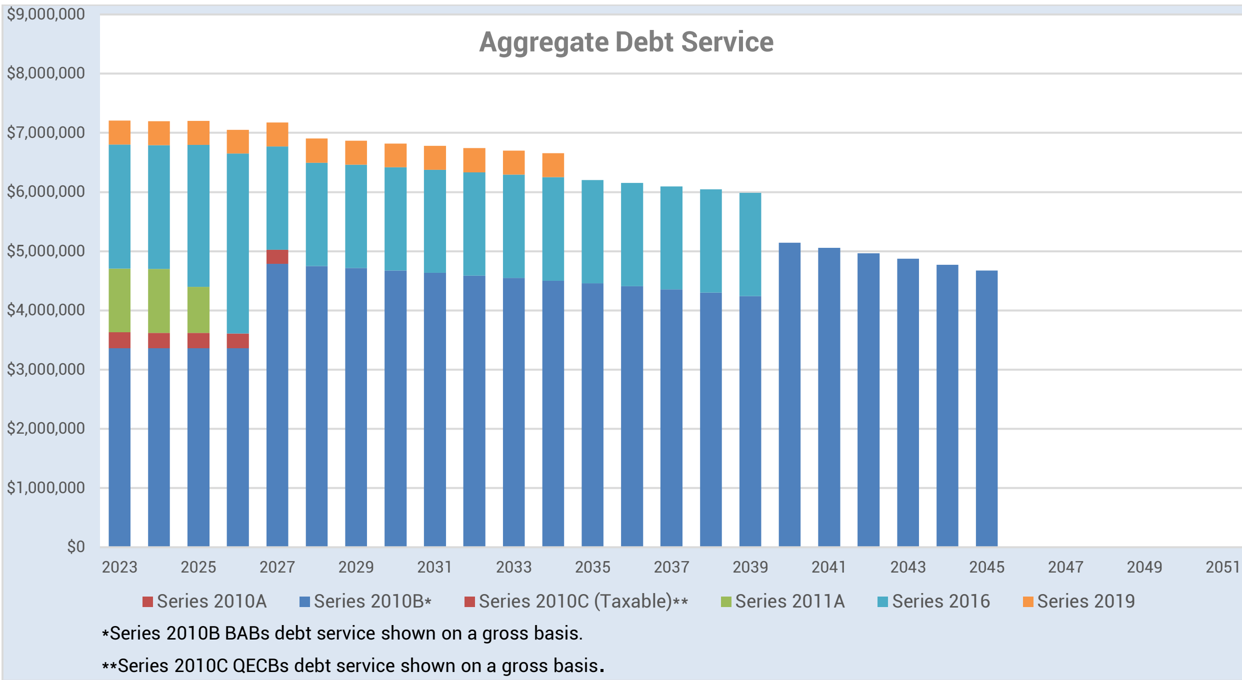


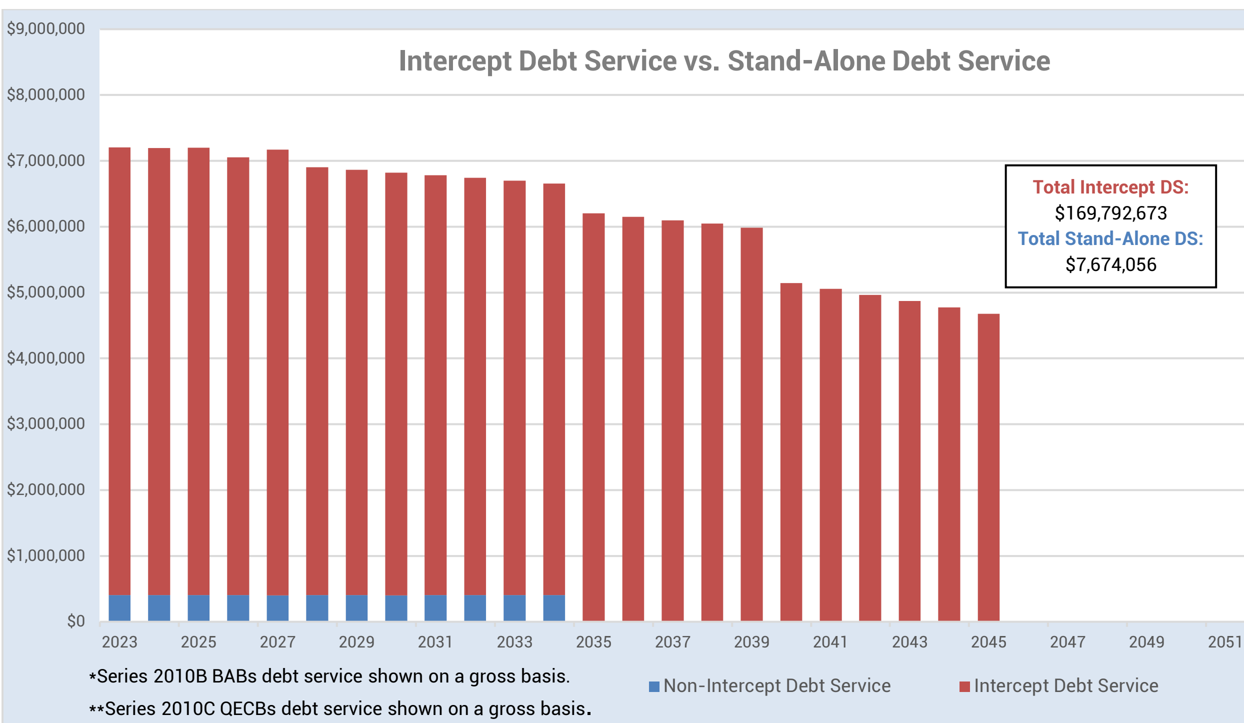


**Ratings are displayed in order of Moody's, S&P, and Fitch*

Western Colorado University

Location: Gunnison
Underlying Ratings: A3, N/A, N/A*
State Intercept Enhanced Ratings: Aa2, N/A, N/A*
Most Recent Agency Rating: April 2022
Pre-Approved for Intercept? No
Pre-Approval Amount: $135,189,263





*Ratings are displayed in order of Moody's, S&P, and Fitch

Appendix: Credit Reports

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
18 December 2020

Rate this Research

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ADAMS STATE UNIVERSITY, CO

Update to credit analysis following revision of outlook to stable

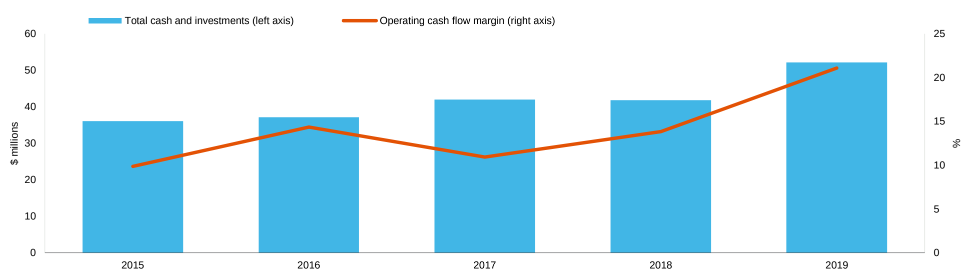
Summary

Adams State University, CO's (A3 stable) ("Adams") credit quality reflects its Hispanic Serving Institution status and importance to the State of Colorado (Aa1 stable) in providing higher education to the southern region of the state. A highly competitive student market will continue to constrain enrollment, though the university has demonstrated an ability to grow net tuition revenue despite challenges. State support, which saw recent favorable improvement, will decline in fiscal 2021 with a net 5% cut in place with significant uncertainty still surrounding fiscal 2022 support. Like other universities in Colorado, state support remains weak compared with other public universities as a percentage of overall revenue. Other credit considerations include a small operating base that limits future material expense reductions, significantly improved operating performance and liquidity, historically limited fundraising capabilities, and an outsized pension liability that could drive future expense pressures.

The Aa2 enhanced rating and stable outlook are derived from the structure and mechanics of the Colorado Higher Education Enhancement Program, which is based on Colorado's current rating and outlook.

Exhibit 1

Improved operating performance reflects leadership's commitment to sustainability and has aided growth of total cash and investments



Source: Moody's Investors Service

Credit strengths

- Established market role with a Hispanic Serving Institution (HSI) designation and a diverse mix of academic programs with an enhanced strategic position given improved governance and fiscal controls
- Improved operating performance has increased retained cash flow and lowered leverage
- Strong monthly liquidity translating into 191 days of monthly cash on hand
- State of Colorado intercept program benefits bondholders of covered bonds

Credit challenges

- Highly competitive student market will continue pressuring enrollment despite market differentiation
- A smaller operating base limits future expense flexibility
- High pension exposure through the State of Colorado's PERA program
- Modest wealth and philanthropic support compared with peers
- Narrower revenue pledge of net income of the auxiliary system, certain student fees, and 10% of tuition

Rating outlook

The stable outlook reflects our expectations of continued double-digit operating cash flow margins and continued retainment of cash flow. It also incorporates no additional new debt in the near-term.

The stable outlook on the enhanced rating reflects the outlook for the programmatic rating which currently mirrors the outlook of the State of Colorado.

Factors that could lead to an upgrade

- Material increase in total cash and investments
- Significant strengthening in its student market reflected in multiple years of enrollment and net tuition revenue growth
- Substantial improvement in funding support from the State of Colorado
- For the enhanced rating: upgrade of the State of Colorado rating

Factors that could lead to a downgrade

- Multiple years of thinner operating cash flow
- Inability to maintain close to stable enrollment
- Material use of available reserves
- For the enhanced rating: downgrade of the State of Colorado rating

Key indicators

Exhibit 2
ADAMS STATE UNIVERSITY, CO

	2015	2016	2017	2018	2019	Median: A Rated Public Universities
Total FTE Enrollment	3,577	3,590	3,221	3,018	3,133	9,575
Operating Revenue ($000)	53,220	55,340	54,691	53,678	57,656	222,237
Annual Change in Operating Revenue (%)	4.0	4.0	-1.2	-1.9	7.4	2.9
Total Cash & Investments ($000)	36,089	37,134	41,987	41,812	52,166	189,897
Total Debt ($000)	72,713	70,938	70,740	69,789	65,942	141,550
Spendable Cash & Investments to Total Debt (x)	0.3	0.3	0.4	0.4	0.5	1.1
Spendable Cash & Investments to Operating Expenses (x)	0.4	0.4	0.5	0.4	0.6	0.6
Monthly Days Cash on Hand (x)	111	118	137	124	191	155
Operating Cash Flow Margin (%)	9.9	14.4	10.9	13.8	21.1	10.1
Total Debt to Cash Flow (x)	13.8	8.9	11.8	9.4	5.4	6.6
Annual Debt Service Coverage (x)	1.0	1.6	1.5	1.8	4.4	2.1

Source: Moody's Investors Service

Profile

Adams State University is a small regional public university located in Alamosa, Colorado, serving students of the San Luis Valley and designated as a Hispanic Serving Institution. The university was founded in 1921 as a normal school and has grown to serve a mix of undergraduate, graduate and distance learning programs. In fiscal 2019, the Adams State recorded operating revenue of $58 million and had fall full-time equivalent (FTE) enrollment of 3,133 students.

Detailed credit considerations

Market profile: governance and management improvements, as well as enrollment stability, enhances strategic positioning; student market competition remains very high

A good strategic position is supported by Adams importance to the State of Colorado's southern region in serving Hispanic and first generation students. Adams' strategic position, which was hampered by prior governance challenges, has improved with new senior leadership and a greater focus on fiscal sustainability. (See the governance section under ESG Considerations for more detail.) The university is a designated Hispanic Serving Institution (HSI) with over a third of enrolled students declaring Hispanic descent. The university also serves many first generation students, with approximately one third of enrolled students reporting as first generation. Despite its importance to the State of Colorado and particularly the region it serves, state support remains relatively low compared with out-of-state peers.

Competition for students will remain stiff, though recent enrollment trends are credit stabilizing. Reported full-time equivalent student enrollment for fall 2020 is 3,112, similar to fall 2019 and up slightly from fall 2018. Stable enrollment was driven by increased graduate students offsetting losses in undergraduate students. Continued enrollment stability is key to the university maintaining its credit quality.

Like other universities, Adams faced operational challenges from the coronavirus pandemic, including going fully remote for the spring and sending student home from residence facilities. For the fall, Adams implemented numerous coronavirus spread safeguards and welcomed students back to living on campus with the university reporting little year-over-year change in occupancy. Courses are currently being offered in hybrid format, with limited availability for in-person classes. Management anticipates similar operations in the spring.

Operating performance: greatly improved operating performance primarily driven by expense cutting and state funding improvement

Operating performance will remain solid, though slightly worse than recent performance because of state funding cuts in fiscal 2021. After multiple years of eroding operating cash flow margins, Adams improved performance in fiscal 2018 and 2019 with a very strong 21% margin reported in fiscal 2019. Improvements were driven by meaningful reductions in operating expenses and improved state funding through both fee-for-service and college opportunity fund support. Preliminary fiscal 2020 financial statements point towards continued solid operating performance despite coronavirus financial impacts, but fiscal 2021 will see some erosion, primarily because of a 5% overall cut in state funding support. We anticipate continued operating cash flow margins above 10% over the near-term.

Wealth and liquidity: modest reserves and sound liquidity provides some cushion against operating weakness

Measured growth in wealth and liquid reserves will continue due to operational improvements and a focus on improving philanthropic efforts. Total cash and investments in fiscal 2019 were $52 million, up over $10 million from the prior year. Preliminary fiscal 2020 total cash and investments point towards a similar increase in wealth when excluding the cash received from the CARES Act, which will be spent down during fiscal 2021. (The university received $9 million in CARES Act funding that is being reported in their preliminary fiscal 2020 financial statements in cash and cash equivalents along with a similar deferred revenue accrual.) Improvements in wealth and expense containment have greatly improved spendable cash and investments coverage of expenses, which was at 0.7x in fiscal 2019 compared with 0.4x in fiscal 2015.

Senior leadership strives to increase the university's donor support by tieing the university's upcoming 100th anniversary to a fundraising campaign. Currently, the university's three-year average gift revenue in fiscal 2019 was a modest $2.5 million.

Liquidity

The university's sound monthly liquidity provides stability in light of significant uncertainty because of the pandemic. Monthly liquidity was $25 million at the end of fiscal 2019, translating to 191 monthly days cash on hand, favorable to peers.

Leverage: manageable direct debt leverage, but pension exposure is high

Improved leverage will continue, driven by further growth in cash and investments and sound operating performance. Spendable cash and investments in fiscal 2019 covered debt 0.5x, adequate for Adams' credit quality. Total debt to cash flow has improved materially given better operating performance, at 5.4x in fiscal 2019 compared with a high of 11.8x in fiscal 2017.

Adams' capital spending has decreased significantly over recent years, with average capital spending, measured by purchases of property, plant, and equipment to depreciation, of 0.4x from fiscal 2016 through 2019. An age of plant of 14.9 years, however, is in line with peers, as the university invested heavily in capital prior to fiscal 2016. Such low capital spending is unlikely to continue, which will temper future balance sheet growth. The university does not currently have additional debt plans at this time, but is considering a $2 million energy savings contract.

Legal security

ASU's outstanding bonds are secured by pledged revenues, which include net revenues (gross revenue less maintenance and operation expenses) from facilities, including substantially all auxiliary facilities. The pledge also includes 10% of the university's tuition revenues as long as it maintains enterprise status. The bonds are further secured by a pledge of a portion of student fees. The university reported debt service coverage of 2.2x in fiscal 2019 with similar coverage estimated for fiscal 2020.

Debt structure

All of the university's debt is fixed rate and fully amortizes through 2043.

Debt-related derivatives

Adams has no debt-related derivatives.

Pensions and OPEB

The university has large exposure to the State Division Trust Fund (SDTF) cost-sharing multiple employer defined benefit plan administered by the Public Employees' Retirement Association (PERA). The Moody's three-year adjusted net pension liability (ANPL) for the university was $91 million for fiscal 2019. Combined with outstanding debt, this additional debt-like obligation represents a high 2.7x debt to operating revenue, which is significantly weaker than similarly rated peers. Recently enacted pension reforms will lower accrued liabilities and improve pension funding trajectories, a credit positive for the university. Reforms, which began in fiscal 2019, include a 0.25% increase in employer contributions, increased employee contributions, and modifications to retiree benefits.

ESG considerations

Environmental

Environmental considerations are not material to the university's credit quality at this time. Adams is exploring an energy savings contract, demonstrating the university's goal of becoming more energy efficient over the long-term.

Social

Despite operating in a state with a growing number of high school students, a positive social factor, the university has faced significant competition for students. The university's HSI and diverse program offerings have supported recent enrollment stability, with graduate enrollment growth offsetting an undergraduate enrollment decline in fall 2020. The university also faces social risks associated with serving a large first generation student base. First generation students generally face additional social and financial challenges compared with non-first generation student peers.

Like other colleges and universities, Adams faces elevated credit risk because of the coronavirus, which we regard as a social risk under our ESG framework, given the substantial implications for public health and safety. Consistent with most universities, Adams transitioned its campuses to a fully online curriculum in the spring and welcomed back students to campus in the fall. The university took steps to bring students back safely, including testing and quarantine protocols, and also offering a majority of courses in online or hybrid format. The university plans to welcome students back in the spring with similar plans in the spring.

Governance

Enhanced budget management and governance practices has improved Adams' operating performance and balance sheet reserves, resulting in an improved strategic positioning. A fiscal action plan implemented in 2018 was driven by a new president and the Board, resulting in fiscal and financial stability at the university. The financial action plan resulted in staffing reductions, primarily through voluntary retirement and eliminating vacant positions, as well as the elimination of low-demand programs.

In 2016, Adams was put on accreditation probation by the Higher Learning Commission (HLC) regarding governance practices of Adams online Extended Studies program. The probationary status was resolved in 2018 with the university now under full accreditation status.

Rating methodology and scorecard factors

The Higher Education Methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess strategic positioning on a qualitative basis, as described in the methodology.

The scorecard-indicated outcome is two notches higher than the current assigned rating. This difference incorporates the extremely competitive student market, high pension exposure, and limited state capital and operating support.

Exhibit 3

Adams State University, CO

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Market Profile (30%)**		
	Scope of Operations (Operating Revenue) ($000)	57,656	Baa2
	Reputation and Pricing Power (Annual Change in Operating Revenue) (%)	7.4	Aa1
	Strategic Positioning	Baa	Baa
Factor 2:	**Operating Performance (25%)**		
	Operating Results (Operating Cash Flow Margin) (%)	21.1	Aaa
	Revenue Diversity (Maximum Single Contribution) (%)	57.2	A1
Factor 3:	**Wealth & Liquidity (25%)**		
	Total Wealth (Total Cash & Investments) ($000)	52,166	A2
	Operating Reserve (Spendable Cash & Investments to Operating Expenses) (x)	0.6	Aa2
	Liquidity (Monthly Days Cash on Hand)	191	Aa2
Factor 4:	**Leverage (20%)**		
	Financial Leverage (Spendable Cash & Investments to Total Debt) (x)	0.5	A1
	Debt Affordability (Total Debt to Cash Flow) (x)	5.4	Aa1
	Scorecard-Indicated Outcome		A1
	Assigned Rating		A3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Investors Service

REPORT NUMBER 1255572

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 rating to Colorado Community College System, CO's Series 2019A refunding bonds; outlook is stable

22 Aug 2019

New York, August 22, 2019 -- Moody's Investors Service has assigned an Aa3 underlying rating to Colorado Community College System's (CCCS) proposed $25 million Systemwide Revenue Refunding Bonds, Series 2019A to be issued by the Colorado State Board for Community Colleges and Occupational Education. We maintain Aa3 underlying ratings on approximately $122 million of outstanding debt and Aa2 enhanced ratings on approximately $37 million of that debt. The outlook is stable.

RATINGS RATIONALE

Colorado Community College System's Aa3 rating is supported by its very large scope of operations (fiscal 2018 operating revenue totaled $643 million, as calculated by Moody's) and importance to the State of Colorado (Aa1 stable) as an education provider with large geographic reach, delivered by its 13 colleges throughout the state. Operating cash flow margins remain sound, but have softened recently due to strategic investments in programs. Fiscal 2019 and fiscal 2020 projections point towards improved operating performance, stemming from increased state funding and more modest expense increases. Unlike many other community colleges, CCCS has sizeable cash and investments, as well as solid liquid reserves, supporting fairly low direct debt financial leverage. A sizeable pension liability remains a credit challenge with total adjusted debt to operating revenue of 3.5x in fiscal 2018. Favorably, recent pension reforms are expected to bring down the liability materially. Other credit factors considered include enrollment pressures stemming from a strong economic cycle and a heavy reliance on student charges to fund operations.

RATING OUTLOOK

The stable outlook on the underlying rating reflects expectations of improved operating performance in fiscal 2019 and fiscal 2020 driven by improved state funding and more modest expense increases. It also incorporates expectations of no new debt in the near-term and no material spend down of reserves.

The stable outlook for the enhanced rating is based on the state's current stable long-term outlook.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustained improvement in operating performance

- Improved student market position with consistent net tuition revenue growth

- Substantial increase in cash and investments relative to debt and operations

- For the enhanced rating, upgrade of the Colorado Higher Education Enhancement Program rating

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Further deterioration in operating cash flows resulting in weakened debt service coverage

- Material increase in leverage or further reduction of liquidity

- For the enhanced rating, downgrade of the Colorado Higher Education Enhancement Program rating

LEGAL SECURITY

Outstanding bonds, including the proposed Series 2019A bonds, are secured by net revenues, which include gross revenues less operations and maintenance expenses. Net revenues totaled $29.2 million in fiscal 2018 and include 10% of tuition revenues, revenues derived from facilities construction fees, special fees (assessed to students with respect to any facility) and any other fee assessed to employees or other persons for use of any facility, all mandatory student and faculty services fees, federal direct payments and any other incomes, and any fees and revenues that the board may determine to include in gross revenues. Net revenues provided

1.27x maximum annual debt service coverage in fiscal 2018.

USE OF PROCEEDS

Proceeds from the Series 2019A bonds will be used to refund outstanding Series 2010D bonds and pay cost of issuance.

PROFILE

The Colorado Community College System is the largest higher education provider in the State of Colorado serving over 77,000 full-time equivalent students in fall 2018 and recording over $643 million in operating revenue for fiscal 2018, as calculated by Moody's. The system offers a full range of educational options towards its goal of educating the regional population. The system consists of 13 colleges throughout the State of Colorado.

METHODOLOGY

The principal methodology used in this rating was Community College Revenue-Backed Debt published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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ISSUER COMMENT
20 November 2020

Rate this Research

RATING

Seniormost Rating [1]

A2	Stable

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Colorado Mesa University, CO

Annual comment on Colorado Mesa

Issuer profile

Colorado Mesa University is a regional public university located in Grand Junction, CO. In fiscal 2019, Colorado Mesa generated operating revenue of $138 million and enrolled 7,439 full-time equivalent (FTE) students as of fall 2019.

Credit overview

Colorado Mesa University, CO's (A2 stable) ("CMU") very good credit quality reflects its solid market position and importance as a provider of higher education in the western portion of the State of Colorado (Aa1 stable). Operations have historically been strong with annual operating cash flow margins consistently above 20%. Expectations are for only slightly weaker operating performance in fiscal 2020 and 2021 stemming from the coronavirus pandemic and moderate state funding cuts. Enrollment remained relatively flat in the fall of 2020 with a slight increase in overall net tuition revenue projected. Offsetting challenges include a heavy reliance on tuition and fees to fund operations, historically limited state support, and elevated financial leverage from high direct debt and an outsized pension liability.

Exhibit 1

Colorado Mesa University, CO [2]

	2015	2016	2017	2018	2019	Median: A2 rated public universities
Total FTE Enrollment	7,357	7,661	7,504	7,498	7,439	7,465
Operating Revenue ($000)	113,266	122,392	124,008	128,440	137,695	176,542
Annual Change in Operating Revenue (%)	4.3	8.1	1.3	3.6	7.2	2.4
Total Cash and Investments ($000)	63,118	68,791	75,877	80,625	107,149	136,953
Total Debt ($000)	194,909	217,005	208,434	215,307	224,521	151,242
Spendable Cash and Investments to Total Debt (x)	0.2	0.2	0.3	0.3	0.4	0.6
Spendable Cash and Investments to Operating Expenses (x)	0.4	0.4	0.5	0.5	0.6	0.6
Monthly Days Cash on Hand	137	147	159	159	220	146
Operating Cash Flow Margin (%)	20.9	23.5	23.1	23.0	24.8	10.9
Total Debt to Cash Flow (x)	8.2	7.6	7.3	7.3	6.6	7.5
Annual Debt Service Coverage (x)	1.9	2.0	1.8	1.8	2.3	2.0

Source: Moody's Investors Service

Market profile: A very good strategic position will continue, supported by a strong regional presence in the western potion of Colorado, which is illustrated by funding support provided by the County of Mesa (Aa2 NO), the City of Grand Junction (unrated), and City and County of Montrose (unrated), as well as updated facilities. Enrollment growth has leveled off in recent years, though net tuition revenue favorably made gains in fiscal 2020 and is projected to increase modestly in fiscal 2021. Capital spending is also credit favorable, as CMU has spent approximately $26 million annually, on average, over the past five years on property, plant, and equipment.

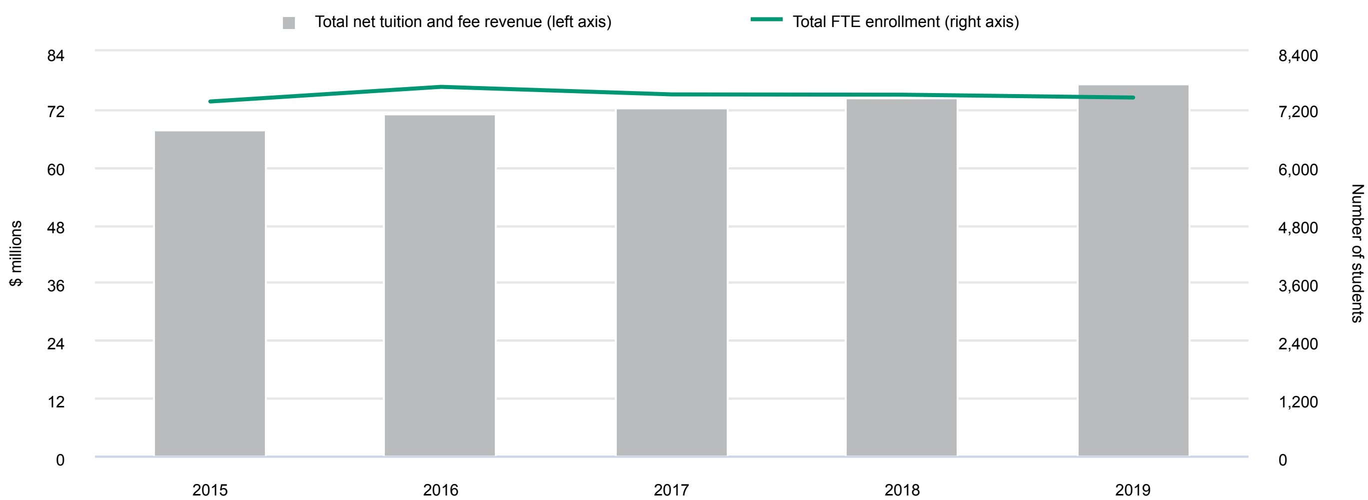
» Operating revenue of $138 million is adequate compared with similarly rated peers and provides some expense flexibility in times of stress. Favorably, CMU's operating base has increased significantly since fiscal 2015, up approximately 22%.

» CMU reported robust revenue growth of 7.2% in fiscal 2019, driven by strong growth in state support. CMU estimates moderate revenue growth in fiscal 2020 and flat growth in fiscal 2021 primarily because of a net 5% reduction in state support when including CARES funds allocated by the governor.

» A low age of plant of 9.2 years results from significant capital spending in recent years at CMU. Capital spending has outpaced depreciation, annually, from fiscal 2015 through fiscal 2019.

Exhibit 2

Over the last five fiscal years, net tuition has increased consistently as enrollment remained stable



Source: Moody's Investors Service

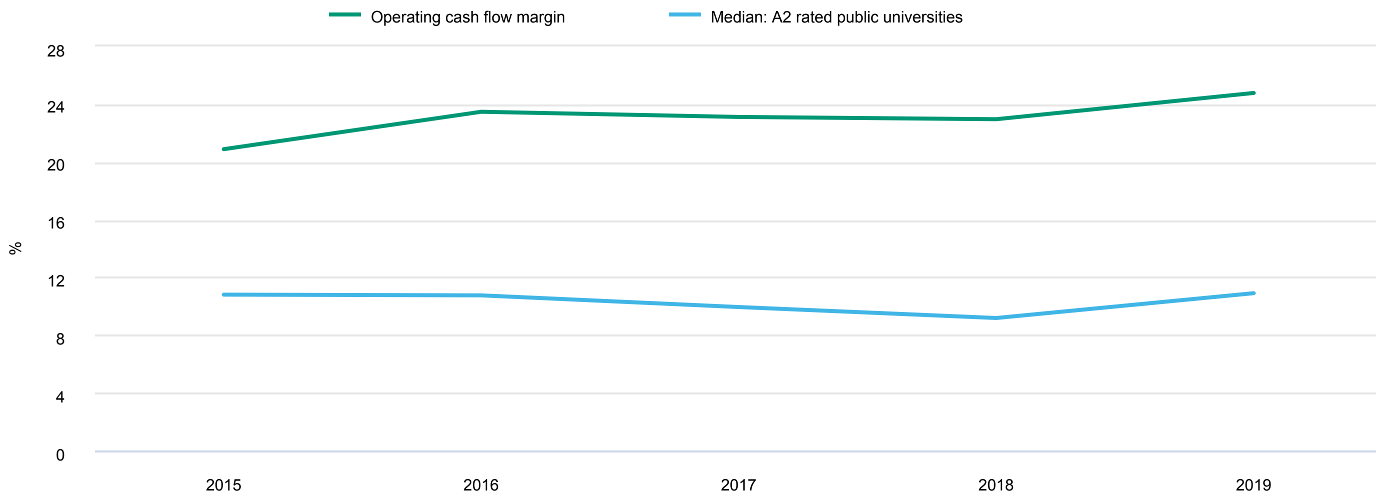
Operating performance: Operating performance has remained strong over the past five years with operating cash flow margins consistently over 20%. Revenue concentration remains a credit challenge, as a significant percentage of the university's revenue is derived from student charges. Management is reporting continued solid operating performance through fiscal 2020 and has a balanced budget in place for fiscal 2021.

» Operations at CMU are strong with a reported operating margin of 7.3% in fiscal 2019 and an operating cash flow margin of nearly 25%. Management Is estimating solid performance in fiscal 2020 with limited erosion anticipated in fiscal 2021 because of state funding cuts and financial impacts from the coronavirus.

» Enterprise level debt service coverage was solid in fiscal 2019 at 2.3x. Pledged revenue, which includes net auxiliary revenue, certain student fees, and 10% of tuition covered debt service 2.3x in fiscal 2019. CMU management projects similar coverage levels in fiscal 2020 and is expecting modest erosion in fiscal 2021.

» Revenue streams are highly concentrated, with 84% of revenue derived from tuition and auxiliaries. (Tuition fees do include College Opportunity Fund dollars from the State of Colorado, which follow individually enrolled students.)

Exhibit 3
Operating cash flow margins at CMU are markedly stronger than peers



Source: Moody's Investors Service

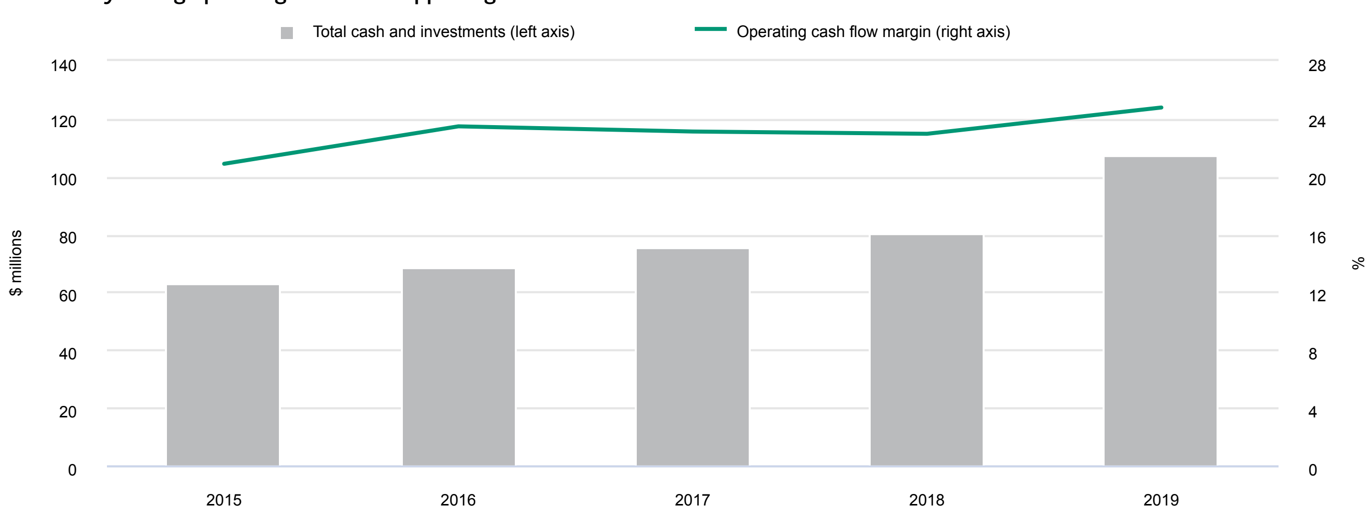
Wealth and liquidity: Overall wealth and liquidity will continue growing through strengthening philanthropy and continued positive cash flow after debt service supporting retained earnings. Total cash and investments surpassed $100 million in fiscal 2019, hitting $107 million. Assets that can be liquidated within a month have also grown since fiscal 2015, hitting $67 million in fiscal 2019, up over $30 million during that period.

» Total cash and investments have risen materially, by 70%, to $107 million in fiscal 2019 compared with $63 million in fiscal 2015. We anticipate that total cash and investments will continue rising through retainment of cash flow and improving philanthropy.

» Spendable cash to operating expenses continues to improve, with 0.6x coverage in fiscal 2019 compared with 0.4x coverage in fiscal 2015. Higher coverage provides greater operating flexibility in times of increased uncertainty or stress.

» Growing liquid assets has greatly improved the university's monthly days cash on hand. In fiscal 2019, monthly days cash on hand totaled 220 days, well above peers of similar credit quality.

Exhibit 4
Consistently strong operating cash flow supports growth in total cash and investments



Source: Moody's Investors Service

Leverage: Leverage remains high at CMU compared with peers, as the university has borrowed heavily to fund capital projects on campus and has an outsized pension liability. Favorably, this borrowing has resulted in a low age of plant, indicating fresh and up-to-date campus facilities. The university has plans for a small debt issuance, approximately $5 million no interest loan with payments not scheduled to begin until fiscal 2027, which will not materially impact its current leverage profile.

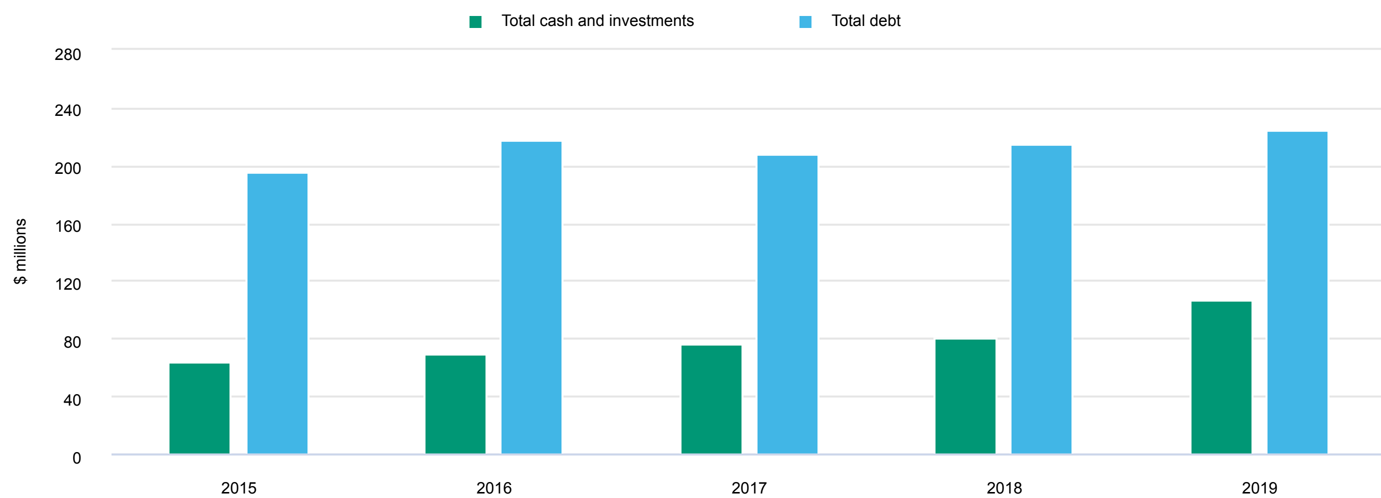
» Spendable cash and investments to debt remains weak compared with peers at 0.4x, but has favorably improved from 0.2x in fiscal 2015.

» Debt to cash flow continued to improve through fiscal 2019, though this ratio will weaken in fiscal 2020 and fiscal 2021 based on expected operating performance thinning. Debt to cash flow in fiscal 2019 was 6.6x, markedly improving from the fiscal 2015 ratio of 8.2x.

» A high debt service to operating expenses of 11% limits potential financial flexibility, though the university favorably has an aggressive amortization schedule. The A2-rated peers median in fiscal 2019 was 5.3%.

» Total adjusted debt to revenue, which includes Moody's adjusted net pension liability, was a high 2.5x in fiscal 2019 and is higher than peers of similar credit quality. The pension and related liability are dictated by the State of Colorado.

Exhibit 5
Leverage remains high despite growing total cash and investments



Source: Moody's Investors Service

Sector trends

We have a negative outlook for the US higher education sector through 2020. The negative outlook acknowledges rapidly evolving business conditions brought on by the coronavirus outbreak that have both short and long-term implications across the sector. We anticipate a near-term reduction in revenue for many, accompanied by rising costs as universities shift to online only delivery models. Downside risks escalate with a longer duration of the cycle, as balance sheets would be impaired along with operating challenges. Universities that rely heavily on student charges, lack national brand awareness and have limited financial resources will experience more credit stress. Public and private universities with large scope, diverse revenue sources and considerable wealth are better positioned to weather the crisis.

Endnotes

1 The rating referenced in this report is the college's or university's seniormost public rating.

2 Definitions of the metrics in the Key Indicators table are available in the appendices of our most recently published Higher Education medians reports, public university and private university. The appendices also provide additional metrics broken out by sector and rating category. We use data from a variety of sources to calculate the medians, some of which have differing reporting schedules. Median data for prior years published in this report may not match last year's publication because of data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals. Median data represents the most recent published median data, which in some cases could be from the prior fiscal year.

REPORT NUMBER 1251534

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE

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Ratings

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Colorado School Of Mines Board Of Trustees; Auxiliary - System; Public Coll/Univ - Unlimited Student Fees; School State Program

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Table Of Contents

Colorado School Of Mines Board Of Trustees; Auxiliary - System; Public Coll/Univ - Unlimited Student Fees; School State Program

Credit Profile		
Colorado School of Mines Board of Trustees (MBIA)(National) aux fac ent rev bnds series 1999		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised

Rating Action

S&P Global Ratings revised its outlook to stable from negative and affirmed its 'A+' rating on the Colorado School of Mines Board of Trustees' (Mines) rated debt.

The outlook revision reflects our opinion of Mines' solid enrollment growth, trend of operating surpluses, and solid improvement in available resource ratios. In addition, the outlook revision reflects the fact that the facility the university planned on financing along with the United States Geological Survey (USGS) was funded through the recently passed Infrastructure Investment and Jobs Act. While the university has potential additional debt plans, given the improvements in enrollment, operations, and available resources, we believe the stable outlook is more appropriate at this time.

While Mines no longer plans to fund the building associated with USGS, it is planning to fund a parking garage associated with the project and some additional infrastructure worth about $68 million, which we included in our pro forma debt. Total pro forma debt equals about $370 million, which includes about $220 million in fixed rate debt, $36 million in variable rate debt, $45 million in capital leases, and an immaterial amount of operating leases.

A senior lien on the net revenue of the auxiliary facility enterprise system, including a broad mix of revenue from various auxiliary facilities and unlimited student fees, secures approximately $7.2 million in prior obligations (series 1999). The prior obligation lien is closed. The school's other enterprise revenue bonds (series 2009B, 2012B, 2016A, 2016B, 2017A, 2017B, 2017C, and 2018A parity obligations) are secured by a subordinate lien on these net revenues. The bonds also benefit from a pledge of additional revenue, including a pledge of 10% of student tuition revenue and indirect cost recoveries that were not available to the prior obligations. We do not differentiate between the rating on the new issues and the prior obligations because of the closed prior lien and what we consider the small amount of debt outstanding, as well as the additional security pledged to the parity obligations. Both security pledges are, in our opinion, equivalent to a broad unlimited student fee.

The 'AA' long-term rating on Mines 2009B, 2012B, and 2017C bonds is based solely on the university's participation in the Colorado Higher Education State Aid Intercept Program.

The university has been able to mitigate many risks associated with the pandemic. Mines sent students home at the onset of the pandemic similar to most schools and put in place safety precautions including de-densifying campus as they re-opened in fall 2020. Students, staff, and faculty are now required to be vaccinated unless given an exemption.

Mines carefully tracks the ongoing risks associated pandemic and act accordingly to protect students, staff, and faculty.

While many schools saw enrollment declines over the past two years, Mines' full-time equivalent (FTE) enrollment grew about 1% in fall 2020 and 5% in fall 2021. In addition, operations remained solid despite the pressures of the pandemic. The university's auxiliary revenue declined in fiscal 2020 by about $2 million, but the college offset the losses with growth in net tuition revenue, cuts to expenses, and about $1.7 million in Higher Education Emergency Relief (HEERF) funds. The university had a full-accrual surplus in fiscal 2021. Mines saw an initial decrease in state funds; however, realized about $5 million in federal funds and additional state funds that helped offset the state cuts. For fiscal 2022, the university is expecting an increase in state funds from fiscal 2020 levels and will realize an additional $2.7 million in HEERF funds. Management anticipates another surplus, though slightly weaker than fiscal 2021.

Credit overview

We assess Mines' enterprise profile as very strong, with excellent selectivity, solid growth in full-time enrollment, and sound governance and management. We assess the school's financial profile as strong, with healthy operating performance in recent years and robust research funding from federal grants offset by a high pro forma maximum annual debt service (MADS) burden and below average available resources relative to pro forma debt, as well as long-term contingent liabilities related to pension obligations. Prior to the pandemic, Mines had consistently received stable operating support from the state of Colorado. Combined, we believe these credit factors lead to an indicative and final stand-alone credit profile of 'a+' and an 'A+' long-term rating.

Factors supporting the rating include our view of Mines':

- Rising enrollment, excellent student quality, and solid academic demand niche in engineering and science;
- Three years of solid adjusted full-accrual surpluses;
- Significant research revenue per FTE;
- Good revenue diversity and flexibility; and
- Experienced management team that is forward-looking, maintains robust financial policies and practices, and has a track record of successfully executing on strategic initiatives, including impressive success with fundraising.

Offsetting credit factors include:

- Merely adequate available resources to operating expenses and debt, for the current rating, although cash and investments are stronger when we include cash and investments of the Colorado School of Mines Foundation;
- Somewhat high current MADS burden of 6.3% of fiscal 2021 adjusted operating expenses; and
- Continued capital needs.

The School of Mines is in Golden, Colo., and has 17 academic departments at the graduate and undergraduate level, with a focus on engineering and science, primarily related to the earth, energy, and the environment. The single campus encompasses 474 acres and an off-campus experimental mine. The university has been active in the previous decade, renewing and building capital infrastructure, using funding sources, including bonds, fundraising, student fees, and grants.

Environmental, social, and governance

In our view, Mines like other higher education institutions, faces elevated social risk due to the uncertainty of the duration of the COVID-19 pandemic. We believe Mines has taken prudent steps regarding health and safety of its students, faculty, and staff through its transition to remote learning and additional safety precautions put in place, including mandating vaccines, but risks remain given the highly contagious nature of the pandemic. While vaccine progress has helped alleviate some of the health and safety concerns, we believe the higher education sector remains at a greater risk than other sectors, given the importance on resuming pre-pandemic activities to operating revenue. However, we acknowledge, Mines has fared better than many other institutions of higher education. We view the risks posed by COVID-19 to public health and safety as a social risk under our environmental, social, and governance factors. Despite the elevated social risk, we believe environment and governance risk at Mines are in line with our view of the sector as a whole.

Stable Outlook

Downside scenario

We could consider a lower rating if the university's enrollment and demand metrics decline considerably, operating margins deteriorate such that available resource to debt ratios are no longer comparable to peers at the current rating.

Upside scenario

We could consider a positive rating action if Mines is able to demonstrate significant growth of its financial resources to levels commensurate with higher rating category while maintaining solid demand metrics and full-accrual surpluses.

Credit Profile

Enterprise Profile

Market position and demand

We view student demand as solid with exceptional student quality and a healthy academic niche in engineering and science. FTE enrollment has increased steadily over the past five years, particularly in fall 2021 as enrollment increased 5% this past year. The increase was due to a 24% increase in the number of freshmen matriculants as management said it had an influx of strong applicants and also growing graduate enrollment, which remains a strategic priority. While the university is nearing capacity at the undergraduate level, it continues to have a very high level of demand. As part of its strategic plan, the university has a goal to reach total enrollment of 7,700 in fall 2024, its 150th anniversary. We anticipate Mines will be successful in meeting its enrollment projections.

Mines maintains high student quality that helps it retain and graduate many students. The university's 91% retention rate and 83% graduation rate are above average compared with similarly rated peers. The university increased tuition and fees about 3% in fall 2021, but it did not seem to deter demand at all. Mines also maintains solid geographic diversity as about 45% of its total FTE students come from outside Colorado, just within the state's thresholds for proportion of nonresident-to-resident students. Therefore, the national GDP per capita anchors our assessment of Mines' economic fundamentals.

In October 2020, the foundation and university publicly announced its current campaign, "The Campaign for MINES @150". The campaign's goal is to raise a total of $450 million, which includes $350 million in philanthropic support and $100 million in non-governmental research support. To date, about $295 million has been raised. The university raised about $50 million in fiscal 2021. In 2016, the university completed a capital campaign, called Transforming Lives. It raised over its $350 million goal, with $452.5 million in total commitments. Among the gifts was $27 million from CoorsTek and the Coors family, along with $14.6 million from the state to help fund the CoorsTek Center for Applied Science and Engineering, a multipurpose academic and research building on campus. We view fundraising as solid, especially for the size of school. (For more information on the foundation, see the report published March 9, 2021, on RatingsDirect.)

Management and governance

The board of trustees has nine members. The state governor, with the consent of the state senate, appoints seven voting members who serve two staggered four-year terms. Nonvoting members include one elected student representative and one elected academic faculty member. There have been no major shifts in the board aside from regular member rotations, and we view the stability favorably.

Mines current president, Dr. Paul Johnson, took office in July 2015 after his predecessor retired. Mines recently hired a new Vice President for Research and Technology and is in the process of searching for a Vice President of Student Life. The rest of the senior management team remains stable, which we believe lends stability to the overall credit profile.

In 2018, the university launched its current strategic plan "Mines @150." This plan sets forth the imperatives for Mines as it approaches its 150th anniversary in 2024. The goal is to remain a specialized engineering and science and research university, with an emphasis on producing distinctive graduates, creating transformative and enduring value, and being a pioneer at the frontiers of science and engineering. The strategic plan outlines the university's imperatives to success: being a top of mind and first-choice institution, expanding offerings and diversifying delivery, increasing the scale and impact of research, strengthening affinity to Mines, and embodying innovation and entrepreneurship. The university is working on quantifiable and achievable demand metrics for graduation rates, retention, and student selectivity and quality. Mines continues to generate significant research dollars, particularly from private industry, which represents about 25% of total grants, and recently became an R1 research institution based on Carnegie classifications. Although the budget does not incorporate a line item for depreciation, management includes expenditures for capital renewal as well as an operating reserve that has contributed to a positive record of full-accrual operating surpluses.

Financial Profile

Financial performance

Historically, Mines has posted positive full-accrual financial operations and has now had three straight years of solid full-accrual surpluses near 5%. Our calculation of adjusted operating revenue includes state support in the form of COF and fee for service funds, endowment spending by the foundation ($8.8 million in fiscal 2021), and dividend and interest income ($3.6 million). Our calculation of adjusted operating expenses includes interest expense as well as the adjustment of noncash related pension and OPEB expenses. With this, we calculate fiscal 2021 net operating income to equal a healthy $13.5 million, or a margin of 3.8%. This is comparable with a 6.3% margin in fiscal 2020.

Management does not budget for estimated depreciation expense, which equaled about $26.3 million in fiscal 2021, but includes about $2 million annually for capital renewal; additionally, each year, building of the operating reserve is included in the budget. We anticipate fiscal 2022 operating results will likely be slightly weaker than fiscal 2021 as expenses increased and there was less federal funds, though likely still a full-accrual surplus.

Mines' revenue base is relatively diverse, coming from several primary sources, including state funding, student-generated revenue, federal research grants, private grants, and auxiliary operations. In fiscal 2021, its total research revenue was solid at about $81 million. Historically, the university has received about 25% of research funding from private industry, with the majority of the balance coming from federal grants.

Mines receives money from the state in two ways: from fee-for-service contracts with the state department of higher education, and from tuition stipends through the Colorado Opportunity Fund to qualified undergraduate students. The state legislature sets the amount of the stipend to each student for tuition at any public, nonvocational Colorado institution and some private colleges in the state. For fiscal 2021, Mines received about $3.2 million in stipend money through the College Opportunity Fund and about $7.5 million for its fee-for-service contract. The fee-for-service contract specifies that the university will provide specialized engineering and graduate services to the state. While both of these amounts reflected cuts in state support in fiscal 2021, they were largely offset by about $13.4 million of federal pass-through Coronavirus Relief Funds. For fiscal 2022, Mines is anticipating state support to be above fiscal 2020 levels as that funding was reinstated by the state legislature. The university is also hopeful state appropriations will increase again in fiscal 2023.

Mines was designated an institutional enterprise under Colorado law in 2004. This permits the school to pledge up to 10% of tuition revenue for enterprise and improvement revenue bonds. Its overall relationship with the state is good, according to management, and the school has secured "exemplary status" (designated by the state legislature and written into the Colorado statutes), which means, among other things, that it has tuition-raising flexibility.

Available resources

Available resources for fiscal 2021, as measured by adjusted unrestricted net assets (UNA), remain consistent for the rating category, in our view. Adjusted UNA totaled $233.9 million in fiscal 2021 a 55% increase from fiscal 2020 as the university benefited from a solid operating year, significant investment returns, and steady fundraising success. Its adjusted UNA to operations remains solid, in our opinion, while the ratio to pro forma debt remains sufficient, though slightly weaker. The university's cash and investment ratios are somewhat weak for the rating, particularly compared with pro forma debt; however, this is largely due to the majority of the university's cash and investments being held at the foundation. The university had cash and investments of $202 million in fiscal 2021 while the foundation had an additional $450 million. When including those, cash and investments to operations and pro forma debt is in line with similarly rated peers.

Mines Foundation holds the bulk of the school's endowment. In our view, the endowment asset allocation is somewhat concentrated in equity, but comparable with that of peers with 58% in global equities, about 19% in private equity, 9% in hedge funds, 5% real assets, 4% fixed income, and 6% money market. The authorized annual spending draw from the endowment is 4.25% of the rolling three-year average market value, which we consider sustainable. Management closely tracks liquidity, liquidity needs, and capital calls and distributions, and we consider this a credit strength. As of June 30, 2021, the long-term investment pool asset market value, which largely makes up the endowment, totaled about $350 million as of June 30, 2021. The investment pool assets are invested with 35 investment managers in various diversified asset classes. Investment management firms are recommended by the foundation's investment consulting firm, which meets with the foundation investment committee quarterly.

Debt, contingent liabilities, and capital projects

As of June 30, 2021, Mines had approximately $302 million of debt outstanding, including revenue bonds and capital leases. On a pro forma basis, total debt equals about $370 million as we included the proposed debt associated with a parking garage and infrastructure that management will pursue as the new USGS building it constructed. Given that the university is no longer planning to finance that project as it was included in the recently passed Infrastructure Investment and Jobs Act, pro forma debt is lower than our last review. However, it has additional capital plans that it could fund with debt. As part of its master plan, the university is also currently working to potentially update its graduate and upperclassman housing in addition to a new science building. In both cases, there are no eminent financing plans, and the university continues to fundraise through its campaign.

Included capital lease payments our calculation of pro forma MADS is $22.5 million in 2039. This is equal to 6.3% of adjusted operating expenses, which we believe is slightly high but manageable at this time.

The university has one floating- to fixed-rate swap contract outstanding with Morgan Stanley Capital Services Inc. associated with the series 2018A floating-rate note. The mark-to-market on the swap as of June 30, 2021, was negative $9.6 million. Interest on the bonds accrues at an index interest rate extending through February 2023.

The funded ratio for the state division trust fund (SDTF) pension obligations improved slightly to 65.3% in fiscal 2020 and has now been above 60% for two years, but we believe the university continues to have some long-term contingent liability risk exposure associated with these obligations. The funded ratio prior to fiscal 2019 has historically been below 60%. The SDTF is a cost-sharing multiple-employer defined-benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The university's required annual contributions for its pension and OPEB plans remain manageable at about 4.5% of adjusted operating expenses in fiscal 2020, which include a contribution for the pension plan that totaled about $15.0 million in fiscal 2021 and one of about $500,000 for the OPEB plan. However, given the potential for growth in required contributions, officials reported that in January 2017, Mines implemented a defined-contribution retirement plan for all newly hired academic and administrative faculty.

Colorado School Of Mines Board of Trustees, Enterprise And Financial Statistics					
	--Fiscal year ended June 30--				
	2022	**2021**	**2020**	**2019**	**2018**
Enrollment and demand					
Headcount	7,172	6,754	6,607	6,268	6,117
Full-time equivalent	6,706	6,370	6,288	5,961	5,818
Freshman acceptance rate (%)	56.8	54.9	53.2	49.2	55.7
Freshman matriculation rate (%)	21.2	17.7	20.5	19.3	19.2
Undergraduates as a % of total enrollment (%)	76.6	77.2	77.4	79.0	77.8
Freshman retention (%)	91.0	92.0	92.0	92.0	93.0
Graduation rates (six years) (%)	83.3	84.2	82.5	80.5	78.5
Income statement					
Adjusted operating revenue ($000s)	N.A.	368,787	361,741	338,253	309,817
Adjusted operating expense ($000s)	N.A.	355,251	340,297	322,219	317,266
Net adjusted operating income ($000s)	N.A.	13,536	21,444	16,034	(7,449)
Net adjusted operating margin (%)	N.A.	3.81	6.30	4.98	(2.35)
Estimated operating gain/loss before depreciation ($000s)	N.A.	39,854	42,978	36,744	12,298
Change in unrestricted net assets (UNA; $000s)	N.A.	106,960	105,160	46,310	(123,933)
State operating appropriations ($000s)	N.A.	11,467	22,853	20,852	18,702
State appropriations to revenue (%)	N.A.	3.1	6.3	6.2	6.0
Student dependence (%)	N.A.	57.0	59.0	59.7	61.2
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.
Research dependence (%)	N.A.	21.9	21.2	20.0	18.9
Endowment and investment income dependence (%)	N.A.	3.4	3.7	4.4	4.1
Debt					
Outstanding debt ($000s)	N.A.	302,004	269,743	278,022	286,170
Proposed debt ($000s)	N.A.	68,000	N.A.	N.A.	N.A.
Total pro forma debt ($000s)	N.A.	370,004	N.A.	N.A.	N.A.
Pro forma MADS	N.A.	30,052	N.A.	N.A.	N.A.
Current debt service burden (%)	N.A.	6.76	6.37	6.70	6.18
Current MADS burden (%)	N.A.	6.33	7.03	6.71	6.34
Pro forma MADS burden (%)	N.A.	8.46	N.A.	N.A.	N.A.
Financial resource ratios					
Endowment market value ($000s)	N.A.	350,662	249,146	251,645	258,135
Related foundation market value ($000s)	N.A.	44,486	345,628	313,550	322,559
Cash and investments ($000s)	N.A.	202,200	214,646	237,689	264,026
UNA ($000s)	N.A.	(119,365)	(226,325)	(331,485)	(377,795)
Adjusted UNA ($000s)	N.A.	233,893	150,598	129,981	132,140
Cash and investments to operations (%)	N.A.	56.9	63.1	73.8	83.2
Cash and investments to debt (%)	N.A.	67.0	79.6	85.5	92.3

Colorado School Of Mines Board of Trustees, Enterprise And Financial Statistics (cont.)					
	--Fiscal year ended June 30--				
	2022	2021	2020	2019	2018
Cash and investments to pro forma debt (%)	N.A.	54.6	N.A.	N.A.	N.A.
Adjusted UNA to operations (%)	N.A.	65.8	44.3	40.3	41.6
Adjusted UNA plus debt service reserve to debt (%)	N.A.	77.4	55.8	46.8	46.2
Adjusted UNA plus debt service reserve to pro forma debt (%)	N.A.	63.2	N.A.	N.A.	N.A.
Average age of plant (years)	N.A.	11.4	12.8	12.5	12.2
OPEB liability to total liabilities (%)	N.A.	1.1	1.3	1.4	1.3

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of March 18, 2022)		
Colorado Sch of Mines Brd of Trustees institutional enterprise rev bnds		
Long Term Rating	A+/Stable	Outlook Revised
Colorado Sch of Mines Brd of Trustees institutional enterprise rev rfdg bnds		
Long Term Rating	AA/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Outlook Revised
Colorado Sch of Mines Brd of Trustees inst enterprise rev bnds ser 2017B dtd 11/16/2017 due 12/01/2047		
Long Term Rating	A+/Stable	Outlook Revised
Colorado Sch of Mines Brd of Trustees SCHSTPR		
Long Term Rating	AA/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Outlook Revised
Colorado Sch of Mines Brd of Trustees (Student Life Bonding Initiative)		
Long Term Rating	AA/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Outlook Revised

Many issues are enhanced by bond insurance.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A1 to Colorado School of Mines' (CO) Series 2019A&B; outlook stable

29 Aug 2019

New York, August 29, 2019 -- Moody's Investors Service has assigned an A1 underlying rating to the Colorado School of Mines (Mines) planned approximately $10 million Institutional Enterprise Revenue Refunding Bonds, Series 2019A (fixed rate, maturing in 2040) and $45 million Institutional Enterprise Revenue Refunding Bonds, Taxable Series 2019B (fixed rate, maturing in 2048). The Series 2019A and 2019B bonds will be issued by the Board of Trustees of the Colorado School of Mines. Concurrently we affirmed the A1 underlying ratings on $267 million of outstanding parity revenue bonds and the Aa2 enhanced ratings on $118 million of outstanding revenue bonds qualified for the state intercept program. The outlook on the underlying rating is stable. The outlook for the enhanced rating is stable, reflecting the programmatic rating outlook which currently mirrors the outlook of the State of Colorado.

RATINGS RATIONALE

The assignment of the A1 underlying rating reflects Mines' very good strategic positioning based on its established niche in earth sciences, energy and the environment, drawing steady increases in enrollment, net tuition revenue growth and substantial research activity. In addition, Mines' solid wealth and liquidity levels relative to rated peers, as well as historically strong donor support are favorable credit factors.

Offsetting challenges include the school's comparatively high leverage, weakening operating performance exacerbated by flat in-state undergraduate pricing for fiscal 2020, and historically limited operating and capital support from State of Colorado (Aa1 stable issuer rating) relative to peers. Mines has an elevated underfunded pension liability, though state-enacted pension reforms during fiscal 2018 will decreased the magnitude of future potential expense pressure. The school continues to execute an ambitious strategic plan with multiple yet-to-be finalized funding sources, and in the interim, expenses will continue to grow.

Mines is currently planning a fiscal 2020 new issue of up to $149 million for several new facilities, including a building to be shared with the USGS (United States Geological Survey). If executed, this will substantially increase already high debt levels. The school has some ability to absorb the planned increase in leverage based on current cash flow, although pro-forma maximum annual debt service coverage would be very thin. However, Mines expects to receive new facility use revenues under a new Cooperative Agreement with the USGS that will offset a significant portion of new debt service.

The Aa2 enhanced rating incorporates the program-level Aa2 rating of the Colorado Higher Education Enhancement Program, which is notched off of the State of Colorado's Aa1 issuer rating, as well as financing-level attributes related to sufficiency of the financing structure.

RATING OUTLOOK

The stable outlook on the A1 underlying rating reflects our expectations that Mines will successfully manage the funding support risks of the multiple existing and planned fiscal 2020 projects, including strengthening cash flow to support the planned increase in leverage.

The stable outlook for the enhanced rating reflects the outlook for the programmatic level rating which currently mirrors the outlook for the State of Colorado.

FACTORS THAT COULD LEAD TO AN UPGRADE

Underlying rating

-Substantial improvement in flexible financial resources combined with a material reduction in financial leverage

-Further strengthening of brand, demonstrated by increased student demand and revenue growth

Enhanced rating

-Upgrade in the State of Colorado rating

FACTORS THAT COULD LEAD TO A DOWNGRADE

Underlying rating

-Inability to strengthen operating cash flow to improve coverage of maximum annual debt service

-Any increase in leverage beyond the planned 2020 borrowing absent offsetting revenue, cash flow, or reserve growth

-Reduction in liquidity given significantly constrained financial flexibility due to degree of leverage

Enhanced rating

-Deterioration in credit quality of the State of Colorado rating or observation that the program does not function as contemplated

LEGAL SECURITY

The planned series 2019A and 2019B bonds, together with parity outstanding revenue bonds, are secured by net revenues calculated as the prior bond net pledged revenues less debt service, plus certain academic facility fees, indirect cost recoveries related to research contracts and grants received by the school and performed within the school's facilities, federal interest subsidies, and certain gifts, as well as 10% of net tuition revenue. The fiscal 2018 net pledged revenues of $47.8 million covered outstanding debt service, inclusive of prior obligations (Series 1999 bonds) debt service, by 2.56x.

The Series 1999 auxiliary facility bonds (prior bonds) have a superior lien on net pledged revenues of certain facilities and student fees (student center and recreation center). Net pledged revenues for the prior bonds totaled $15.9 million in fiscal 2018, providing 17.4x coverage.

The Series 2012A institutional enterprise revenue bonds (not rated) are subordinate obligations.

USE OF PROCEEDS

Proceeds of the Series 2019A and 2019B bonds will be used to refund all or portions of the Series 2010B, 2012B, 2016, 2017A and 2017B bonds per market conditions and pay costs of issuance.

PROFILE

The Colorado School of Mines, located west of Denver in Golden, was originally established in 1874. Mines offers undergraduate and graduate degrees, including doctoral, and has been dedicated to education in mineral engineering and earth sciences. In fiscal year 2018, Mines recorded $269 million in operating revenue and in fall 2018 served a full-time equivalent enrollment (FTE) of 5,961 students.

METHODOLOGY

The principal methodology used in the underlying ratings was Higher Education published in May 2019. The principal methodology used in the enhanced ratings was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 underlying and Aa2 enhanced ratings to Colorado State University System's (CO) revenue bonds; outlook stable

16 Sep 2021

New York, September 16, 2021 -- Moody's Investors Service has assigned Aa3 underlying ratings to Colorado State University System's (CO) planned approximately $34 million of System Enterprise Revenue and Revenue Refunding Bonds, Series 2021C (fixed rate, maturing 2051), $65 million System Enterprise Revenue Refunding Bonds, Taxable Series 2021D-1 (fixed rate, maturing 2042) and $35 million System Enterprise Revenue Refunding Bonds, Taxable Series 2021D-2 (fixed rate, maturing 2041) to be issued by the Board of Governors of the Colorado State University System. Moody's also assigned an Aa2 enhanced rating to the Series 2021D-1 bonds. Moody's maintains an Aa3 issuer rating, as well as underlying Aa3, enhanced Aa2 and P-1 debt ratings. The university had total debt outstanding of approximately $1.2 billion as of fiscal 2020. The outlook on the issuer rating and underlying ratings is stable. The outlook for the enhanced ratings is stable, reflecting the programmatic rating outlook which currently mirrors the outlook of the State of Colorado.

RATINGS RATIONALE

The assignment and maintenance of the Aa3 underlying rating, as well as the maintenance of the Aa3 issuer rating, reflects the system's excellent strategic positioning based on its role as the land grant institution for the State of Colorado (Aa1 stable issuer rating), with a nearly $1.5 billion scope of operations and meaningful research enterprise. The system's growing national brand is reflected in its relatively steady student demand, growing net tuition revenue and robust donor support. Solid fiscal stewardship acknowledges the maintenance of sound operating results even while confronting the significant revenue and expense impacts related to the coronavirus pandemic. Federal aid funding from the three relief packages provide a total of approximately $123 million, with $54 million in direct aid for students.

Offsetting challenges include high debt relative to financial reserves and revenue, with recent debt restructurings adding near term interest rate risk. Further, the system's revenue bonds have a narrower revenue pledge that excludes 90% of tuition revenue and the sizable principal payments due in fiscal 2024 are not well matched to the existing legal security. State operating and capital support is low relative to peers, and the system is exposed to an elevated underfunded pension liability.

The assignment and maintenance of the Aa2 enhanced rating incorporates the program-level Aa2 rating of the Colorado Higher Education Enhancement Program, which is based on the State of Colorado's Aa1 issuer rating, as well as the sufficiency of interceptable revenues and transaction structure.

Maintenance of the P-1 rating on the system's Commercial Paper Notes, Series A and Taxable Series B is based on the system's credit quality and effective treasury management of its self- liquidity program, with internal funds that provide ample support on a same-day basis in the event of a failed remarketing.

RATING OUTLOOK

The stable outlook on the system's underlying rating reflects Moody's expectations of continued sound operating performance and solid debt service coverage, with ongoing operational adjustments to maintain spendable cash and investments relative to expenses and debt.

The stable outlook for the enhanced ratings reflects the outlook for the programmatic level rating which currently mirrors the outlook for the State of Colorado.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

-Substantial increase in spendable cash and investments relative to debt and expenses

-Sustained and material improvement in operating cash flow

-Limited debt increases

-Upgrade in the State of Colorado rating (enhanced rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

-Sustained deterioration of cash flow margins and debt service coverage

-Erosion of liquidity

-Significant increase in leverage

-Deterioration in credit quality of the State of Colorado rating or observation that the program does not function as contemplated (enhanced rating)

- Consistently weak coverage of commercial paper from self-liquidity (short-term rating)

LEGAL SECURITY

The system's enterprise revenue bonds and the parity rated CP program are secured by a pledge of revenues at both Colorado State University (CSU) and CSU-Pueblo (Global Campus revenues are not pledged). These include: net revenues of certain auxiliary enterprise facilities (housing, dining, parking, and certain student recreational facilities), certain mandatory student fees collected at both campuses, indirect cost recoveries (overhead received for research grants and contracts), as well as 10% of net tuition revenue. In addition, the federal subsidies expected to be received in connection with the Series 2010B and 2010C bonds are pledged to the payment of the revenue bonds. The revenue pledge is net of operating and maintenance expenses of auxiliary facilities.

The fiscal 2020 net pledged revenue was $169 million, which is a limited 12% of the system's operating revenues. Pledged revenue coverage is narrower compared to debt of rated peers due to the limited 10% pledge of tuition monies. Fiscal year 2020 debt service coverage from pledged revenue was 2.3x. Currently, with the March 2021 issuance of the Series 2021A and 2021B bonds, maximum annual debt service of $350 million in fiscal 2024, which includes $230 million in bullet payments, exceeds net pledged revenue. The system expects to refinance the bullet payments before maturity.

Certain of the system's enterprise revenue bonds are further secured by the presence of the state intercept program.

USE OF PROCEEDS

Proceeds from the Series 2021C will be used to: refund the commercial paper that funded the installation of a Geo-Exchange System; fund the renovation of the North end of the Lory Student Center which includes additional square footage for the Adult Learner and Veteran Services Center; and pay costs of issuance. Proceeds of the Series 2021D-1 and D-2 will refund various series of bonds and to pay costs of issuance.

PROFILE

The Colorado State University System includes the system administration, which oversees three component institutions: the state's land grant institution, Colorado State University in Fort Collins; Colorado State University-Pueblo; and Colorado State University-Global Campus, a fully online public university. CSU also manages extension offices in 60 of the 64 counties in Colorado. In fiscal 2020, the system's operating revenue totaled $1.45 billion and in fall 2020 served a full-time equivalent (FTE) of 38,217 students.

METHODOLOGY

The principal methodology used in the underlying ratings was Higher Education Methodology published in August 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1257002. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1067422 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and

Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

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S&P Global
Ratings

RatingsDirect®

Summary:

Colorado State University System Board of Governors; CP; Public Coll/Univ - Unlimited Student Fees; School State Program

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Summary:

Colorado State University System Board of Governors; CP; Public Coll/Univ - Unlimited Student Fees; School State Program

Credit Profile		
US$65.14 mil Sys Enterprise Rev & Rev Rfdg Bnds (Taxable) ser 2021D-1 dtd 10/01/2021 due 06/30/2042		
Long Term Rating	A+/Stable	New
US$34.5 mil Sys Enterprise Rev & Rev Rfdg Bnds (Taxable) ser 2021D-2 dtd 09/30/2021 due 06/30/2041		
Long Term Rating	A+/Stable	New
US$34.16 mil Sys Enterprise Rev & Rev Rfdg Bnds ser 2021C dtd 10/01/2021 due 06/30/2051		
Long Term Rating	A+/Stable	New

Rating Action

S&P Global Ratings assigned its 'A+' long-term rating to the Colorado State University System Board of Governors' (CSU, or the system) series 2021C (tax-exempt) enterprise revenue and revenue refunding bonds and series 2021D-1 and 2021D-2 (taxable) enterprise revenue refunding bonds. At the same time, S&P Global Ratings affirmed its 'A+' long-term rating and underlying rating on CSU's enterprise revenue bonds outstanding. S&P Global Ratings also affirmed its 'A-1' short-term rating on CSU's commercial paper (CP) notes, series A (tax exempt) and series B (taxable). The outlook, where applicable, is stable.

The 'AA' long-term rating on certain series of system enterprise revenue bonds is based on the university's participation in the Colorado Higher Education State Aid Intercept Program. For more information on the state intercept program, see please see our report published May 17, 2018, on RatingsDirect.

The 'A-1' CP rating reflects our view of the system's overall credit quality, including its CP program (of which $32.5 million was outstanding as of June 30, 2020, and about $50 million as of Aug. 31, 2021). The CP program is used to fund various capital projects. The CP rating reflects CSU's ability to cover any failed rollovers on its CP from unrestricted liquid funds that totaled more than $61 million as of July 31, 2021, as the CP has no other dedicated credit or liquidity support. The current program has been authorized by the Board of Governors to be increased to $75 million; however, there are not currently plans to formalize the increase with the program. S&P Global Ratings will monitor the sufficiency and the liquidity of assets identified for self-liquidity monthly.

Proceeds from the system's series 2021C tax-exempt revenue and revenue refunding bonds (approximately $34.16 million) will be used to finance various capital projects including the construction, renovation, and equipping of its Lory Student Center and Adult Learner and Veterans services projects. In addition, bond proceeds will refund a portion (about $20 million) of CP, which was used to finance a geothermal plant project, and pay for costs of issuance. The system's series 2021D-1 ($65.14 million par) and 2021D-2 ($34.5 million par) taxable revenue refunding bonds are being issued to refund various bonds for interest rate savings and pay for costs of issuance. We understand the series 2021D-1 bonds are eligible for inclusion in the Colorado Higher Education Revenue Bond Intercept Program. In conjunction with the publicly issued series 2021C and 2021D bonds, the system is also issuing its 2021E institutional enterprise refunding bonds (approximately $27.68 million) through a privately placed transaction. We understand all series of bonds are to be issued under the system's master resolution and are on parity with other enterprise revenue bonds outstanding. Net revenue from CSU's Fort Collins and CSU-Pueblo campuses--which includes a variety of student fees, indirect cost recovery, and 10% of tuition--secures the system enterprise revenue bonds. Therefore, the security, in our view, is equivalent to an unlimited student fee pledge. CSU-Global revenue is not pledged. Pledged revenue was $169.5 million in fiscal 2020 and $192.7 million in fiscal 2019.

Total pro forma debt is approximately $1.37 billion, which includes bonds payable, capital leases, COPs, and the system's series 2021A and 2021B bonds, which were issued subsequent to fiscal year-end 2020. The pro forma maximum annual debt service (MADS) burden is above average, but manageable at 5.5% of fiscal 2020 adjusted operating expenses. The system has a relatively small amount of operating leases, totaling about $23.2 million as of June 30, 2020.

In summer of 2020, CSU issued its $229.95 million series 2020A revenue refunding bond to provide debt service relief for fiscal years 2021 through 2023 due to the uncertainty surrounding the coronavirus pandemic. The issuance provides savings of about $75 million in each fiscal year through 2023. The bond was issued as a variable rate, privately placed transaction. In February 2021, CSU refinanced this debt to its 2021A and 2021B issuances, to split this issuance between two purchases at a fixed rate. The bonds are subject to a mandatory purchase on March 1, 2024. The bonds were issued under the university's master resolution and are on parity with other enterprise revenue bonds outstanding. There are no extraordinary financial covenants and we do not consider the issuance a contingent liability.

Due to the COVID-19 pandemic, to protect the health and safety of its students, faculty, and staff, CSU transitioned to remote learning, effective March 2020, and issued pro-rated refunds for housing and dining. These refunds totaled about $16 million. To offset the lost revenue from the refunds and other auxiliary related activities, CSU implemented various expense savings measures beginning in spring 2020, which have continued into fiscal 2021 and include a salary freeze, an early retirement program, and re-evaluation of its capital projects. In addition, as discussed above, the system refinanced debt to provide near term debt service relief. In fiscal 2020, CSU was allocated a total of about $18.8 million from the Higher Education Emergency Relief Fund (HEERF) from the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, of which approximately $8.8 million was allocated for direct student aid and the remining was allocated for institutional use, which CSU used to offset housing refunds.

Despite the disruption caused by the pandemic, we calculate the system's fiscal 2020 operating margin to be a positive 0.5%, due an increase in net tuition revenue, increased state appropriations during the fiscal year, and a growing research enterprise, supported by expense containment measures and recognition of about $22.2 million of federal relief funding ($8.8 million from CARES and $13.4 million from the state). In fiscal 2020, the state of Colorado did not implement a mid-year cut to state appropriations but did allocate the system's $90.4 million as pass-through federal relief funding, which largely offset a $99.8 million cut in state operating support in fiscal 2021. When stripping out the state-funded college opportunity funds from net tuition and fees, in fiscal 2020, CSU's key revenue streams included net tuition (43%), state funding (11%), auxiliary revenues (10%), and research funding (22%). We believe auxiliary revenue makes up an important part of the system's revenue mix, with this revenue stream being pressured by the pandemic with a lower number of on-campus and auxiliary events. We believe the system's reliance on international students is minimal, equaling less than 3% of total full-time equivalent (FTE) enrollment in fall 2020.

CSU opened for the fall 2020 semester using a hybrid format, with hybrid, online, and in-person instruction offered. In addition, student housing occupancy was about 92%, slightly lower than 98% in fall 2019. Fall 2020 enrollment metrics reflect an approximately 5.8% decline in total FTE enrollment, which we believe reflects the uncertainty due to the pandemic leading up to the fall semester. In addition, CSU's fall 2019 enrollment was at record high levels. In planning for fiscal 2021, CSU's budget included significant reductions with tuition and fees and auxiliary related revenue, with a budgeted 10% decline in enrollment, a lower number of on campus and auxiliary events, and a lower level of state operating support (with was largely offset by federal CRF pass-through funds). As the fiscal year progressed, with actual enrollment only being down about 6% and a slightly higher level of out-of-state students, supplemented by significant amounts of federal stimulus funding (discussed below), the system anticipates closing the fiscal year with another positive operating margin. It expects the second and third rounds of federal stimulus funding will largely offset its lost revenue due to the pandemic. This federal funding includes the Coronavirus Response and Relief Supplemental Appropriations Act 2021 (CRRSAA)-HEERF II, in which CSU was awarded $27.0 million, of which $8.0 million is designated for direct-to-student grants and about $19.0 million for institutional use. Furthermore, pursuant to the American Rescue Plan-HEERF III, the system received about $50.0 million, with about $25.0 million for institutional use and the remainder for student aid.

CSU reopened for the fall 2021 semester primarily with in-person learning and housing occupancies improved at nearly 95%. Enrollment at CSU's main campus in Fort Collins is expected to be slightly up; with a large increase in first year and transfer students, offset by a slightly weaker retention rate for existing students. Preliminarily, CSU Pueblo is anticipating a 2% decline with its fall 2021 enrollment levels. After lower enrollment for CSU Global during the 2020-2021 year, management is expecting some rebound for the 2021-2022 year. Major budget assumptions for fiscal 2022 include a 3% increase for in-state tuition, an approximate 9% increase in state funding levels, a small enrollment increase, and 3% salary increase. At this time, management is projecting softer operating results for the fiscal year given the slight increase in enrollment, and the salary increase, but notes there are some contingencies built into the budget.

Since our last full review, the system's Treasure and CSU Fort Collins' vice president for university operations and chief financial officer have announced their retirements; we understand succession planning is underway to assign the responsibilities or to fill these roles.

Credit overview

We assess the system's enterprise profile as very strong, reflecting a history of steady enrollment growth and solid demand metrics as well as the system's solid research presence, despite some disruption caused by the pandemic during the current fiscal year. We assess CSU's financial profile as strong, reflecting positive financial operations on an adjusted full-accrual basis, offset by an above-average debt burden and low financial resource ratios relative to debt for the rating, as well as measurable long-term contingent liabilities related to pension obligations. Combined, these factors lead to an indicative credit rating of 'a+' and a long-term bond rating of 'A+'.

The 'A+' long-term rating reflects our view of CSU's:

- Comprehensive program and degree offerings on its three campuses and its status as the land grant institution in Colorado;
- Broad pledge of net revenue, including tuition, fees, research, indirect cost recovery, and auxiliary revenue;
- History of increasing enrollment, offset by a sizeable decline in FTE in fall 2020, likely largely due to the coronavirus pandemic; and
- History of positive full-accrual financial operations in recent years, with another surplus expected in fiscal 2021; however fiscal 2022 operating results are expected to be softer.

Partially offsetting the above strengths, in our view, are the system's:

- Significant increase in debt during the past few years as the system has invested in its main campus, with an above average, but manageable, pro forma maximum annual debt service burden of 5.5% of fiscal 2020 operating expenses, and additional capital plans over the near term;
- Low financial resources relative to debt for the rating, with adjusted unrestricted net assets (UNA) equal to 39% of pro forma debt; and
- Relatively small, but increasing, endowment for the rating.

The CSU system is the second largest of 10 public four-year institutions in the state. Founded in 1870, the university is the state's land-grant institution and has greater than 7,000 acres of land. The system comprises two campus universities at opposite ends of the state: one in Fort Collins, with a fall 2020 FTE of about 25,000, the other in Pueblo, with FTE of about 3,400. The system opened a third, virtual campus in 2008 called CSU-Global; the FTE in fall 2020 was about 8,600. At the Fort Collins campus, about 68% of undergraduate students are state residents, and approximately 77% are undergraduates. It is a comprehensive university and is particularly known for its veterinary medicine and infectious diseases programs.

The stable outlook reflects our expectation that over the near-term, enrollment at the system will stabilize following a sizeable decline in fall 2020, which we believe was largely attributable to uncertainty surrounding the coronavirus pandemic. We also believe that other aspects of the system's enterprise profile will be maintained with continued strength in sponsored research and geographic diversity within its student body. We anticipate the system will produce positive full-accrual results for fiscal year 2021, as we understand federal stimulus funding will largely offset lost revenue from the pandemic. In addition, we expect the system will maintain or improve its financial resource ratios. We do not anticipate any new money debt issuances over the near term.

Environmental, social, and governance (ESG) factors

Vaccine progress in the U.S. has helped alleviate some of the health and safety social risk stemming from the pandemic, however, the higher education sector remains one at a greater risk than others given the importance of resumption in pre-pandemic activities and the corresponding influence on operating revenues, including auxiliary revenues at CSU. While we believe management has taken prudent actions regarding the health and safety of its students, including hybrid and remote learning options for students in fall 2020 and spring 2021, and a vaccine mandate for the fall 2021 term, we believe uncertainty remains on the trajectory of the pandemic due to the highly contagious delta variant. Despite the elevated social risk, we believe governance and environmental risk is in line with our view of the sector.

Stable Outlook

Downside scenario

We could consider a negative rating action over the near term if the system issues material debt without a commensurate growth in financial resources, if financial operations weaken measurably, or if enrollment and demand indicators weaken materially.

Upside scenario

Given capital plans over the near term and softer operating performance expected in fiscal 2022, we do not anticipate a positive rating action over the near term. However, we could take a positive rating action over time if CSU continues to improve financial operations while boosting its financial resource ratios, maintaining its enrollment profile, and limiting additional debt issuance.

For more information on Colorado State University, please see the full report published May 26, 2021, on RatingsDirect.

Colorado State University System Board of Governors: Enterprise And Financial Statistics

	--Fiscal year ended June 30--					--Medians for 'A' rated Public Colleges & Universities--
Enrollment and demand	**2021**	**2020**	**2019**	**2018**	**2017**	**2020**
Headcount	32,646	33,996	33,273	32,716	32,936	MNR
Full-time equivalent	25,401	26,963	24,578	24,358	24,228	14,547
Freshman acceptance rate (%)	83.6	81.4	83.5	82.6	77.9	75.2
Freshman matriculation rate (%)	18.9	22.6	26.0	26.5	29.2	MNR
Undergraduates as a % of total enrollment (%)	77.1	78.1	78.1	77.6	78.0	82.5
Freshman retention (%)	85.3	85.1	83.0	83.0	86.1	76.9
Graduation rates (six years) (%)	69.7	69.2	71.0	68.0	67.1	MNR
Income statement						
Adjusted operating revenue ($000s)	N.A.	1,638,738	1,567,930	1,514,523	1,401,282	MNR
Adjusted operating expense ($000s)	N.A.	1,631,096	1,555,583	1,480,124	1,357,715	MNR
Net adjusted operating income ($000s)	N.A.	7,642	12,347	34,399	43,567	MNR
Net adjusted operating margin (%)	N.A.	0.47	0.79	2.32	3.21	0.10
Estimated operating gain/loss before depreciation ($000s)	N.A.	113,281	114,211	125,225	133,174	MNR
Change in unrestricted net assets (UNA; $000s)	N.A.	140,830	150,858	(186,125)	(113,906)	MNR
State operating appropriations ($000s)	N.A.	5,155	1,800	4,568	899	MNR

Colorado State University System Board of Governors: Enterprise And Financial Statistics (cont.)

	--Fiscal year ended June 30--					--Medians for 'A' rated Public Colleges & Universities--
Enrollment and demand	**2021**	**2020**	**2019**	**2018**	**2017**	**2020**
State appropriations to revenue (%)	N.A.	0.3	0.1	0.3	0.1	20.9
Student dependence (%)	N.A.	55.9	59.2	58.7	59.8	52.4
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	22.3	22.4	22.0	21.8	MNR
Endowment and investment income dependence (%)	N.A.	0.3	0.5	0.6	0.1	0.8
Debt						
Outstanding debt ($000s)	N.A.	1,180,299	1,176,696	1,135,503	1,135,765	239,454
Proposed debt ($000s)	N.A.	390,295	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	1,366,114	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	89,983	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	5.92	5.46	5.36	5.78	MNR
Current MADS burden (%)	N.A.	4.85	5.14	5.26	5.50	4.50
Pro forma MADS burden (%)	N.A.	5.52	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value ($000s)	N.A.	422,201	425,466	401,599	377,536	151,373
Related foundation market value ($000s)	N.A.	588,215	594,639	574,981	601,005	170,447
Cash and investments ($000s)	N.A.	790,997	661,039	584,494	642,500	MNR
UNA ($000s)	N.A.	(205,557)	(346,387)	(497,245)	(311,120)	MNR
Adjusted UNA ($000s)	N.A.	531,819	551,825	503,250	420,531	MNR
Cash and investments to operations (%)	N.A.	48.5	42.5	39.5	47.3	45.1
Cash and investments to debt (%)	N.A.	67.0	56.2	51.5	56.6	96.5
Cash and investments to pro forma debt (%)	N.A.	57.9	N.A.	N.A.	N.A.	MNR
Adjusted UNA to operations (%)	N.A.	32.6	35.5	34.0	31.0	31.0
Adjusted UNA plus debt service reserve to debt (%)	N.A.	45.1	46.9	44.3	37.0	64.6
Adjusted UNA plus debt service reserve to pro forma debt (%)	N.A.	38.9	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	11.8	11.4	11.7	11.4	15.7
OPEB liability to total liabilities (%)	N.A.	1.0	1.1	1.9	1.0	MNR

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of September 15, 2021)		
Colorado St Univ Sys Brd of Governors sys enterprise rev bnds (taxable intercept) ser 2019A & B dtd 10/01/2019 due 03/01/2049		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors CP		
Short Term Rating	A-1	Affirmed
Colorado St Univ Sys Brd of Governors CP		
Short Term Rating	A-1	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Current
Unenhanced Rating	NR(SPUR)	
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Current
Unenhanced Rating	NR(SPUR)	
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF series 2017E		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF ser 2017F		
Long Term Rating	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF (BAM)		
Unenhanced Rating	AA(SPUR)/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed

Ratings Detail (As Of September 15, 2021) (cont.)		
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Current
Unenhanced Rating	NR(SPUR)	
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors SCHSTPR		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
28 August 2020

Rate this Research

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EMEA	44-20-7772-5454

Fort Lewis College, CO

Update to credit analysis following downgrade to A3

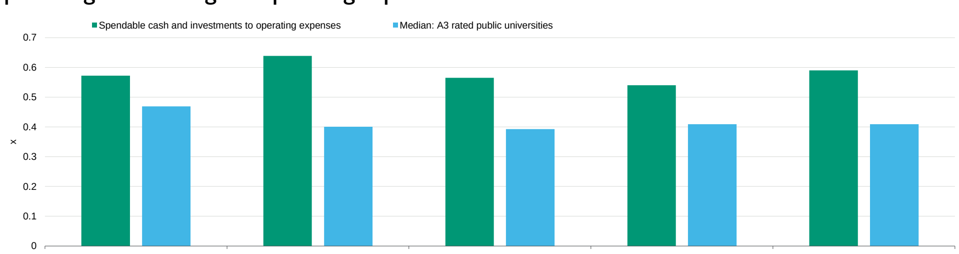
Summary

Fort Lewis College, CO's (A3 stable) credit quality incorporates the college's important role in the State of Colorado (Aa1, stable) and region as a provider of liberal arts education with prominent provision of higher education to Native American students. The latter mission significantly contributes to the college's credit quality as Colorado subsidizes the full cost of tuition for Native American students and provides capital support, which is unusual for public universities in the state. As a result, Fort Lewis has the ability to invest in academic facilities while maintaining low financial leverage despite modest wealth compared with peers, offering some flexibility in times of operating stress. The college's unrestricted monthly liquidity provides solid coverage of expense and is a favorable credit element given student market challenges and uncertainty surrounding future pandemic-related expenses. Despite management's commitment to contain expenses, which will limit short-term operating performance erosion, the college's small operating base limits future large-scale expense reductions without harming core programs. Favorably, the college reports leading indicators of higher expected enrollment in fall 2020, which would lead to better than budgeted operations. Additional credit factors include the college's pension liability and state demographic trends.

On August 27, 2020 Moody's downgraded the underlying rating on the college's revenue bonds to A3 from A2 and revised the outlook to stable from negative.

Exhibit 1

Despite relatively modest operating reserves, spendable cash and investments continue to provide good coverage of operating expenses



Source: Moody's Investors Service

Credit strengths

- Important provider of education to Native American populations in and out of the State of Colorado with full tuition paid for by the State of Colorado (Aa1 stable)
- Solid liquidity provides 179 monthly days cash on hand provides a buffer to short-term operating pressures
- Low direct debt leverage compared with peers and no additional debt plans
- Bondholders benefit from Colorado intercept program for a majority of bonds

Credit challenges

- Small operating base constrains budget flexibility in a time of high state funding and enrollment uncertainty
- Competitive student market challenges evidenced by enrollment decline of over 10% since fall 2015
- Revenue growth challenges will persist with continued state funding cuts into fiscal 2022 and pressured net tuition revenue
- Narrower revenue pledge of net income of the auxiliary system, certain student fees, and 10% of tuition
- Relatively modest overall wealth

Rating outlook

The stable outlook reflects expectations of effective enrollment management and operating cash flow margins, as calculated by Moody's, of at least 8% in fiscal 2021 and fiscal 2022. It also incorporates expectations of no additional debt and at least stable cash reserves.

Factors that could lead to an upgrade

- Material increase in total cash and investments
- Significant strengthening of student demand, reflected in sustained enrollment growth and improved pricing power
- Substantially higher operating support from the State of Colorado
- For the enhanced rating, upgrade of the State of Colorado rating

Factors that could lead to a downgrade

- Reduction in support for the Native American tuition waiver program or greater than expected state funding cuts
- Inability to stabilize enrollment
- Material use of available reserves
- For the enhanced rating, deterioration in credit quality of the State of Colorado rating

Key indicators

Exhibit 2
FORT LEWIS COLLEGE, CO

	2015	2016	2017	2018	2019	Median: A Rated Public Universities
Total FTE Enrollment	3,498	3,365	3,101	3,072	3,044	10,083
Operating Revenue ($000)	70,873	72,160	72,205	72,144	74,239	226,004
Annual Change in Operating Revenue (%)	0.2	1.8	0.1	-0.1	2.9	1.2
Total Cash & Investments ($000)	50,619	56,666	52,704	53,018	56,550	197,458
Total Debt ($000)	52,288	51,267	51,724	49,711	47,689	147,430
Spendable Cash & Investments to Total Debt (x)	0.8	0.9	0.8	0.8	0.9	1.0
Spendable Cash & Investments to Operating Expenses (x)	0.6	0.6	0.6	0.5	0.6	0.6
Monthly Days Cash on Hand (x)	182	212	177	170	179	154
Operating Cash Flow Margin (%)	12.2	13.5	13.1	9.5	13.5	10.7
Total Debt to Cash Flow (x)	6.1	5.3	5.5	7.3	4.7	6.5
Annual Debt Service Coverage (x)	2.0	2.9	2.4	1.7	2.5	2.0

Source: Moody's Investors Service

Profile

Fort Lewis College is a public four-year liberal arts college in Colorado, located in the southwest Colorado City of Durango. The college continues to honor its historic commitment to Native Americans by offering full tuition scholarships to all qualified Native Americans who meet admission requirements. A member of the Council of Public Liberal Arts Colleges (COPLAC), Fort Lewis College had fiscal 2019 operating revenues of $74 million and enrolled 3,044 full-time equivalent students in Fall 2019.

Detailed credit considerations

Market profile: important provider of education to Native American students with a small operating base facing enrollment challenges and state funding cuts

Fort Lewis College's good strategic position will continue to be supported by its distinct market niche as one of only two colleges in the United States offering full-tuition waivers to Native American students. Overall, Native American students comprise about a third of enrolled students. The college waives tuition for all Native American students upfront and receives reimbursement from the State of Colorado in the subsequent fiscal year, which accounts for approximately 36% of the college's general fund budget. The college was reimbursed $17.0 million in fiscal 2019, relatively flat compared with the prior year.

A very competitive environment for the growing number of high school seniors in the state, as well as struggles regarding student retention, have led to enrollment pressures.. Full-time equivalent (FTE) student enrollment has declined over 10% since fall 2015. Favorably, newly matriculated first-time students have improved from a low of 706 in fall 2017, reaching 761 in fall 2019. Management reports leading indicators of improved enrollment for this upcoming fall, up 4.5% compared with the prior year. Freshmen to sophomore retention through fall 2019 remains challenged at 62%, below the 66% reported in fall 2016. The college estimates improved retention in fall 2020 of 69%.

Operating performance: future operating performance pressured from potential coronavirus financial impacts and state funding cut, but management's budgeting history provides some mitigation

Future operating performance remains uncertain despite an improvement witnessed in fiscal 2019 because of state funding pressures, coronavirus financial impacts, and a still challenged student market. The college did favorably produce solid operating performance in fiscal 2019, with a 13.5% operating cash flow, driven by increased state support coupled with management cost containment efforts.

In addition to the Native American reimbursement program, the college receives state operating support in the form of College Opportunity Fund (COF) stipend and contracted Fee for Service (FFS). In fiscal 2019, the college received $13.1 million from these sources, up significantly from the $11.8 million provided in the prior fiscal year. The college is now facing state funding pressures driven by the coronavirus pandemic, with a 5% cut in funding expected in fiscal 2020 and potential for an additional 5% cut in fiscal 2022. Although the cuts are not large in absolute size, the college's small operating base of $74 million, which is about half the size similarly rated peers, makes it vulnerable to even small reductions in state funding.

Management estimates that fiscal 2020 operating performance was about $1 million worse on a cash basis than budget because of pandemic-related expenses, primarily driven by reimbursement for student housing charges. Fiscal 2021 is still highly uncertain, with the college currently facing a 5% cut in state funding, as well as significant operating uncertainty driven by the pandemic. Beyond fiscal 2021, the college will face continued enrollment uncertainty and potentially additional state funding cuts.

Wealth and liquidity: low overall wealth compared with peers, but solid available liquidity provides buffer against operating volatility

Total cash and investments remains modest compared with similarly rated peers, as the college has not historically been a strong fundraiser and its size limits its ability to build reserves through cashflow. Total cash and investments at the end of fiscal 2019 totaled $57 million with an overall increase of 12% since fiscal 2015. The college deploys internal reserves, State capital construction funds, or debt to finance capital projects on campus, which has additionally limited its ability to build financial assets. Favorably, spendable cash and investments to operating expenses remain solid the college's credit quality at 0.6x. College management reports relatively flat total cash and investments at the end of fiscal 2020.

Liquidity

The college's liquidity should remain relatively stable and solid despite operating pressures because of expense adjustments made by senior leadership and expectations of stabilized enrollment through fiscal 2021. Management reports an improvement of over 2% on its cash and cash equivalents compared with last year, though operating expenses did increase because of coronavirus-related efforts. Liquidity at the end of fiscal 2019 was $31 million and provided 179 monthly days cash on hand.

Leverage: low leverage affords the college flexibility in a competitive operating environment

The college's modest leverage remains a key credit factor for the college. Total debt to cash flow of 4.7x is strong compared with peers of similar credit quality and spendable cash and investments to debt 0.9x is also favorable. The college has no additional debt plans over the next three years. Occasional state capital support allows Fort Lewis to invest in facilities without incurring debt. Recently, the state approved $27 million in borrowing for a health science building on campus that will support new degree program investments. That borrowing will be in the state's balance sheet, not the college's.

Legal security

The college’s outstanding and proposed bonds are payable from a net revenue pledge of the college. This net revenue pledge includes the gross revenues of all of the college’s facilities, student fees, all revenues accruing to the college from overhead charges on research projects, less operating and maintenance expenses. The pledge also includes 10% of the tuition revenues received by the college, as long as it maintains enterprise status (the college had enterprise status in fiscal 2019), and other income that the board determines to include in gross pledged revenues. In fiscal 2019, net revenues covered debt service a healthy 2.95x and the college projects over 3x coverage for fiscal 2020 despite housing refunds provided in the spring. On parity Series 2016B, 2019B and proposed Series 2020B bonds have an additional pledge of student union building revenue fees and in fiscal 2019, those fees covered nearly all of the debt service associated with those bonds.

Outstanding Series 2016A and Series 2016B bonds are covered by the State of Colorado’s higher education intercept program that is categorized as an unlimited advance. Should the college fail to provide sufficient funds for debt service, the trustee is required to notify the state treasurer on the business day prior to the debt service payment date. The treasurer is required to remit funds to the trustee immediately from available state funds. The treasurer recovers the debt service payment from the college’s fee-for-service funds, as well as from unpledged tuition revenue.

Debt structure

All of the college’s debt is fixed rate and amortizes through 2039. The college does have outstanding privately placed bonds with Capital One, N.A. and Bank of the San Juans, which are on parity with publicly issued debt.

Debt-related derivatives

The college does not have any debt-related derivatives.

Pensions and OPEB

Fort Lewis College's pension liabilities are moderate, unlike many other Colorado universities, due to a lower number of participants in the state's pension fund. Recently enacted pension reforms have set the college on course to have lower accrued liabilities over a period of time with improved pension funding trajectories. However, state budget challenges have brought on the possibility of the state eliminating a large payment into the pension system in the upcoming year that would increase the state's pension liability and the college's share.

The college participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by Public Employees' Retirement Association of Colorado ("PERA"). Substantially all full-time classified employees of the system are covered by PERA. Employer and employee obligations to contribute to PERA are established under Colorado state law.

Moody's three-year average adjusted net pension liability for the college is $64 million. Total adjusted debt is 1.5x operating revenue in fiscal 2019, below peers of similar credit quality.

ESG considerations

Environmental

The college's location in the City of Durango and the arid southwest exposes it to high water stress risk, according to Moody's affiliate Four Twenty Seven.

Social

Despite operating in a state with a growing number of high school students, a positive social factor, the college has faced significant competition for students. The college's full-tuition reimbursement for Native American students is a credit positive, and provides the college with a consistent revenue source. If that reimbursement were to erode, the college would face credit pressures. The college also faces social risks associated with its serving of primarily first generation students, which generally face additional social and financial challenges than non-first generation students.

Like other colleges and universities, Fort Lewis faces elevated credit risk because of the coronavirus, which we regard as a social risk under our ESG framework, given the substantial implications for public health and safety. Consistent with most universities, Fort Lewis College transitioned its campuses to a fully online curriculum through summer 2020. The college has taken steps to bring students back to campus this fall, including testing, quarantine sites, and lowering density on the dorms through partnerships with local hotel operators.

Governance

The college's cautious budgeting and planning are key to maintaining operating performance in a competitive environment. The college's management incorporates contingencies into its annual budget. This practice will help to mitigate any unexpected revenue deficiencies. The college also creates multi-year internal budget forecasts, demonstrating thoughtful budgeting practices.

The State of Colorado's historically low support for colleges and universities remains a credit challenge for Fort Lewis College. Support had been increasing through fiscal 2020, as the state provided additional resources to colleges and universities through both the College Opportunity Fund (COF) and fee-for-service. Fort Lewis College does, however, derive a significant portion of its revenue from tuition reimbursement from the State for Native American students. If that support were to diminish, the college would face immediate credit erosion.

Rating methodology and scorecard factors

The Higher Education Methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess strategic positioning on a qualitative basis, as described in the methodology.

Exhibit 3

Fort Lewis College, CO

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Market Profile (30%)**		
	Scope of Operations (Operating Revenue) ($000)	74,239	Baa1
	Reputation and Pricing Power (Annual Change in Operating Revenue) (%)	2.9	Baa2
	Strategic Positioning	Baa	Baa
Factor 2:	**Operating Performance (25%)**		
	Operating Results (Operating Cash Flow Margin) (%)	13.5	Aa2
	Revenue Diversity (Maximum Single Contribution) (%)	79.9	Ba3
Factor 3:	**Wealth & Liquidity (25%)**		
	Total Wealth (Total Cash & Investments) ($000)	56,550	A2
	Operating Reserve (Spendable Cash & Investments to Operating Expenses) (x)	0.6	Aa3
	Liquidity (Monthly Days Cash on Hand)	179	Aa2
Factor 4:	**Leverage (20%)**		
	Financial Leverage (Spendable Cash & Investments to Total Debt) (x)	0.9	Aa3
	Debt Affordability (Total Debt to Cash Flow) (x)	4.7	Aa1
	Scorecard-Indicated Outcome		A2
	Assigned Rating		A3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

Source: Moody's Investors Service

REPORT NUMBER 1242584

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

S&P Global
Ratings

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Metropolitan State University Board of Trustees, Colorado
Metropolitan State University of Denver; School State Program

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Metropolitan State University Board of Trustees, Colorado
Metropolitan State University of Denver; School State Program

Credit Profile		
Metropolitan State Univ Brd of Trustees, Colorado		
Metropolitan State University of Denver, Colorado		
Metro State University Brd of Trustees		
Long Term Rating	AA/Stable	Current
Unenhanced Rating	NR(SPUR)	Current
Underlying Rating for Credit Program	A/Stable	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'A' underlying rating on Metropolitan State University Board of Trustees, Colo.'s revenue debt issued for Metropolitan State University of Denver (MSU Denver).
- We also have a 'AA' program rating on MSU Denver's institutional enterprise revenue debt, reflecting MSU Denver's participation in the Colorado Higher Education State Aid Intercept program.
- The outlook is stable.

Security

As of June 30, 2021, MSU Denver had $140.2 million in outstanding debt and leases. Pledged revenue, which we consider equivalent to an unlimited student fee, includes a broad mix of revenue streams and secures the university's debt. In August 2021, MSU Denver issued series 2021 direct placement bonds to refund the university's 2020 bonds. In May 2022, the university also issued series 2022A bonds to refund MSU Denver's series 2016 bonds and $2.0 million of series 2022B bonds for an interprofessional simulation and skills hub project. The series 2022 bonds were also directly placed. All debt is on parity. We believe the university's maximum annual debt service (MADS) burden is moderate at 3.8% of fiscal 2021's adjusted operating expenses. At this time, the university has no plans for additional debt.

Credit overview

We assess MSU Denver's enterprise profile as adequate, with a stable leadership team and a niche position in Denver, offset by a limited demand profile as the school has experienced significant full-time-equivalent (FTE) enrollment declines over the last few years. We assess MSU Denver's financial profile as very strong, with a history of positive full-accrual operations, improved resources relative to debt, and a moderate MADS burden. We believe these credit factors, combined, lead to an indicative stand-alone credit profile of 'a' and a final rating of 'A'.

The 'A' rating reflects our opinion of the university's:

- Key niche in the state's higher education hierarchy, serving the growing metropolitan Denver area, with growing state support;
- Improved available resource ratios, which are in line with those of similarly rated peers; and
- Historically positive full-accrual operating margins, which are expected to continue.

We believe these credit strengths are somewhat offset by what we consider MSU Denver's:

- Limited demand flexibility, with a modified open enrollment model and significant FTE enrollment declines exceeding 5% in each of the last three years with another drop expected in fall 2022, and
- Modest endowment with limited fundraising history.

MSU Denver, founded in 1963, is one of 13 public state four-year colleges in Colorado. It occupies the 140-acre Auraria campus (created by state statute in 1974) in downtown Denver. The Auraria campus is also home to the Community College of Denver and University of Colorado at Denver. MSU Denver serves approximately half of the students at the Auraria campus, and through its three colleges (letters, arts, and sciences; business; and health and applied sciences) and two schools (education and hospitality). It offers over a hundred undergraduate majors, eight graduate programs, and 34 certificate programs. Niche programs include accounting, teacher education, and social work. MSU Denver also owns and operates a hotel and hospitality learning center on its campus.

Environmental, social, and governance

In our view, the higher education sector continues to face elevated social risks due to the health and safety issues created by COVID-19, particularly with the emergence of new variants. MSU Denver's hotel operations were also pressured during the earlier phase of the pandemic. However, we believe that MSU Denver has taken steps to protect its community by encouraging vaccination for students. Hotel operations have also normalized with healthy occupancy rates. We view the university's environmental and governance risks as neutral factors in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that MSU Denver will continue to appropriately scale operations and generate surpluses, despite significant enrollment pressure. We also expect that the university will continue to maintain balance sheet ratios sufficient for the current rating, with no additional debt expected in the outlook period. State support is also expected to increase.

Downside scenario

We could consider a negative rating action if enrollment pressure leads to a significant decline in MSU Denver's margins and resources. We could also consider a negative rating action if the university issued additional debt without commensurate growth in resources, resulting in weakened balance sheet ratios.

Upside scenario

We could consider a positive rating action if MSU Denver stabilizes or grows enrollment, while generating surpluses and material growth in available resources.

Credit Opinion

Enterprise Profile

Market position and demand

Overall, we view MSU Denver's demand flexibility as limited as it operates with a modified open enrollment policy. Demand has been especially pressured in the last few years. FTE enrollment declined by over 5% in fall 2019 and fall 2020 before dropping by 9.4% in fall 2021 to 12,589 students. Management expects another decline in fall 2022. Typically, a third of students are Pell eligible. These students may have faced greater economic hardships during the pandemic or faced greater difficulties with remote and hybrid learning.

In our view, MSU Denver has limited geographic diversity. About 96% of students are from Colorado, and most students are commuters. However, we view MSU Denver's mix of freshman, transfer, and, increasingly, graduate students as unique and believe it provides some student diversity. Typically, about 50% of new undergraduate students enter as transfer students. As community college enrollments have declined, so too has MSU Denver's transfer student population. Prior to the pandemic, MSU Denver matriculated roughly 2,000 transfer students each year. In fall 2021, this fell to 1,424. While MSU Denver's graduate programs remain relatively small, graduate enrollment has seen solid growth for several years, including a 7% increase to 846 FTE in fall 2021. We would view continued growth in graduate enrollment favorably.

Despite enrollment pressure, MSU Denver had stable retention and graduation rates and student quality in fall 2020. Management states retention rate improvement is a key strategic area with a goal of 75%, which is comparable with medians for the rating. The six-year graduation rate remains weak for the rating but has been stable at approximately 30% for the last several years.

MSU Denver has a history of limited fundraising. However, fundraising results improved in fiscal 2022, and the university plans to launch a formal campaign in fiscal 2023.

Management and governance

MSU Denver's president, Dr. Janine Davidson, has been in her role since July 2017 following the retirement of her predecessor. The university is planning for a transition in the vice president of strategy role. The rest of the leadership team, including the financial team, remains consistent.

MSU Denver operates under the guidance of core values that include accessibility, diversity, and academic excellence. The 2030 strategic plan targets providing high-quality, accessible, enriching education that prepares students for successful careers, postgraduate education, and lifelong learning in a multicultural, global, and technological society. Management expects to continue growth in health care and graduate programs.

Financial Profile

Financial performance

Historically, MSU Denver has had positive or near break-even full-accrual operations. However, with cost-cutting measures and federal relief funds, the university posted stronger results in the last few years with an especially strong 11.7% margin in fiscal 2021. MSU Denver received a total of approximately $49 million in federal relief funding for institutional use. Management projects a more modest surplus in fiscal 2022. We believe the university will continue to carefully manage expenses and maintain full-accrual operations that are at least break even, which we view as a key credit factor.

Net tuition revenue, the university's main revenue source, has increased in recent years. However, net tuition revenue fell in fiscal 2021, largely due to a decline in funding per credit hour provided via the state's College Opportunity Funds (COF). State support in Colorado combines tuition reimbursement, or COF, and fee-for-service payments. Each Colorado student receives a COF stipend to use at any public, non-vocational institution and some private colleges in the state. The Colorado Legislature sets the amount each year. The gap in revenue from COF in fiscal 2021 was filled by other state relief funding. In total, MSU Denver received approximately $60.5 million in state funding in fiscal 2021. Management expects significant increases in state support fiscal 2022 and fiscal 2023, which we view favorably.

The board sets tuition, which we consider very competitive and well below that of other large state universities. Tuition discounting is slightly higher than that of similarly rated peers at 36% in fiscal 2021.

Available resources

MSU Denver has seen growth in available resources over the last few years, bringing balance sheet ratios in line with those of similarly rated peers. As of 2021 fiscal year-end, cash and investments measured $111.5 million, up from just $82.9 million in fiscal 2019. We note that cash and investments in fiscal 2020 included approximately $33.5 million of CARES funding that has since been spent. Adjusted unrestricted net assets have also shown a favorable trend of growth.

MSU Denver's endowment is held with its related foundation. While the endowment has grown significantly over the last few years, we believe the endowment remains modest at $23.1 million as of fiscal year-end 2021 and does not provide a significant amount of budgetary flexibility for the university.

Debt and contingent liabilities

Pledged revenue secures the university's debt. Pledged revenue includes what we consider a broad mix of revenue streams, such as 10% of tuition revenue, net auxiliary revenue, investment earnings, indirect cost recoveries, a facilities construction fee, other mandatory fees, net continuing-education revenue, and interest income on these fees. Pledged revenue was approximately $40.6 million in fiscal 2021.

We have reviewed the bond documents associated with the university's 2014, 2021, and 2022 series debt, issued under the university's master bond resolution. According to bond documents, an event of default does not result in an acceleration of the debt. Therefore, we believe the debt does not increase MSU Denver's event-driven liquidity risk. All of MSU Denver's debt is fixed rate, except the series 2014 and 2021 bonds, which totaled approximately $47.4 million as of fiscal 2022.

MSU Denver participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement Assn. of Colorado. The funded ratio for the SDTF pension obligations improved to 75% in fiscal 2021 from 67% in fiscal 2020. The funded ratio prior to fiscal 2019 was below 60%, which we viewed as adding contingent liability risks for MSU Denver. In 2018, Colorado adopted pension reforms that went into effect as of June 30, 2021. In our view, these changes should be sufficient to prevent a decline of the funded ratio within the outlook period. Management continues to make 100% of its statutorily determined contributions.

Metropolitan State University of Denver, Colorado--Enterprise And Financial Statistics

	--Fiscal year ended June 30--					Medians for 'A' rated public colleges & universities
	2022	2021	2020	2019	2018	2021
Enrollment and demand						
Headcount	17,351	18,582	19,794	20,192	20,304	MNR
Full-time equivalent	12,589	13,895	14,638	15,499	15,520	14,060
Freshman acceptance rate (%)	88.8	83.3	61.3	58.9	64.3	78.2
Freshman matriculation rate (%)	18.2	20.4	33.5	29.7	32.8	24.6
Undergraduates as a % of total enrollment (%)	92.7	94.1	95.6	96.3	96.9	84.9
Freshman retention (%)	66.0	67.0	68.0	64.0	64.0	79.3
Graduation rates (six years) (%)	30.0	32.0	28.0	28.0	28.0	56.0
Income statement						
Adjusted operating revenue ($000s)	N.A.	333,149	336,265	286,669	266,871	MNR
Adjusted operating expense ($000s)	N.A.	298,153	324,411	282,483	264,237	MNR
Net adjusted operating income ($000s)	N.A.	34,996	11,854	4,186	2,634	MNR
Net adjusted operating margin (%)	N.A.	11.74	3.65	1.48	1.00	2.70
Estimated operating gain/loss before depreciation ($000s)	N.A.	46,204	22,296	13,556	10,897	MNR
Change in unrestricted net assets (UNA; $000s)	N.A.	78,848	63,061	29,134	(66,820)	MNR
Student dependence (%)	N.A.	52.1	64.1	63.4	64.2	48.3
Research dependence (%)	N.A.	10.0	10.0	10.8	10.1	MNR
Endowment and investment income dependence (%)	N.A.	0.5	0.7	0.7	0.3	0.7
Debt						
Outstanding debt ($000s)	N.A.	140,233	138,162	145,288	141,074	233,330
Current debt service burden (%)	N.A.	5.24	4.41	2.80	2.95	MNR
Current MADS burden (%)	N.A.	3.84	3.54	4.77	4.58	4.30
Financial resource ratios						
Endowment market value ($000s)	N.A.	23,175	16,709	15,424	10,877	152,236
Related foundation market value ($000s)	N.A.	38,744	30,955	28,785	26,334	186,488

Metropolitan State University of Denver, Colorado--Enterprise And Financial Statistics (cont.)

	--Fiscal year ended June 30--					Medians for 'A' rated public colleges & universities
	2022	2021	2020	2019	2018	2021
Cash and investments ($000s)	N.A.	111,455	128,910	82,939	65,262	MNR
UNA ($000s)	N.A.	(28,834)	(107,682)	(170,743)	(199,877)	MNR
Adjusted UNA ($000s)	N.A.	129,193	91,223	69,142	60,631	MNR
Cash and investments to operations (%)	N.A.	37.4	39.7	29.4	24.7	52.7
Cash and investments to debt (%)	N.A.	79.5	93.3	57.1	46.3	114.7
Adjusted UNA to operations (%)	N.A.	43.3	28.1	24.5	22.9	39.8
Adjusted UNA plus debt service reserve to debt (%)	N.A.	92.1	66.0	47.6	43.0	86.8
Average age of plant (years)	N.A.	7.0	6.5	6.1	5.8	15.8
OPEB liability to total liabilities (%)	N.A.	1.2	1.3	1.7	1.5	MNR

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Metropolitan State University of Denver, CO's A1 rating; outlook stable

14 Jan 2020

New York, January 14, 2020 -- Moody's Investors Service has affirmed Metropolitan State University of Denver, CO's A1 underlying rating on enterprise revenue debt totaling approximately $79 million, A1 rating on approximately $50 million of debt associated with the HLC@Metro project, and Aa2 enhanced rating on debt outstanding totaling approximately $79 million. The outlook is stable.

RATINGS RATIONALE

Metropolitan State University of Denver CO's (MSU Denver) A1 rating reflects its size and importance to the State of Colorado (Aa1 stable) and City and County of Denver (Aaa stable) as a provider of higher education. Growth in state support and MSU Denver's ability to raise tuition in fiscal 2020, which was not afforded to other Colorado public universities, provides evidence of the importance of the university to the state. MSU Denver is the third largest university in the state and is one of three complementary institutions on the Auraria Higher Education Center, CO (A1 stable).

MSU Denver has favorably witnessed continued growth in net tuition per student and overall net tuition revenue, leading to solid operating revenue growth in spite of fairly flat to declining enrollment. Despite good revenue growth, operating performance is tepid and maximum annual debt service coverage thin (including HLC@Metro debt service) because of continued high expense growth, primarily due to wage and fringe benefit pressures, as well as programmatic investments. Though state funding increases are favorable, overall support still lags peers outside of the state. High leverage remains a credit weakness with thin coverage from unrestricted assets and cash flow. Additional credit factors considered include an outsized pension liability, exposure to hotel operations of HLC@Metro (a component unit of the university), weak philanthropy, and good pricing power compared with other Colorado public universities.

The Aa2 enhanced rating and stable outlook are derived from the structure and mechanics of the Enhancement Program (the Colorado State Intercept Act), which is based on the State of Colorado's current rating and outlook.

RATING OUTLOOK

The stable outlook on the underlying rating reflects expectations of continued solid net tuition revenue trends and state funding growth leading to stable to improving operating performance. It also incorporates expectations of no additional debt without improvement in cash flow and liquid reserves.

The stable outlook for the enhanced ratings reflects the outlook for the programmatic level rating which currently mirrors the outlook for the State of Colorado.

FACTORS THAT COULD LEAD TO AN UPGRADE

-Significant increase in available liquid reserves

-Sustained improvement in operating performance providing stronger coverage of debt and debt service on an entity-wide basis

-Material growth in state support over multiple years improving revenue diversity

-For the enhanced rating, upgrade of the Colorado Higher Education Enhancement Program rating

FACTORS THAT COULD LEAD TO A DOWNGRADE

-Inability to improve and sustain operating cash flow margins above 8%

-Increase in debt without improved liquid reserves and cash flow to cover debt service

-Inability of HLC@Metro to make debt service payments requiring MSU Denver to cover the shortfall

-For the enhanced rating, downgrade of the Colorado Higher Education Enhancement Program rating

LEGAL SECURITY

All of MSU Denver's outstanding bonds, including Enterprise Bonds and bonds issued for HLC@Metro, are secured by pledged revenues that include 10% of tuition revenues, net revenues derived from a student facilities construction fee, indirect cost recoveries, mandatory fees for student and faculty services, continuing education services, the federal interest subsidy on qualifying bonds, and all designated unrestricted net income of the university. Estimated fiscal 2019 pledged revenues of $38 million cover maximum annual debt service on enterprise bonds (exluding HLC@Metro associated bonds) by 6.7x. There are no debt service reserve fund requirements on MSU Denver's enterprise revenue bonds, but there is 1.0x rate covenant.

The HLC@Metro Series 2010A bonds, issued through a MSU Denver component unit, are payable first from net hotel revenues, and federal direct payments received as a qualified Build America Bond. These bonds also have the absolute and unconditional guarantee of payment for gross debt service on parity with MSU's enterprise revenue bonds. Hotel operations covered debt service 1.2x in fiscal 2018 and are estimated to have covered debt service 1.1x in fiscal 2020.) The bonds also have the pledge of certain reserve funds including a liquidity fund (25% of the maximum annual debt service on the outstanding bonds) and reserve fund (initially established as $600,000, and with a reserves balance of $8.4 million in cash and repair and replacement reserves).

PROFILE

Metropolitan State University of Denver is the third largest four-year public higher education institution in Colorado, located in downtown Denver at the Auraria Higher Education Center (AHEC). AHEC was established as an agency of Colorado to provide land, plant and facilities to house three institutions: MSU Denver, the University of Colorado Denver and the Community College of Denver. MSU Denver had fiscal 2019 operating revenues of $221 million and served 14,638 full-time equivalent students in fall 2019.

METHODOLOGY

The principal methodology used in the Institutional Enterprise Revenue ratings was Higher Education published in May 2019. The principal methodology used in the Metro Inc Project rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017. The principal methodology used in the enhanced ratings was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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Moody's
INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to University of Colorado's revenue bonds; outlook is stable

22 Oct 2021

New York, October 22, 2021 -- Moody's Investors Service has assigned Aa1 ratings to University of Colorado's (CU) proposed University Enterprise Refunding Revenue Bonds, Series 2021C-3A (Term Rate Bonds) (Green Bonds), Series 2021C-3B (Term Rate Bonds) (Green Bonds), and Series 2021C-4, with estimated par amounts of $68 million each. All proposed bonds are fixed rate, with the Series 2021C-3A having a put date of October 15, 2025 and Series 2021C-3B having a put date of October 15, 2026. The 2021C-4 bonds have a proposed final maturity in fiscal 2051. The outlook is stable. Moody's maintains a Aa1 issuer rating, as well as Aa1, Aa1/VMIG 1 and P-1 ratings on the university's prior bonds. Total debt outstanding at the end of fiscal 2020 was approximately $1.7 billion.

RATINGS RATIONALE

Assignment and maintenance of CU's Aa1 issuer and debt ratings reflects CU's role as the State of Colorado's (Aa1 stable, issuer rating) flagship institution with excellent strategic positioning, a significant research enterprise and important role as a provider of medical education for the state. Campus locations in Boulder, Denver, Aurora, and Colorado Springs-along Colorado's Front Range-continue to bolster student draw and provides mitigation to potential short-term enrollment disruptions stemming from the coronavirus pandemic. Additionally, CU's diverse and substantial scope of operations and sizeable liquidity provides mitigation to potential financial impacts of the pandemic. Prior to the pandemic, CU produced strong, positive operating performance with sound revenue growth, which we expect to resume after fiscal 2021.

Tempering the long-term credit quality of the university is very limited state support for operations and capital as well as ongoing need for capital investment across its multiple campuses. It also incorporates CU's exposure to potentially volatile healthcare operations through its affiliation with the University of Colorado Hospital Authority (Aa3 positive). CU also has exposure to a high net pension liability.

Maintenance of the VMIG 1 ratings on outstanding variable rate bonds are derived from (i) the credit quality of TD Bank, N.A. (the Bank) as provider of liquidity support for each Series in the form of a Standby Bond Purchase Agreement (SBPA), (ii) the long-term rating of the Bonds and (iii) Moody's assessment of the likelihood of an early termination or suspension of the SBPAs without a mandatory tender. Events that would cause termination or suspension of the liquidity facilities without a mandatory purchase of the Bonds are directly related to the credit quality of the Board. Accordingly, the likelihood of any such event occurring is reflected in the long-term rating, Aa1, assigned to the bonds. Moody's current short-term Counterparty Risk (CR) Assessment of the Bank is P-1(cr).

Maintenance of the P-1 ratings on commercial paper notes incorporates the strength of the university's excellent long term rating, strong internal liquidity and treasury management functions, as well as strong market access. The university does not currently have any commercial paper outstanding.

RATING OUTLOOK

The stable outlook reflects Moody's expectations that CU's operating performance will improve in fiscal 2022 and manage through unforeseen coronavirus-related challenges through budget and operational adjustments.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material growth in financial reserves relative to debt and operations with sustained elevated improvement in cash flow

- Further enhancement in philanthropic support

- Short-term VMIG 1 and P-1 ratings: not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sustained weakening of operating performance and erosion of liquidity over a period of years

- Sustained, significant increase in leverage

- For short-term VMIG 1 rating: Moody's downgrades the short-term CR Assessment of the Bank, or a multi-notch downgrade of the long-term rating of the bonds

LEGAL SECURITY

CU's proposed Series 2021C-3A, Series 2021C-3B, and Series 2021C-4 will be on parity with outstanding debt, and secured by a pledge of net revenue (gross revenue less maintenance and operation expense) of certain auxiliary enterprise facilities, including income derived from housing, dining, parking, rent of research facilities, and particular student fees. The parity obligations are also secured by a pledge of 100% of tuition revenue, revenue from direct cost recovery, and mandatory facilities construction fees. There are no debt service reserve funds. Fiscal 2020 pledged net revenues totaled $1.3 billion and provide 9.9x coverage of maximum annual debt service.

USE OF PROCEEDS

Proceeds from the proposed bonds will refund the Series 2020A-1, Series 2020A-2, and Series 2020B-1 bonds, all of which are variable rate demand bonds, and pay cost of issuance.

PROFILE

The University of Colorado is the flagship public higher education institution for the State of Colorado with multiple campuses. The main campus is located in Boulder, with additional campuses in Downtown Denver, Aurora (Anschutz Medical campus) and Colorado Springs. CU is a member of the Association of American Universities. In fiscal 2020, CU recorded $4.7 billion in operating revenue and fall 2020 enrollment of 59,749 full-time equivalent (FTE) students.

METHODOLOGY

The principal methodology used in these ratings was Higher Education Methodology published in August 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1257002 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms University of Colorado's IDR at 'AA+'; Outlook Stable

Mon 14 Mar, 2022 - 5:51 PM ET

Fitch Ratings - Chicago - 14 Mar 2022: Fitch Ratings has affirmed the University of Colorado's (CU) Issuer Default Rating (IDR) at 'AA+'. Fitch has also affirmed the 'AA+' ratings on revenue bonds issued by the Regents of the University of Colorado on behalf of CU and the 'F1+' Short-Term rating on the University's commercial paper (CP) program.

The Rating Outlook is Stable.

Revenue bonds are secured by University of Colorado enterprise revenues, consisting primarily of auxiliary net revenues, indirect cost recovery revenues, student fees, 100% of tuition revenues, and other self-funded and research-related services. Pledged revenues exclude state appropriations.

The 'F1+' Short-term rating is based on the adequacy of CU's self-liquidity to support its commercial paper (CP) program and CU's strong overall credit quality.

ANALYTICAL CONCLUSION

CU's 'AA+' IDR is based on the university's very strong financial profile in the context of very strong revenue defensibility and operating risk profile assessments. As a comprehensive flagship research university, CU has a statewide and expanding national draw for students with considerable fundraising capabilities, both of which Fitch expects will continue despite the after effects of the coronavirus pandemic and ongoing macro headwinds such as labor pressures. The Stable Outlook considers Fitch's expectation that CU's adjusted cash flow margins should remain in the 12% range and liquidity should continue to be a key area of strength, even in a stress case of Fitch's forward-looking scenario analysis.

KEY RATING DRIVERS

Revenue Defensibility: 'aa'

Comprehensive Flagship Research University with Expanding Reach

CU is a comprehensive flagship research university with broad statewide and expanding national draw. Retention rates are sound and average SAT/ACT scores are well above average, although acceptance and matriculation rates are comparatively modest. Fitch views CU's enrollment demand to be somewhat inelastic to tuition rates. The endowment spend rate is quite manageable and should support liquidity growth.

Operating Risk: 'aa'

Track-Record of Good Cash Flow Margins Continue

CU has a track-record of good adjusted cash flow margins, averaging approximately 13% over the five-year period through fiscal 2021, which Fitch expects the University to sustain over the long-term despite near-term macro inflationary pressures. Capital spending needs are manageable, particularly in the context of its track record of consistent and robust capex.

Financial Profile: 'aa'

Very Strong Capital-Related Ratios in the Forward Look

CU's financial profile is very strong in the context of the university's strong revenue defensibility and operating risk profile assessments. Fitch expects capital-related ratios to remain strong in the forward-looking scenario analysis, even in a downside stress scenario.

Asymmetric Additional Risk Considerations

There are no asymmetric risk factors associated with CU's rating.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Expectations that the adjusted cash flow margin will be sustained at 12% or better, even in the face of current macro pressures;

--Continued improvement in already strong liquidity and leverage ratios, such that available funds (AF)-to-adjusted debt clearly exceeds 200% in the forward-look, even in a stress case;

--The case for an upgrade would be bolstered by an improved demand assessment, particularly if the acceptance rate and matriculation rate were notably stronger.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A significant increase in leverage and/or weakening of liquidity leading to an AF-to-adjusted debt notably below 100%;

--Prolonged operating pressures resulting in adjusted cash flow margins closer to 6% for a sustained period.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

CREDIT PROFILE

CU is a flagship public research university with four campuses: the University of Colorado Boulder, the University of Colorado - Colorado Springs, the University of Colorado - Denver, and the University of Colorado Anschutz Medical Campus. With more than 66,000 students and over 6,200 full-time instructional faculty members, CU is the largest institution of higher education in the State of Colorado. CU's annual budget is $5.2 billion. In fiscal 2021, CU researchers attracted nearly $1.5 billion in sponsored research funding.

CU offers a full array of undergraduate, graduate, and professional programs across its four campuses. The Anschutz campus is also home to the University of Colorado Hospital, the flagship of 'AA' rated UCHealth. UCHealth is a separate legal entity, but maintains very tight alignment with CU's School of Medicine and is CU's primary teaching hospital.

Prior to the coronavirus pandemic, CU had realized steady student enrollment growth. Even in fall 2020, total headcount declined only modestly. With a rebound in headcount in fall 2021, enrollment growth is expected to resume. The Anschutz Medical Campus has proved to be particularly resilient to external shocks. Freshmen applications have increased considerably in recent years, even during the pandemic, illustrating CU's increased national and even international reach.

REVENUE DEFENSIBILITY

As a comprehensive flagship research university with broad statewide and expanding national/international draw, CU's revenue defensibility is very strong. Application and enrollment should be favorable and Fitch views CU's enrollment demand to be reasonably inelastic to tuition rates. State support has rebounded following cuts made during the initial phase of the pandemic. The endowment spend rate is quite manageable and should support liquidity growth.

Demand Assessment

CU's demand assessment is very strong, as Fitch views the university as having competitive demand indicators. In fall 2021 the freshmen-to-sophomore retention rate remained sound at 88%, in-line with pre-pandemic trends. Student quality is very strong as freshmen average SAT and ACT scores are consistently well above average. Other key demand characteristics are comparatively more modest (for a 'AA' rated flagship university) as Boulder's acceptance rate is consistently in the 80% range and the matriculation rate in the 20% range (and below that during the pandemic).

In-state students accounted for just under 60% of undergraduate enrollment in recent years, including 57% in fall 2021, which is rather low for a state university and is indicative of both the University's national draw and the flexibility afforded to CU by the state in terms of enrollment management. This measure increases the University's operating flexibility and could support further net student tuition growth.

Total headcount declined in fall 2020 by nearly 1% for the system (after years of growth), but stabilized in fall 2021 (with modest 0.3% growth). Fitch expect enrollment growth trends to continue. To this end, freshmen applications have increased significantly in recent years, even during the pandemic. Recent and expected population growth in the state, along with expanding national and international reach, portends continued enrollment demand over the long term.

Revenue Source Characteristics

CU's revenue source characteristics are very strong. Fitch views the university's enrollment demand as being somewhat inelastic relative to price increases. This is illustrated by CU's five-year net tuition revenue per FTE enrollment CAGR of 2.9% as of fiscal 2021, despite the pandemic. As a leading comprehensive flagship research university in a fast-growing state, CU's demand capacity is considerable.

Freshmen applications continue to grow meaningfully, despite the pandemic, increasing 50% between fall 2018 and fall 2021. Over the long term, Fitch believes that significant population growth in Colorado, the university's increasingly national profile, and the flexibility afforded to CU by the state should support continued application and enrollment demand over time leading to further increases in net tuition and fees.

CU has considerable support from various revenue streams. Its endowment spend policy is a sustainable 4% and allows for continued liquidity growth and future investment returns over time, particularly given the University's track-record of cash flow generation and fundraising capabilities. CU has received regular operating support from the state and support rebounded after budget cuts in the early portion of the pandemic. CU also benefited from HEERF and HEERF II funding.

CU's healthcare operations provide considerable cash flow to the university. While UCHealth is a separate legal entity from CU, the two organizations are tightly and strategically aligned and UCHealth serves as the primary teaching hospital for CU's

School of Medicine. Healthcare services accounted for more than 30% of CU's fiscal 2021 total operating revenue. Fitch expects CU's health enterprise to continue to be accretive to the university's bottom line.

OPERATING RISK

CU's operating risk profile is very strong as the University has a track-record of good adjusted cash flow margins, including in fiscals 2020 and 2021 despite the pandemic. Over the long term, Fitch believes CU's operating platform is robust and should support strong results despite current macro trends. Capital spending needs are manageable and flexible.

Operating Cost Flexibility

CU's trend of adjusted cash flow margins is strong. As calculated by Fitch, the margin averaged nearly 13% over the five years through fiscal 2021, including 13.8% in fiscal 2021 (a year heavily influenced by CARES Act/HEERF funding). The University demonstrated an ability during the pandemic to respond to challenges and flex expenses. Under Fitch's Criteria, the adjusted cash flow margin includes a proportionate share of the service cost for reported pensions.

Fitch expects over time the adjusted cash flow margin will remain in the 12%-plus range, even as current macro pressures on labor and broader inflation may compress margins in the near term. As noted, CU's operating platform has benefited from strong demand characteristics, recent fundraising success, state appropriations, and a successful healthcare operation. Management implemented a number of initiatives in response to the coronavirus, including: closing residential halls in mid-March 2020 and converting to almost entirely all online learning; recording $29 million of direct CARES Act/HEERF grants in fiscal 2020 and $248 million in fiscal 2021; receiving roughly $138 million from the state's CARES Act allocation in fiscal 2020; and furloughing staff hours in late fiscal 2020.

Capital Expenditure Requirements

Fitch views CU's near-term capital spending requirements as manageable in the context of the University's scope of operations, fundraising ability, and current average age of plant. Capital spending has been maintained at a healthy pace in recent years, with the capital spending ratio averaging approximately 1.6x between fiscals 2017 and 2021. Key recent projects such as the Health Sciences Building on the Anschutz medical campus, build-out of the research building basement at the Anschutz campus, and construction of new student housing at the Denver campus were completed in 2021. While Fitch expects CU to maintain capital spending, capex requirements in the near-term should be manageable and flexible to market conditions.

Capital Fundraising Capacity

CU has demonstrated considerable fundraising capabilities in recent years, supporting both university operations and capital needs. Philanthropy has been sustained despite the pandemic and should continue as CU's profile expands. Recent fundraising has averaged in the $400 million-$500 million range.

FINANCIAL PROFILE

CU's total debt was just over $2 billion at FYE 2021 (including direct debt, notes payable, capitalized leases, and other obligations). Total AF at FYE 2021 (inclusive of available Foundation liquidity) measured in excess of $5.8 billion (Fitch defines AF as unrestricted cash and investments less non-expendable restricted net assets). AF-to-operating expense measured approximately 135% at FYE 2021, and therefore does not pose an asymmetric risk despite equity market volatility.

CU has considerable debt equivalents, particularly defined benefit (DB) pension plan obligations via the university's participation in the state plan of Colorado Public Employees' Retirement Association (PERA). Per the fiscal 2021 audit (whose DB pension data are based on PERA's measurement date of Dec. 31, 2020), CU's proportionate share of the collective net pension liability (NPL) was just under $1.0 billion and the university's ratio of plan assets to liabilities measured 65% (up from 43% as recently as Dec. 31, 2017). The discount rate was 7.25%; Fitch adjusts CU's DB pension obligation to a discount rate of 6%. This translates to an NPL of just over $1.3 billion (57% funded ratio). In 2018, the state passed SB 18-200, a major pension reform. Despite the sizable DB pension obligation, CU's net adjusted debt (adjusted debt minus AF) was favorably negative at FYE 2021.

The pension reform noted above temporarily freezes COLAs for current retirees, delays COLAs for new retirees, caps all future COLAs at 1.5% annually instead of the previous 2%, modifies age and salary requirements for future employees, and expands eligibility for PERA's defined contribution plan, among other changes. It also raises employee and employer contributions and requires an annual lump sum, $225 million state contribution for 30 years.

CU's capital-related ratios are very strong and should improve in Fitch's forward-looking scenario analysis, even in a stress case. AF-to-adjusted debt measured more than 165% at FYE 2021. In the forward-looking scenario analysis stress case, net adjusted debt remains favorably negative in every year and AF-to-total adjusted debt never falls below 140%.

'F1+' Short-Term Rating

CU's long-term credit quality and 'AA+' IDR, together with its sufficient liquid resources and written procedures to fund any un-remarketed put and/or commercial paper roll on the $200 million of maximum potential CP debt, and self-liquidity support the 'F1+' Short-Term rating. While still authorized, the CP is dormant with no currently outstanding draws. Even including the entire authorized $200 million of CP, total adjusted internal liquidity coverage of maximum potential CP is strong at in excess of 5x (based on liquidity as of Dec. 31, 2021).

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

There are no asymmetric risk factors associated with CU's rating.

Debt Structure

CU has just over $2 billion of debt, including notes payable, capital leases and other liabilities. Maximum annual debt service (MADS) is $152 million. MADS coverage based on fiscal 2021 results is strong at 4x and does not pose an asymmetric risk.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT ⬍	RATING ⬍			PRIOR ⬍
University of Colorado (CO)	LT IDR	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
University of Colorado (CO) /General Revenues/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable

University of Colorado (CO) /Self-Liquidity/1 ST	ST	F1+	Affirmed	F1+

VIEW ADDITIONAL RATING DETAILS

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 Sep 2021) (including rating assumption sensitivity)

U.S. Public Finance College and University Rating Criteria (pub. 04 Nov 2021) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v1.3.3 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

University of Colorado Regents (CO)	EU Endorsed, UK Endorsed

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US Public Finance North America United States

S&P Global
Ratings

RatingsDirect®

Board of Trustees of the University of Northern Colorado
University of Northern Colorado; School State Program

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Board of Trustees of the University of Northern Colorado
University of Northern Colorado; School State Program

Credit Profile		
Board of Trustees of the University of Northern Colorado, Colorado		
University of Northern Colorado, Colorado		
Northern Colorado Univ Brd of Trustees (University of Northern Colorado) institutional ent rev rfdg bnds (University of Northern Colorado)		
Long Term Rating	AA/Stable	Current
Underlying Rating for Credit Program	A-/Negative	Affirmed

Rating Action

S&P Global Ratings affirmed its 'A-' underlying rating on the Board of Trustees of the University of Northern Colorado's debt outstanding, issued for the University of Northern Colorado (UNC). The 'AA' long-term rating on UNC's 2014A bonds is based solely on the university's participation in the Colorado Higher Education State Aid Intercept Program.

The continued negative outlook reflects our view of the demand pressure facing UNC, with enrollment declines over the last four years and another drop expected in fall 2022. There is uncertainty as to when enrollment will begin to stabilize. While the university is expected to end fiscal 2022 with a solid surplus, management is budgeting for a deficit in fiscal 2023 as UNC continues to scale operations for a smaller student body.

As of fiscal year-end 2021, UNC had $140.0 million in debt, which included $131.5 million of bonds and $8.5 million of leases. In December 2021, the university issued $33.0 million of series 2021A bonds, which partially refunded the series 2014A bonds. All university debt is fixed rate and all but the 2021A bonds are publicly issued. Including the newest debt issuance, the university's maximum annual debt service is manageable at 5.3% of fiscal 2021 adjusted operating expenses. Management has no plans for additional debt at this time.

UNC faces a competitive market with lower numbers of high school graduates attending college. In fall 2021, full-time-equivalent (FTE) enrollment continued a trend of recent declines with a 9.9% drop, driven by lower undergraduate enrollment. While the university projects continued stability at the graduate level, management expects another decline in the undergraduate population in fall 2022. Despite demand pressure, the university has generated solid operations, with surpluses in the last two years. Management has made multiyear efforts to scale operations and dramatically lower expenses. Additionally, UNC received a total of $23.5 million in federal relief funding, the bulk of which will be recognized in fiscal 2022. We expect a strong positive margin in fiscal 2022 followed by a deficit in fiscal 2023, as the university continues to right-size operations.

Credit overview

We assessed UNC's enterprise profile as adequate, with solid retention that is expected to improve and low discounting, albeit with sizable enrollment declines over the last few years. We assessed UNC's financial profile as strong, with good financial management policies, a manageable debt burden, growing available resources, recent surpluses, and improved state funding. We believe these combined credit factors lead to an indicative stand-alone credit profile of 'a-' and a final rating of 'A-'.

The rating reflects our assessment of UNC's:

- Consistent retention and student quality, with stable enrollment at the graduate level;
- Experienced senior management team; and
- Solid and growing adjusted unrestricted net assets (UNA) relative to debt.

Partly offsetting the above strengths, in our view, are UNC's:

- Demand pressure at the undergraduate level, with sizable enrollment declines in the last four years and another decline expected in fall 2022;
- Lower cash and investments relative to debt when compared with peers'; and
- Limited fundraising history, though the university has improved results in fiscal 2022.

UNC is located in Greeley, approximately one hour north of Denver, and is one of three comprehensive state universities in Colorado, along with the University of Colorado and Colorado State University. The university offers graduate and undergraduate degree programs in five colleges. The university is known for its undergraduate education program, consistent with its history as a normal (teaching) school. UNC's popular programs also include music, business, and nursing.

Environmental, social, and governance

In our view, the higher education sector continues to face elevated social risks due to the health and safety issues created by COVID-19, particularly with the emergence of new variants. However, we believe that UNC has taken steps to protect its community by requiring vaccination for students. We view the university's environmental and governance risks as neutral factors in our credit rating analysis.

Negative Outlook

Downside scenario

We could consider a negative rating action if UNC continues to experience significant enrollment declines throughout the outlook period. In addition, we could consider a negative rating action if available resource ratios decline or if UNC is unable to effectively scale operations for a smaller student population.

Return to stable scenario

We could consider a return to a stable outlook if the university is able to stabilize enrollment while achieving operating performance that is near break even on a full-accrual basis and maintaining or improving balance sheet ratios.

Credit Opinion

Enterprise Profile

Market position and demand

After increasing modestly in fall 2017, the university's total FTE enrollment has declined in each of the past four years. FTE enrollment fell 9.9% in fall 2021, following a similarly large drop in fall 2020. Losses have been concentrated at the undergraduate level while graduate enrollment has been stable. While many schools have experienced enrollment declines during the pandemic, we view UNC's drop as particularly large. Management expects another decline in the undergraduate population in fall 2022. Management attributes demand pressure to tough competition for a smaller pool of college-attending students, particularly lower-income students and transfer students from community colleges. UNC's goal is to stabilize undergraduate numbers while focusing on student success and appropriately scaling operations.

While enrollment has declined, applications increased in fall 2021. Retention and graduation rates have remained stable at around 70% and 52%, respectively. Retention has been a key focus for UNC, and management expects stronger retention in fall 2022. UNC's student body is mostly regional, with about 80% of undergraduate students from Colorado. According to management, UNC's competitors include Metropolitan State University, University of Colorado at Colorado Springs, University of Colorado at Boulder, Colorado State University, and Colorado Mesa University.

In 2018, the university completed its first fundraising campaign and raised $54 million, in excess of its $50 million goal. We consider UNC to have a historically limited fundraising capability relative to peers. However, management has increased focus on these operations and UNC has had stronger fundraising results in fiscal 2022.

Management and governance

UNC has a track record of stable management. The president, Dr. Andrew Feinstein, has been in the role since 2018. A new provost and a new vice president for student affairs joined the school in spring 2022. The long-standing chief financial officer will be leaving UNC in summer 2022, and a search for her successor is underway. We believe the financial office has solid systems in place and anticipate a smooth transition.

UNC operates according to a 10-year plan, "Rowing, Not Drifting 2030." Key goals of the strategic plan include student success, inclusivity, enhancing and investing in resources and staff, innovation, and community connections. The university has formal policies for endowment, investments, and debt. Although it lacks a formal reserve and liquidity policy, it reviews reserves and liquidity at every quarterly meeting.

Financial Profile

Financial performance

Prior to fiscal 2020, UNC achieved positive operating results on a cash basis with full-accrual operating deficits for several years. In fiscal 2020 and 2021, the university posted modest full-accrual surpluses and we expect a stronger surplus in fiscal 2022. We consider these solid results during a challenging period. Expense measures during this period have included eliminating certain positions, modifying the employee or dependent tuition waiver benefit, and offering a faculty retirement incentive. While some of these expense measures were temporary in nature, we recognize that management made extensive and impressive expenditure reductions.

Despite weaker-than-projected enrollment, fiscal 2022 operations will be strong. This year's surplus will be supported in part by remaining pandemic relief funds and better-than-expected oil and gas royalties. For fiscal 2023, management is projecting a modest deficit using assumptions we believe are conservative. UNC expects to use fiscal 2023 as a transition year to continue appropriately scaling operations for a stabilized, smaller enrollment. Management is targeting a break-even budget in fiscal 2024.

State support in Colorado combines tuition reimbursement, or college opportunity funds (COF), and fee for service payments. Each Colorado student receives a COF stipend to use at any public, non-vocational institution and some private colleges in the state; the Colorado Legislature sets the amount each year. State support (including COF's and fee-for service payments) totaled $44.7 million in fiscal 2021, down slightly from fiscal 2020's $47.1 million. We expect fiscal 2022's support will be stronger, at $51.7 million, and funding should increase again in fiscal 2023. At the state level, Colorado is revising its higher education master plan. We would view continued growth in state funding positively.

Following several years of increases, the university's main revenue source, net tuition revenue, fell in fiscal years 2020 and 2021. Typically, net tuition makes up approximately 55% of adjusted operating revenues. However, COF are included in the tuition line item in UNC's audit. If we were to strip out the COF funding from tuition and include fee for service funds, state support would equal approximately 19% of adjusted operating revenue in fiscal 2021, which is slightly higher than in past years.

Available resources

Available resources, as measured by adjusted UNA and cash and investments, remain consistent with the rating, in our view. Adjusted UNA has grown in each of the last two years, increasing by 23% in fiscal 2021 alone, and adjusted UNA ratios remain solid for the rating. Total cash and investments at the university in fiscal 2021 were $58.1 million, down from $77.6 million at the end of fiscal 2020. However, the fiscal 2020 amount included $24.6 million in COVID relief funding allocated by the state of Colorado as part of the CARES Act, which UNC used in fiscal 2021. When relief funds are excluded, cash and investments have grown over the last two years. However, fiscal 2021 ratios of cash and investments to operations and debt are slightly weaker than those of peers. We expect UNC will report growth in both adjusted UNA and cash and investments in fiscal 2022.

UNC has a foundation with $163 million of total net assets as of June 30, 2021, although this amount is almost entirely restricted. The annual spending rate of the endowment funds is computed at 4% for funds with a market value greater than the value of the initial gift and 1% for funds with a market value less than the value of the initial gift for the fiscal year. The payout is transferred to temporarily restricted funds and is available for spending by the university. We view this spending rate as fairly typical.

Debt and contingent liabilities

UNC's debt is secured by an irrevocable lien on net revenue of the auxiliary facilities system, which includes a broad mix of revenue from various auxiliary facilities, and up to 10% of tuition revenue. UNC's 2014A, 2015A, 2016A, 2018B, 2019A, and 2021A bonds are additionally secured by the Colorado Higher Education State Aid Intercept Program. All debt currently outstanding is on parity.

The funded ratio for the state division trust fund (SDTF) pension obligations improved to 75% in fiscal 2021 from 67% in fiscal 2020. The SDTF is a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Assn. of Colorado (PERA). The funded ratio prior to fiscal 2019 was historically below 60%, which we viewed as adding contingent liability risks for UNC. In 2018, Colorado adopted pension reforms that went into effect as of June 30, 2021. In our view, these changes should be sufficient to prevent a decline of the funded ratio within the outlook period. The university also sponsors an optional defined contribution retirement plan. UNC contributes to these plans through a fringe benefit rate approved by the cost allocation services division of the U.S. Department of Health and Human Services. Total pension and other postemployment benefits expenses for UNC in fiscal 2021 were $33.1 million and $216,000, respectively.

University of Northern Colorado--Enterprise And Financial Statistics

	--Fiscal year ended June 30--					Medians for 'A' rated public colleges & universities
	2022	2021	2020	2019	2018	2020
Enrollment and demand						
Headcount	10,348	11,460	12,930	13,437	13,399	MNR
Full-time equivalent	8,643	9,596	10,720	11,179	11,337	14,547
Freshman acceptance rate (%)	91.6	87.8	90.8	90.9	89.3	75.2
Freshman matriculation rate (%)	13.4	16.6	21.5	26.0	32.3	MNR
Undergraduates as a % of total enrollment (%)	71.1	74.1	75.9	76.1	75.3	82.5
Freshman retention (%)	69.1	70.1	72.3	72.1	71.5	76.9
Graduation rates (six years) (%)	51.9	51.7	52.2	47.3	47.7	MNR
Income statement						
Adjusted operating revenue ($000s)	N.A.	235,998	253,828	260,210	256,221	MNR
Adjusted operating expense ($000s)	N.A.	232,902	250,983	268,123	268,382	MNR
Net adjusted operating income ($000s)	N.A.	3,096	2,845	(7,913)	(12,161)	MNR
Net adjusted operating margin (%)	N.A.	1.33	1.13	(2.95)	(4.53)	0.10
Estimated operating gain/loss before depreciation ($000s)	N.A.	21,465	21,545	10,035	5,066	MNR
Change in unrestricted net assets (UNA; $000s)	N.A.	43,394	54,231	22,057	(59,317)	MNR
Student dependence (%)	N.A.	59.0	65.3	67.8	68.5	52.4
Research dependence (%)	N.A.	11.7	9.8	9.6	9.0	MNR
Endowment and investment income dependence (%)	N.A.	0.3	0.4	0.4	0.4	0.8

University of Northern Colorado--Enterprise And Financial Statistics (cont.)

	--Fiscal year ended June 30--					Medians for 'A' rated public colleges & universities
	2022	2021	2020	2019	2018	2020
Debt						
Outstanding debt ($000s)	N.A.	140,016	144,782	146,605	152,551	239,454
Current debt service burden (%)	N.A.	6.10	4.01	4.72	4.44	MNR
Current MADS burden (%)	N.A.	5.09	4.58	4.29	4.49	4.50
Financial resource ratios						
Endowment market value ($000s)	N.A.	113,169	88,102	89,775	87,023	151,373
Related foundation market value ($000s)	N.A.	161,618	133,729	130,850	132,994	170,447
Cash and investments ($000s)	N.A.	58,138	77,557	48,934	61,426	MNR
UNA ($000s)	N.A.	(68,428)	(111,822)	(166,053)	(188,110)	MNR
Adjusted UNA ($000s)	N.A.	59,319	48,218	34,273	32,574	MNR
Cash and investments to operations (%)	N.A.	25.0	30.9	18.3	22.9	45.1
Cash and investments to debt (%)	N.A.	41.5	53.6	33.4	40.3	96.5
Adjusted UNA to operations (%)	N.A.	25.5	19.2	12.8	12.1	31.0
Adjusted UNA plus debt service reserve to debt (%)	N.A.	42.4	33.3	23.4	21.8	64.6
Average age of plant (years)	N.A.	19.7	18.4	18.1	17.9	15.7
OPEB liability to total liabilities (%)	N.A.	1.0	1.1	1.4	1.2	MNR

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A3 and enhanced Aa2 to University of Northern Colorado's (CO) Series 2022A; outlook stable

02 Feb 2022

New York, February 02, 2022 -- Moody's Investors Service has assigned an A3 underlying and Aa2 enhanced ratings to University of Northern Colorado (UNC), CO's proposed $27 million Institutional Enterprise Revenue Refunding Bonds, Taxable Series 2022A (fixed rate, maturing 2046). The bonds will be issued by the Board of Trustees for the University of Northern Colorado. Concurrently, we have affirmed the A3 issuer rating and A3 revenue bond rating, as well as the Aa2 enhanced rating, on outstanding rated debt. Outstanding debt at fiscal end June 30, 2021 was approximately $138 million. The outlook on the underlying ratings is stable.

RATINGS RATIONALE

The affirmation of the A3 issuer rating reflects UNC's moderate $191 million scope of operations, with good wealth and liquidity stemming from significantly improved expense discipline and bolstered by recent strong market returns. The fiscal 2019-21 return to stronger EBIDA margins and debt service coverage reflect leadership's credibility to right size operations. Strengthened cash and investments relative to expenses improved to 1.1x in fiscal 2021 and is a key credit strength providing the university with some financial flexibility as it continues to confront revenue challenges stemming from the very competitive student market and enduring effects of the coronavirus pandemic. UNC's debt remains manageable, with total debt to EBIDA of 4.7x and total debt to revenue of 0.7x, and no additional debt plans. However, the average age of plant in fiscal 2021 was 19.7 years, indicating future deferred maintenance funding needs. Operating and capital support from the State of Colorado (issuer rating Aa1 stable) is rising, but continues to lag peer institutions. Total cash and investments to total adjusted debt is a weaker 0.6x due to the university's exposure to an elevated underfunded pension liability. Recent state legislation for increased pension payments will reduce the magnitude of future potential expense pressure.

The assignment and affirmation of the A3 rating on the institutional enterprise revenue bonds incorporates the university's issuer rating, along with debt instrument considerations that include good breadth of pledged revenue and able treasury management.

The assignment and affirmation of the Aa2 enhanced rating incorporates the program-level Aa2 rating of the Colorado Higher Education Enhancement Program, which is notched off of the state's issuer rating, as well as financing-level attributes related to sufficiency of interceptable revenues and transaction structure.

RATING OUTLOOK

The stable outlook on the underlying ratings incorporates Moody's expectations that the university will continue to maintain sound operating performance and manage expenses to align with revenue to maintain solid debt service coverage.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Enhanced enrollment management driving sustained growth in net tuition revenue

- Material growth in wealth and liquidity

- Sustained strong operating performance and continued demonstration of expense adjustments

- For the enhanced rating: an upgrade of the state or programmatic intercept rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Inability to achieve revenue stability, leading to further deterioration of operating performance and weaker debt service coverage

- Decrease in unrestricted liquidity

- Material additional debt without offsetting growth in revenue or reserves

- For the enhanced rating: a downgrade of the state or programmatic intercept rating and/or the observation that the program does not function as contemplated

LEGAL SECURITY

All of UNC's debt is secured by a pledge that includes net revenues of certain auxiliary enterprise facilities (housing, dining, and certain student recreational facilities), certain mandatory student fees, 10% of net tuition revenue, as well as indirect cost recoveries (overhead received for research grants and contracts) and extended studies revenue. The fiscal 2021 net pledged revenue was $37.1 million, which is a limited 19% of the university's Moody's adjusted operating revenues of $191 million.

The Series 2022A bonds will be secured by the state intercept program. Colorado's higher education intercept program is categorized as an unlimited advance. Should the university fail to provide sufficient funds for debt service, the trustee is required to notify the state treasurer on the business day immediately prior to the debt service payment date. The treasurer is required to remit funds to the trustee in immediately available funds of the state. The treasurer recovers the debt service payment from the university's fee-for-service funds, as well as from unpledged tuition revenue.

USE OF PROCEEDS

Proceeds of the Taxable Series 2022A bonds are expected to be used to refund all or portions of the outstanding Series 2015A and Series 2016A bonds, and to pay costs of issuance.

PROFILE

University of Northern Colorado is a moderate-sized public university, located in Greeley, Colorado. Based on preliminary fiscal 2021 financials, UNC generated operating revenue of $191 million and in fall 2021, enrolled 8,643 full-time equivalent (FTE) students.

METHODOLOGY

The principal methodology used in the issuer and underlying ratings was Higher Education Methodology published in August 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1257002. The principal methodology used in the enhanced ratings was State Aid Intercept Programs and Financings published in December 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1067422 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235 .

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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MOODY'S
INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades Western State Colorado University's issuer and revenue bond ratings to A3 and affirms Aa2 enhanced rating; outlook is stable

14 Apr 2022

New York, April 14, 2022 -- Moody's Investors Service has upgraded Western State Colorado University, CO's (Western) issuer and underlying revenue bond ratings to A3 from Baa1. Concurrently, we have affirmed the Aa2 enhanced rating. The outlook for the underlying ratings is stable. The university had approximately $83 million of direct debt outstanding at the end of fiscal 2021.

RATINGS RATIONALE

The upgrade of Western State Colorado University's (Western Colorado University) issuer rating to A3 reflects strong operating performance which will continue after spend down of federal pandemic relief. Favorable performance is driven by steady enrollment and net tuition revenue growth, along with good expense management. EBIDA margins have consistently outpaced peers, even during the height of the pandemic, consistently in the high-double digits. Enrollment, after multiple years of steady growth, dipped in fall 2020 because of the pandemic, but favorably bounced back in fall 2021. Additionally, the upgrade reflects prospects for improved funding from the State of Colorado, providing an additional boost to operating performance, as well as potential for continued strengthening philanthropy contributing to wealth growth.

The A3 is also supported by Western's role as a regional public university with some distinctive programs that support demand. However, overall credit quality will remain constrained by a relatively small scope of operations and relatively high leverage. The university's operating base is under $60 million and enrollment is just over 2,500 full-time equivalent students. Other credit considerations include strong liquidity, exposure to the State of Colorado's net pension liability, historically limited state support with high reliance on student charges to fund operations, and potential for a public/private partnership for housing.

The A3 rating on the institutional enterprise revenue bonds incorporates the university's issuer rating, along with debt instrument considerations that include good breadth of pledged revenue and able treasury and fiscal management.

The affirmation of the Aa2 enhanced rating incorporates the program-level Aa2 rating of the Colorado Higher Education Enhancement Program, which is notched off of the state's issuer rating, as well as financing-level attributes related to sufficiency of interceptable revenues and transaction structure.

RATING OUTLOOK

The stable outlook reflects Moody's expectations of continued strong operating performance, supported by growth in student charges and state support and good expense growth containment. It also reflects potential for modest to moderate increase to total adjusted debt, as Western is contemplating a public/private partnership for housing.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued strengthening of brand and strategic positioning, evidenced by continued enrollment and net tuition revenue growth, along with ability to meet fundraising targets

- Significant increase in wealth

- For the enhanced rating: an upgrade of the state or programmatic intercept rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Erosion of operating performance with debt-service coverage on an enterprise-wide basis below 1x

- Significant increase in debt

- Material reduction in liquidity

- For the enhanced rating: a downgrade of the state or programmatic intercept rating and/or the observation that the program does not function as contemplated

LEGAL SECURITY

All of Western's debt is secured by a pledge that includes net revenues of certain auxiliary enterprise facilities (housing, dining, and certain student recreational facilities), certain mandatory student fees, 10% of net tuition revenue, as well as indirect cost recoveries (overhead received for research grants and contracts) and extended studies revenue. The fiscal 2021 net pledged revenue was $25.4 million, which is approximately 43% of Moody's adjusted revenue. Recent legislative developments in the State of Colorado would allow Western to fully pledge tuition, which, if utilized, would provide over $20 million of additional revenue for bondholders.

Colorado's higher education intercept program is categorized as an unlimited advance. Should the university fail to provide sufficient funds for debt service, the trustee is required to notify the state treasurer on the business day immediately prior to the debt service payment date. The treasurer is required to remit funds to the trustee in immediately available funds of the state. The treasurer recovers the debt service payment from the university's fee-for-service funds, as well as from unpledged tuition revenue.

PROFILE

Western State Colorado University is a four-year public university, with a limited number of graduate programs, located in Gunnison, Colorado within Colorado's central Rocky Mountains. Among its academic offerings, Western partners with the University of Colorado-Boulder to bring top 20 programs in engineering and computer science to Western's campus. In fiscal 2021, the university recorded operating revenues of $59 million and served 2,523 full-time equivalent (FTE) students.

METHODOLOGY

The principal methodology used in the underlying ratings was Higher Education Methodology published in August 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1257002. The principal methodology used in the enhanced ratings was State Aid Intercept Programs and Financings Methodology published in March 2022 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1309599 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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