

**STATE OF COLORADO
DEPARTMENT OF THE TREASURY
State Treasurer Dave Young**



**COLORADO TREASURER'S 8TH ANNUAL REPORT
STATE INSTITUTIONS OF HIGHER EDUCATION
FISCAL YEAR 2024/2025**

August 30, 2024

**STATE OF COLORADO
DEPARTMENT OF THE TREASURY**

Dave Young
State Treasurer



Eric Rothaus
Deputy Treasurer

August 30, 2024

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, Office of the State Treasurer ("State Treasurer" or the "Department") submits this report pursuant to Section 23-5-139, Colorado Revised Statutes ("C.R.S."). 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; and,
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. In 2022, the [General Assembly passed SB 22-121](#), permitting all public higher education governing boards to pledge up to 100% of tuition revenue to bondholders. This legislation was enacted to provide institutions greater flexibility, access lower capital costs, and the opportunity to increase pledged revenues.² Only one institution has not adopted an expanded tuition revenue pledge for debt service (Adams State University); therefore, individual calculations were made to determine what pledged revenues would have been given the additional pledged revenue as calculated from Adams State University's FY2023 audit. As we have noted in past reports, due to statutory requirements, the timing of this document does not align with when higher education institutions have received their audited financial statements. One example of this misalignment is that

¹ The University of Colorado has not issued any intercept bonds due to its Aa1 and AA+ credit ratings which are currently one rating level higher than the Intercept credit ratings of Aa2 and AA.

² [Legislation enacted in 2016](#) allowed the University of Colorado to pledge 100% of tuition revenue to debt service.

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 financial statement information from the same fiscal year for both debt service and state General Fund support (e.g., FY2025) but uses pledged revenues from the most recent available audited financial statements (e.g., FY2023).

To rectify this issue, the legislature could consider changing the due date of this report to a time after audited financial statement information is 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.

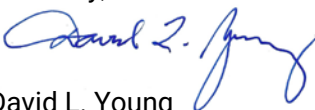
This report also serves as the communication mechanism to show which institutions qualify for pre-approval to participate in the State of Colorado's intercept program. Colorado law directs the State Treasurer to calculate a pre-approval amount for qualifying institutions using two different methods outlined 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)" § 23-5-139, C.R.S., 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 3.54%, the "AA" rated Municipal Market Data tax-exempt index rate (20-year maturity) as of August 1, 2024.

This report is the product of considerable time and effort among the contributors. The Department thanks Amanda Bickel and Eric Kurtz of the Joint Budget Committee Staff, Matt Bishop and Bo Pogue of the Capital Development Committee Staff, Steph Chichester and Nick Taylor of North Slope Capital Advisors, Lori Ann Knutson from the Attorney General's Office, and Jim Eke in the Department of the Treasury for their help and guidance. We would also like to thank the Chief Financial Officers, and their staff, from the higher education institutions who reviewed, refined (where applicable), and confirmed the figures used in this report. Specifically, we would like to thank Ashley Brenner, Jim Carpenter, Jeffery Doyle, Samantha Gallagher, Kevin Gravina, Brendan Hanlon, Heather Heersink, Ian Higgins, Liza Larsen, Alex LeBlanc, Chad Marturano, Leila McCamey, Erin McKenzie, Dale Pratt, Michelle Quinn, Bill Raimer, Spencer Rockwell, Dave Ryan, Usha Sharma, Mark Superka, Michelle Travis, Charlie Ulsamer, Kirsten Volpi, and Suzanne Zimmerer.

Sincerely,



David L. Young
State Treasurer

TABLE OF CONTENTS

Executive Summary.....	1
Ratings	2
Debt Service Coverage Ratio and Outstanding Debt.....	3
Debt Service as a Percentage of State Funding.....	4
Institution Profiles.....	5
Adams State University	6
Colorado Community College System	7
Colorado Mesa University	8
Colorado School of Mines.....	9
Colorado State University.....	10
Fort Lewis College.....	11
Metropolitan State University	12
University of Colorado	13
University of Northern Colorado.....	14
Western Colorado University	15
Appendix: Credit Reports.....	16

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:										
Ratings Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Coverage Ratio Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
State Funding % Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pre-Approval Amount	\$580,477	\$3.565 Billion	\$410.5 Million	\$143.2 Million	\$2.295 Billion	\$61.75 Million	\$1.301 Billion	\$4.858 Billion	\$754.2 Million	\$184.9 Million

Ratings

Section 23-5-139(1)(b)(II)(A), C.R.S., requires the State Treasurer 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 has been obtained: Moody’s, Standard and Poor’s, and Fitch. Below are the most recent ratings available for each institution. **Note - not every institution has been rated recently and their financial situation may have changed since their last rating report was issued.** Since last year’s report, no institution has received a rating change. In addition, all rating agency outlooks remain unchanged except for University of Northern Colorado’s S&P outlook was revised to stable from negative. 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 2022
Colorado Community College System	Aa3 (Stable)	N/A	N/A	April 2023
Colorado Mesa University	A2 (Stable)	N/A	N/A	April 2024
Colorado School of Mines	A1 (Stable)	A+ (Stable)	N/A	March 2024
Colorado State University	Aa3 (Stable)	A+ (Stable)	N/A	February 2024
Fort Lewis College	A3 (Stable)	N/A	N/A	March 2024
Metropolitan State University	A1 (Stable)	A (Stable)	N/A	July 2024
University of Colorado	Aa1 (Stable)	N/A	AA+ (Stable)	June 2024
University of Northern Colorado	A3 (Stable)	A- (Stable)	N/A	March 2024
Western Colorado University	A3 (Stable)	N/A	N/A	August 2024

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. As of the writing of this report, the eight institutions which expanded their tuition pledges (from 10% to 100%) are the Colorado Community College System, Colorado Mesa University, Colorado School of Mines, Colorado State University, Fort Lewis College, Metropolitan State University of Denver, University of Northern Colorado, and Western Colorado University. 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 debt service for all outstanding bonds and intercept bonds (FY2025), net pledged revenues (FY2023), and their respective debt service coverage ratios. For Adams State University, calculations are provided for debt service coverage ratios under both a 10% tuition pledge and a 100% tuition pledge.

Institution	Adams State University	Colorado Community College System**	Colorado Mesa University**	Colorado School of Mines**	Colorado State University**
FY2025 Debt Service-All Outstanding Bonds	\$4,290,350	\$8,235,517	\$15,386,610	\$33,219,316	\$88,190,872
FY2025 Debt Service-Intercept Bonds	\$4,000,600	\$1,620,769	\$13,436,656	\$7,962,730	\$59,708,139
FY2023 Net Pledged Revenues	\$6,482,872	\$303,158,326	\$97,389,000	\$184,707,000	\$703,186,803
DSCR-All w/ 10% Pledge	1.51x	**	**	**	**
DSCR-Intercept w/ 10% Pledge	1.62x	**	**	**	**
DSCR-All w/ 100% Pledge	6.60x	36.81x	6.33x	5.56x	7.97x
DSCR-Intercept w/ 100% Pledge	7.08x	187.05x	7.25x	23.20x	11.78x

**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**
FY2025 Debt Service-All Outstanding Bonds	\$4,283,611	\$8,976,848	\$161,657,336	\$10,884,438	\$7,201,719
FY2025 Debt Service-Intercept Bonds	\$3,277,844	\$6,209,957	-	\$10,739,801	\$6,798,176
FY2023 Net Pledged Revenues	\$11,462,085	\$126,289,149	\$1,542,950,000	\$88,316,932	\$25,886,326
DSCR-All w/ 10% Pledge	**	**	N/A	**	**
DSCR-Intercept w/ 10% Pledge	**	**	N/A	**	**
DSCR-All w/ 100% Pledge	2.68x	14.07x	9.54x	8.11x	3.59x
DSCR-Intercept w/ 100% Pledge	3.50x	20.34x	N/A	8.22x	3.81x

**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
	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 2024-2025 State funding.

Institution	State Funding Amount FY2024-2025	Current Maximum Intercept Debt Service Amount	Percentage of Maximum Intercept Debt Service Amount to State Funding
Adams State University	\$28,074,295	\$4,504,380	16.04%
Colorado Community College System	\$293,557,242	\$1,623,619	0.6%
Colorado Mesa University	\$49,217,113	\$13,569,515	27.6%
Colorado School of Mines	\$37,054,876	\$20,002,019	53.9%
Colorado State University	\$245,989,778	\$59,708,139	24.3%
Fort Lewis College	\$23,188,891	\$3,405,169	14.7%
Metropolitan State University	\$102,577,951	\$6,209,957	6.1%
University of Colorado	\$352,251,853	\$0	N/A
University of Northern Colorado	\$69,004,345	\$10,743,317	15.6%
Western Colorado University	\$24,942,246	\$6,798,175	27.3%

Institutions Meeting the State Funding Percentage Requirement	Institutions Not Meeting the State Funding Percentage Requirement
	NONE

Institution Profiles

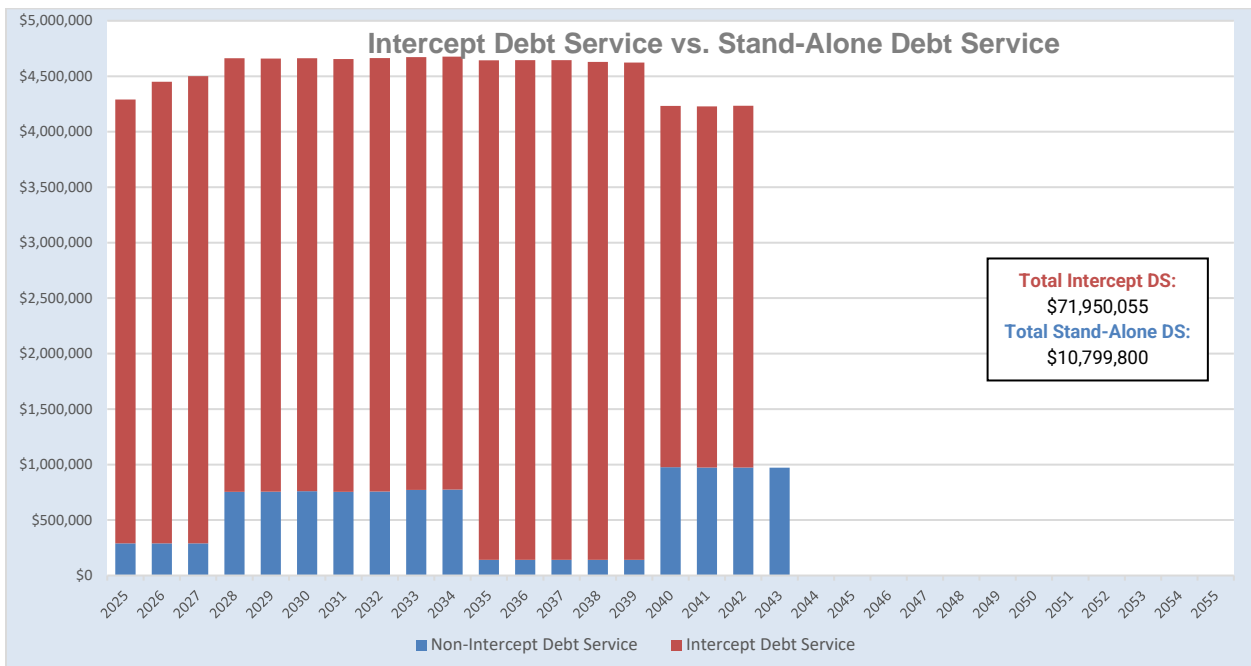
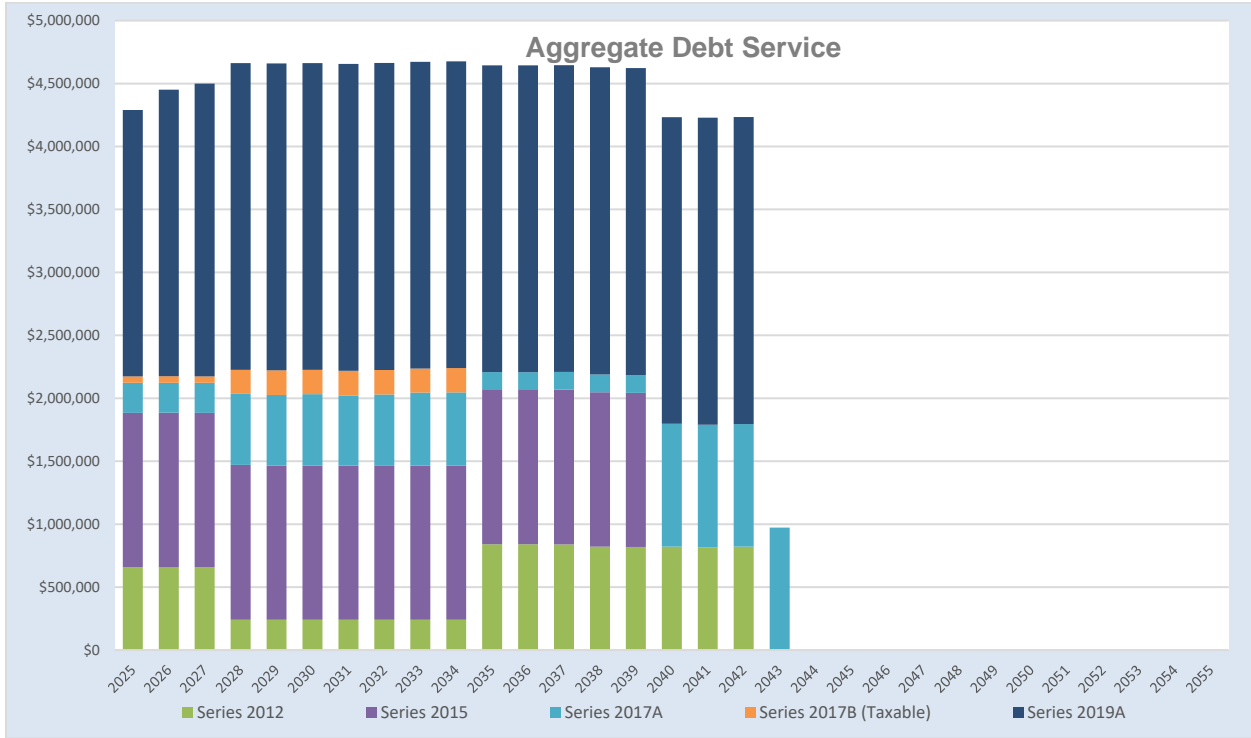
Click the logo to view the profile.



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 2022
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$580,477

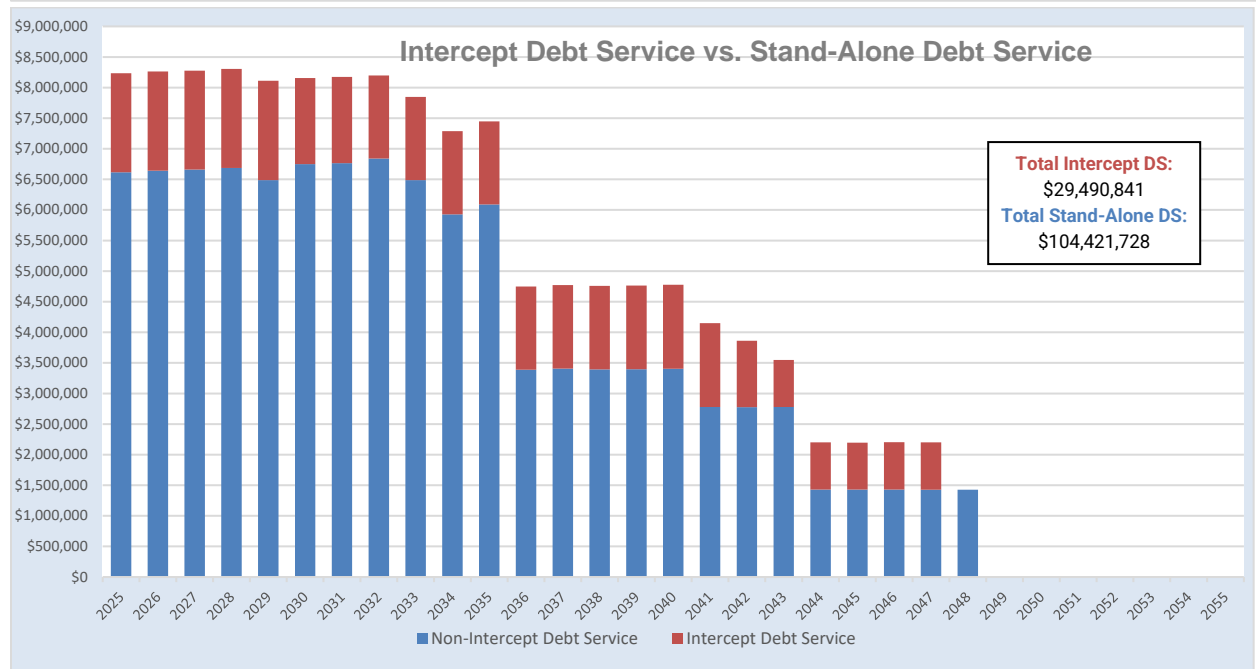
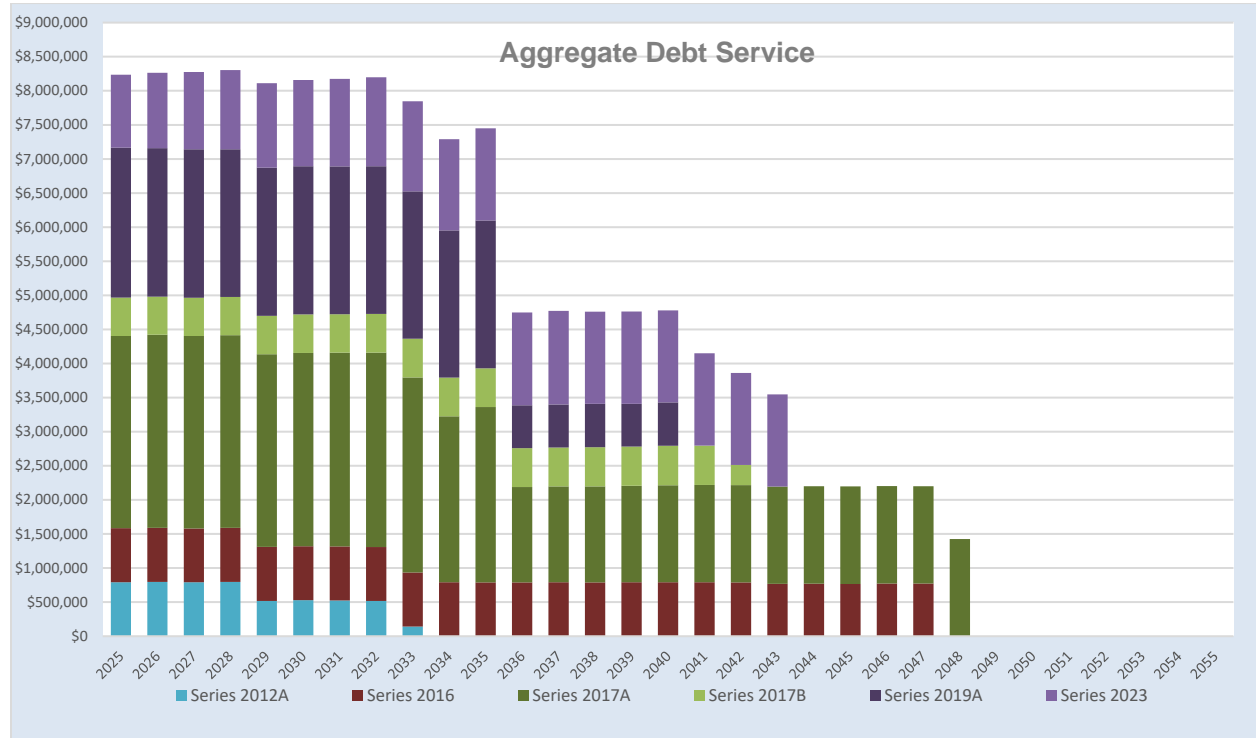


*Ratings are displayed in order of Moody's, S&P, and Fitch

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: April 2023
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$3.565 Billion

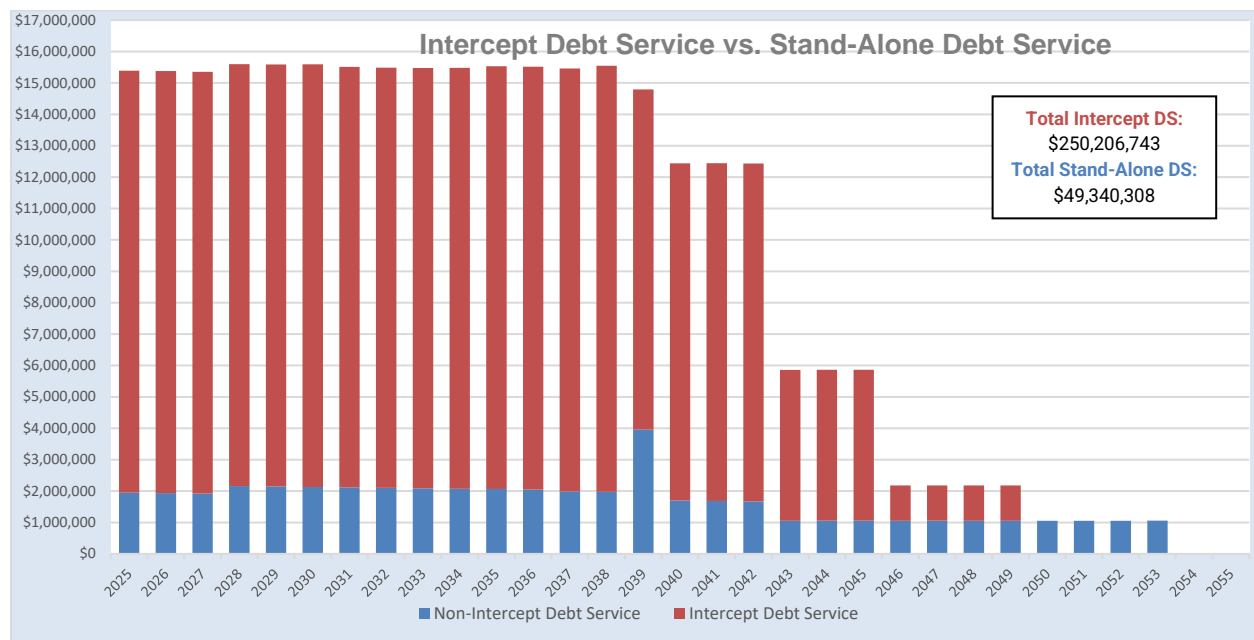
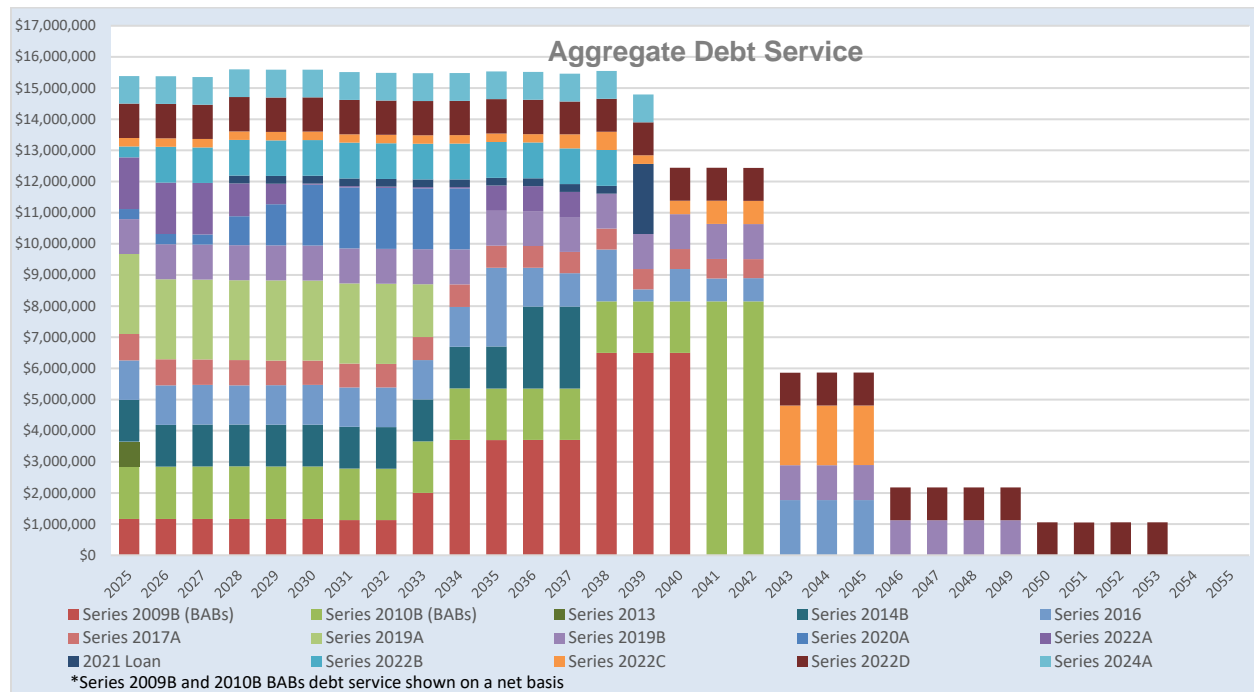


*Ratings are displayed in order of Moody's, S&P, and Fitch

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: April 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$410.5 Million

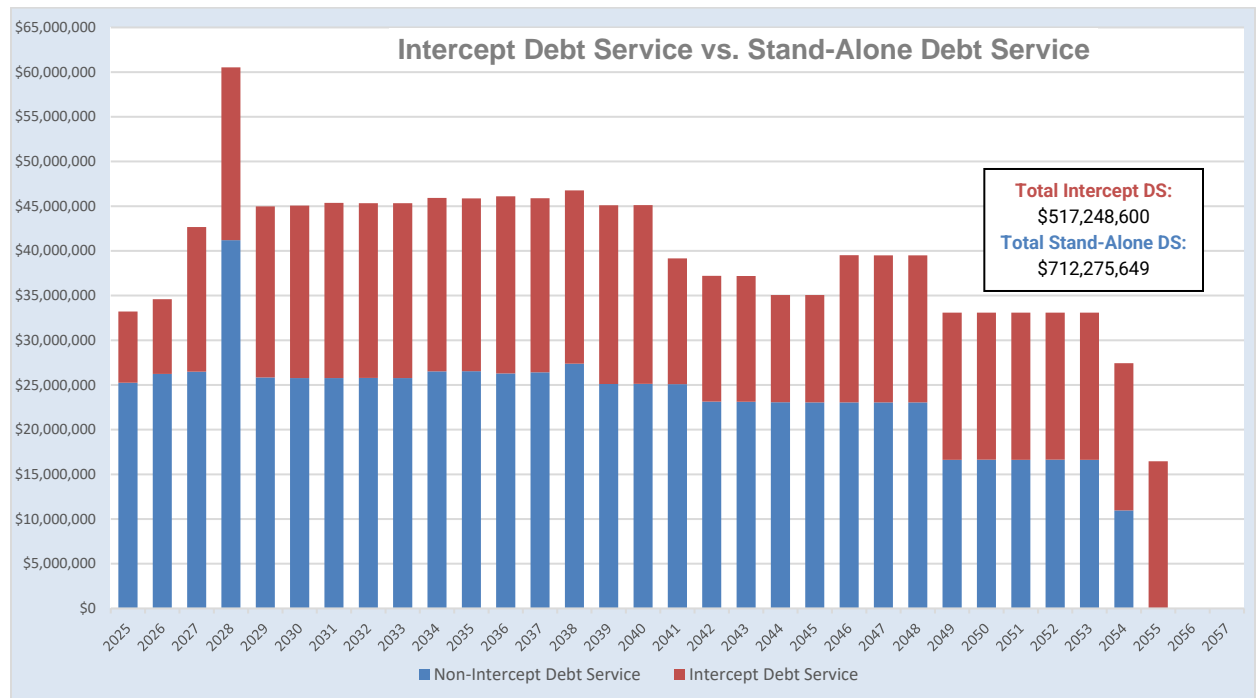
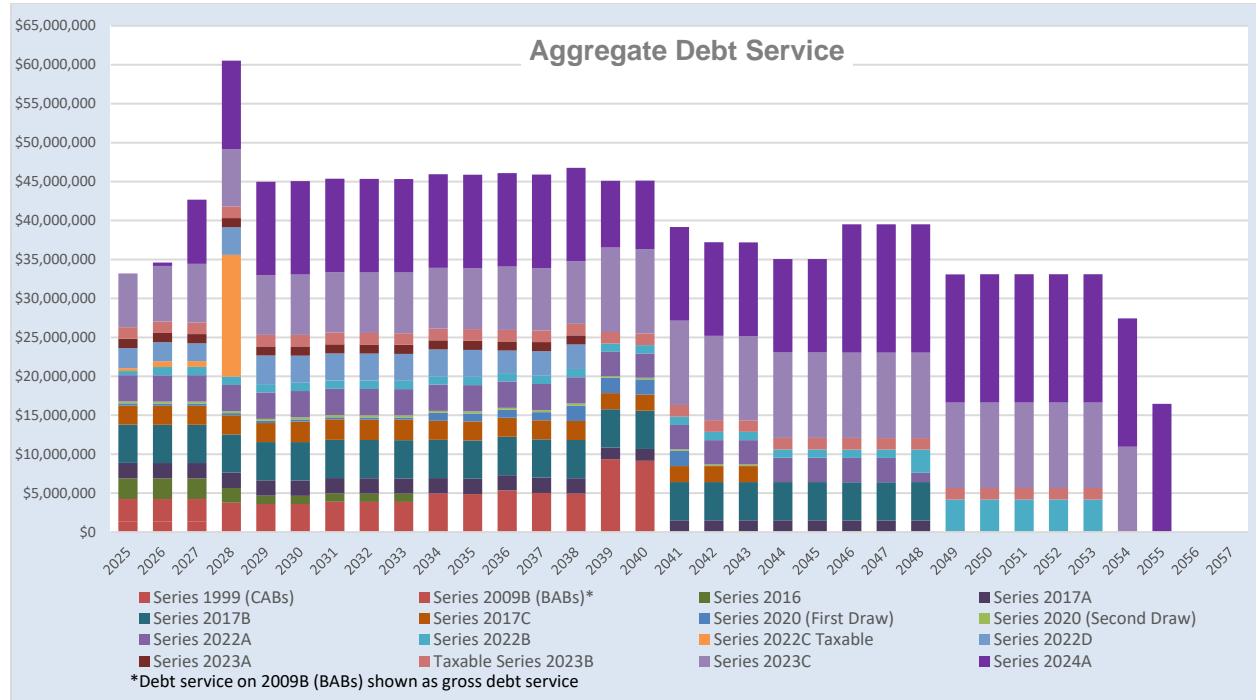


*Ratings are displayed in order of Moody's, S&P, and Fitch

Colorado School of Mines



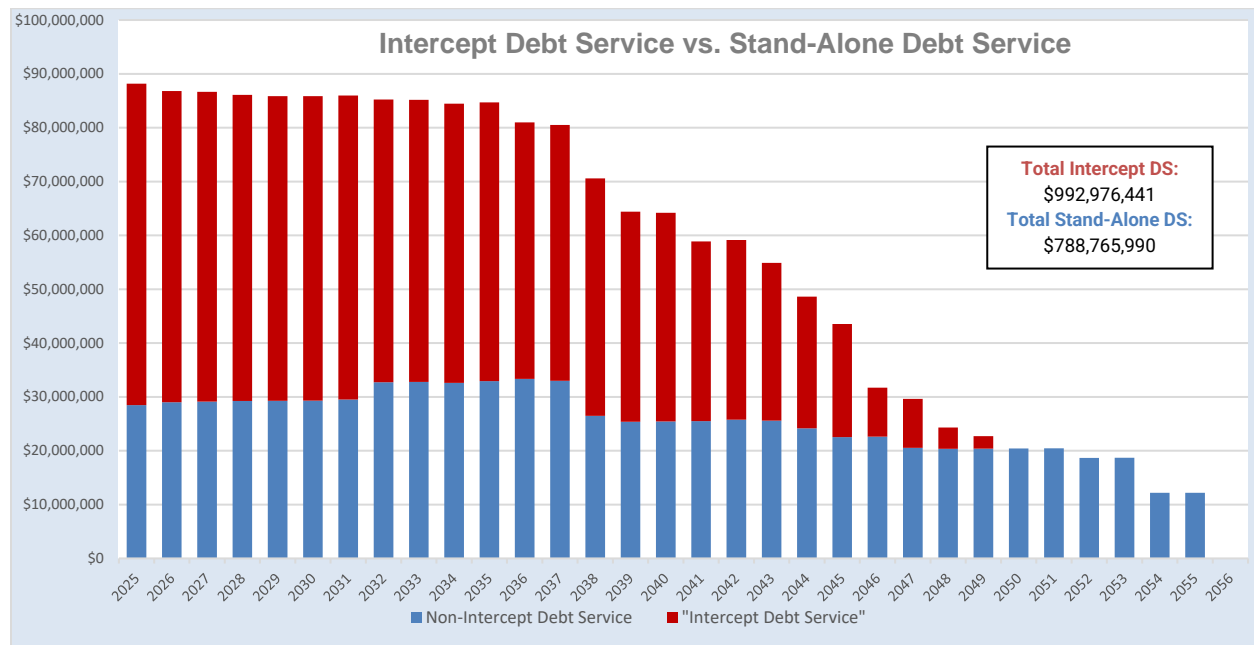
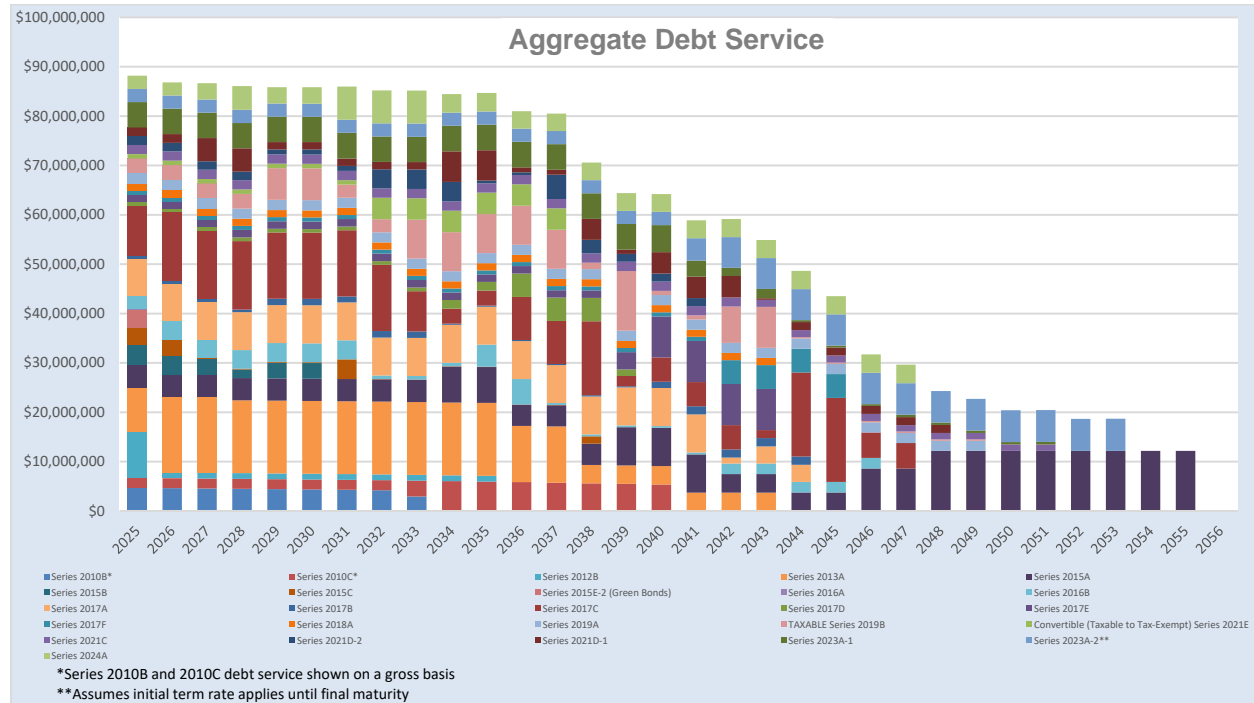
Location: Golden
Underlying Ratings: A1, A+, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: March 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$143.243 Million



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



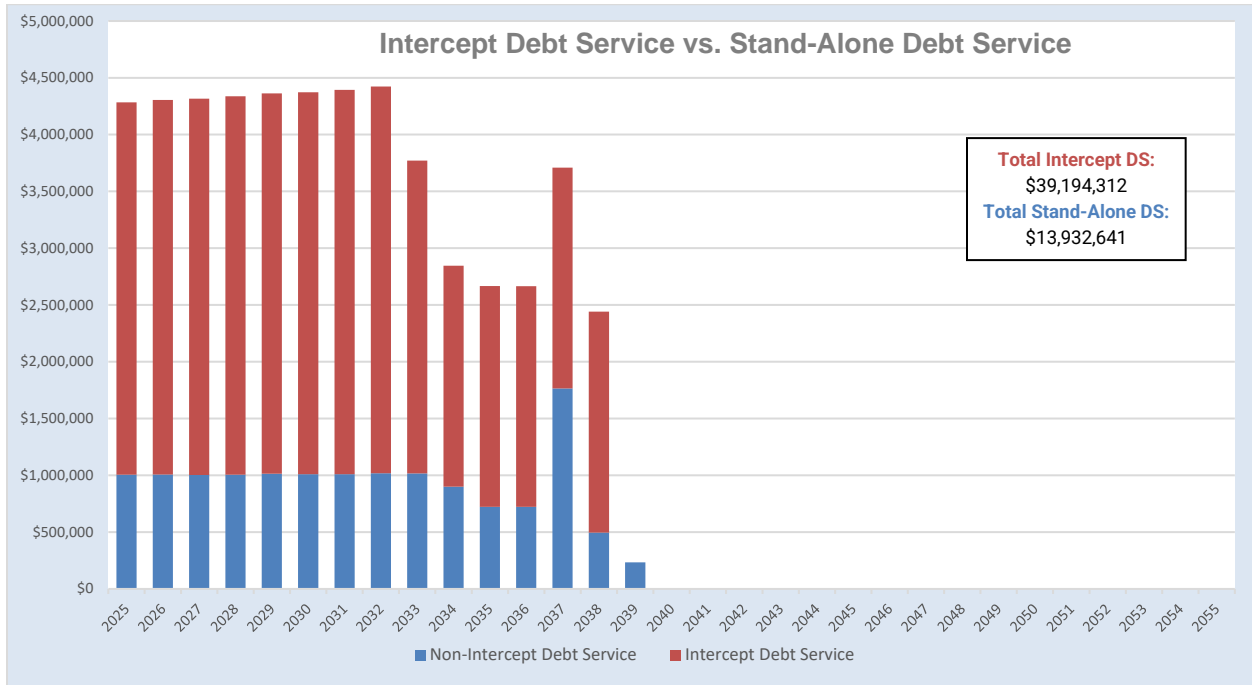
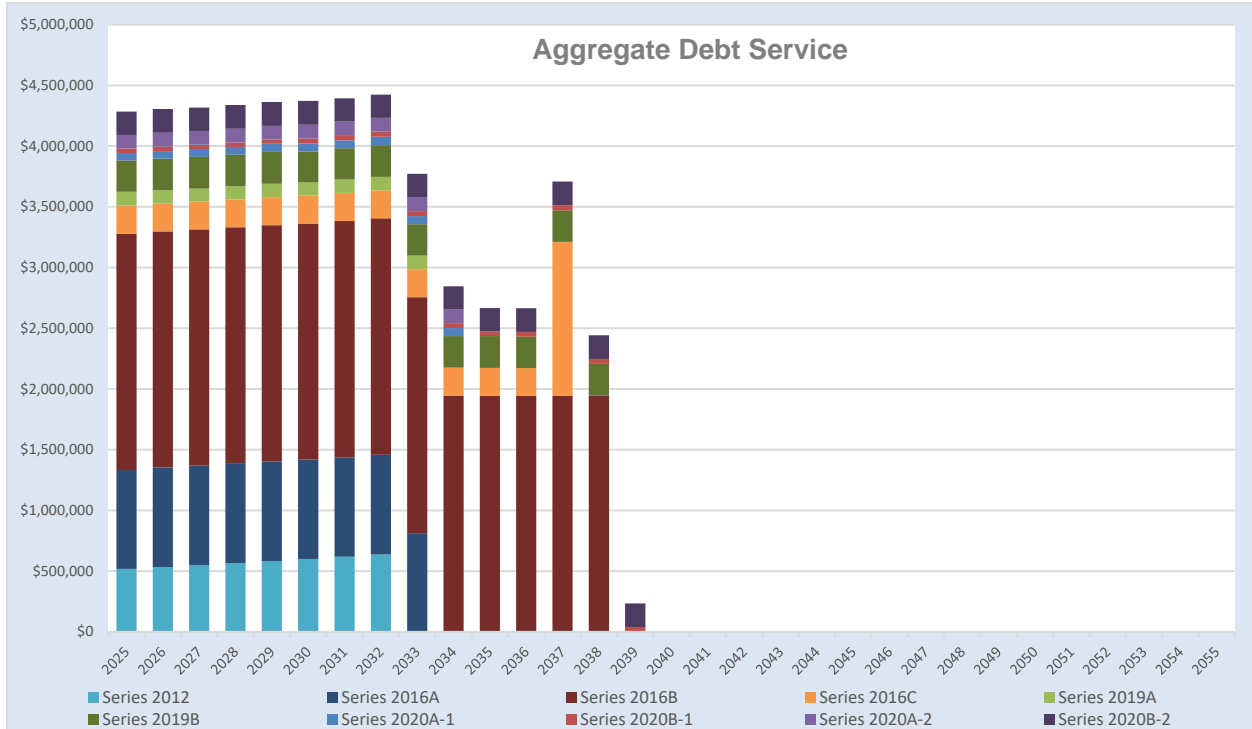
Location: Fort Collins, Pueblo
Underlying Ratings: Aa3, A+, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: February 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$2.295 Billion



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: March 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$61.749 Million

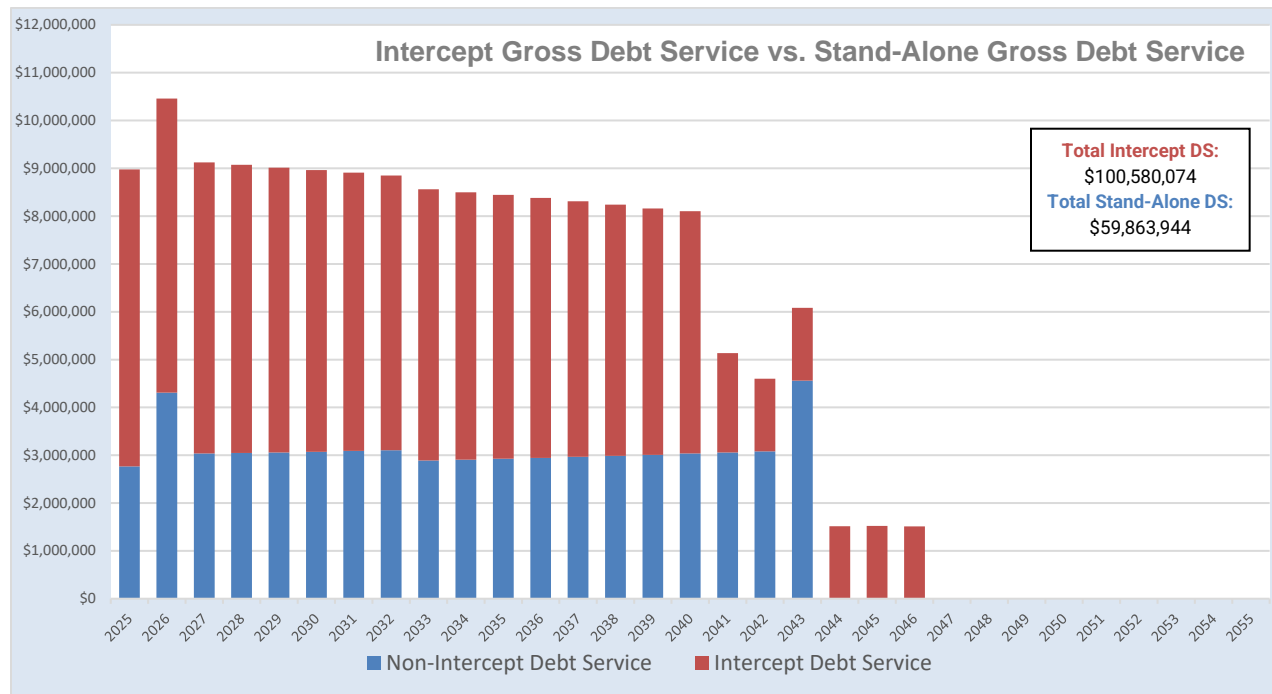
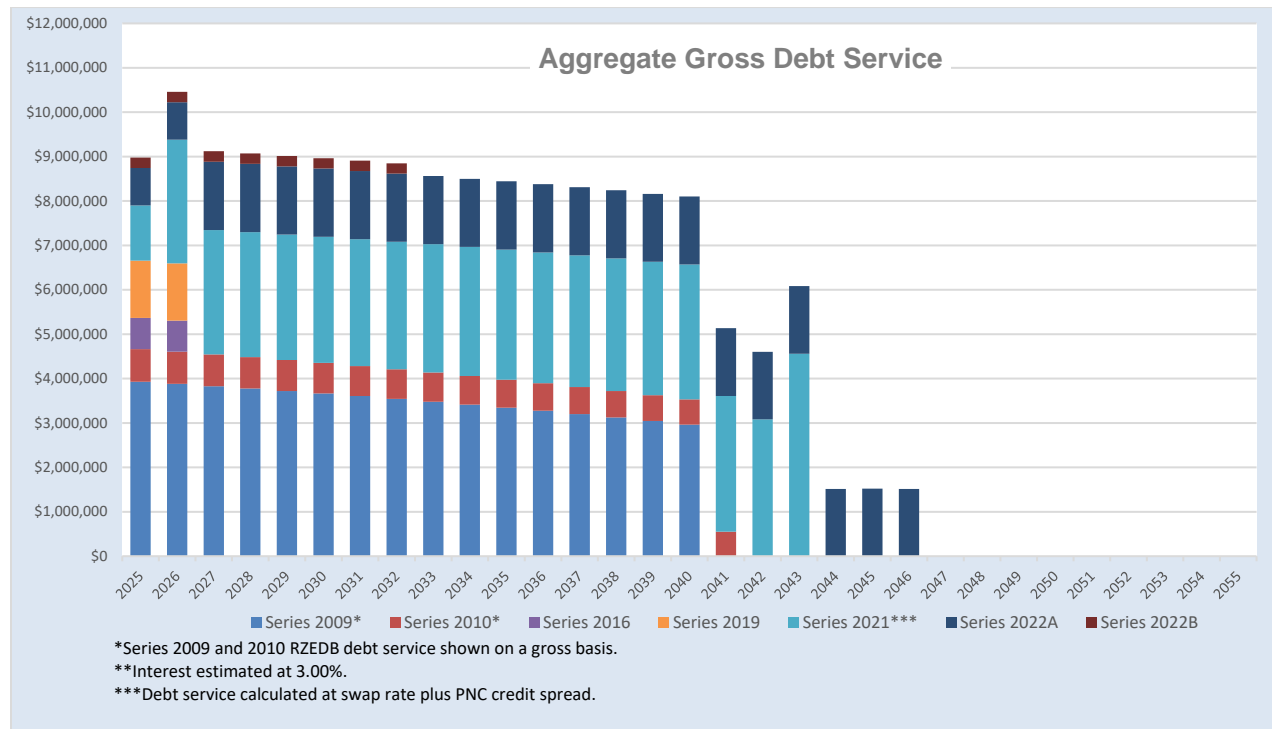


*Ratings are displayed in order of Moody's, S&P, and Fitch

Metropolitan State University



Location: Denver
Underlying Ratings: A1, A, N/A*
State Intercept Enhanced Ratings: Aa2, N/A, N/A*
Most Recent Agency Rating: July 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$1.301 Billion

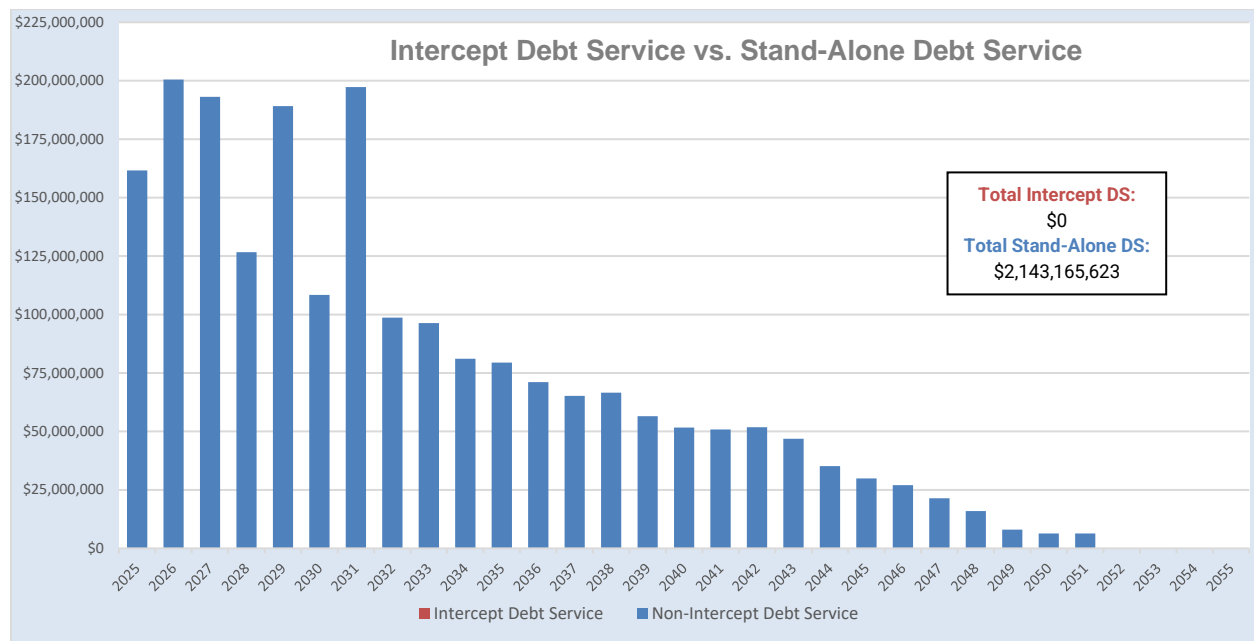
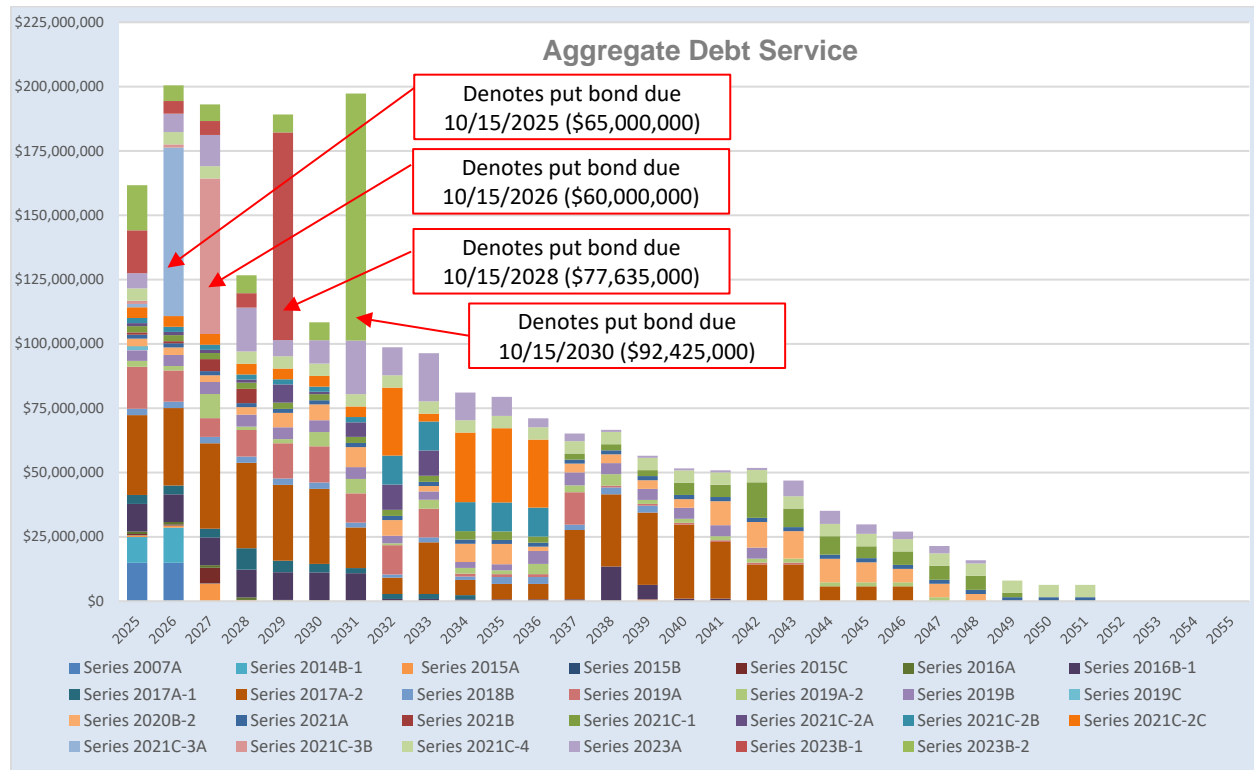


University of Colorado



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

Location: Various
Underlying Ratings: Aa1, N/A, AA+*
State Intercept Enhanced Ratings: N/A, N/A, N/A*
Most Recent Agency Rating: June 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$4.858 Billion



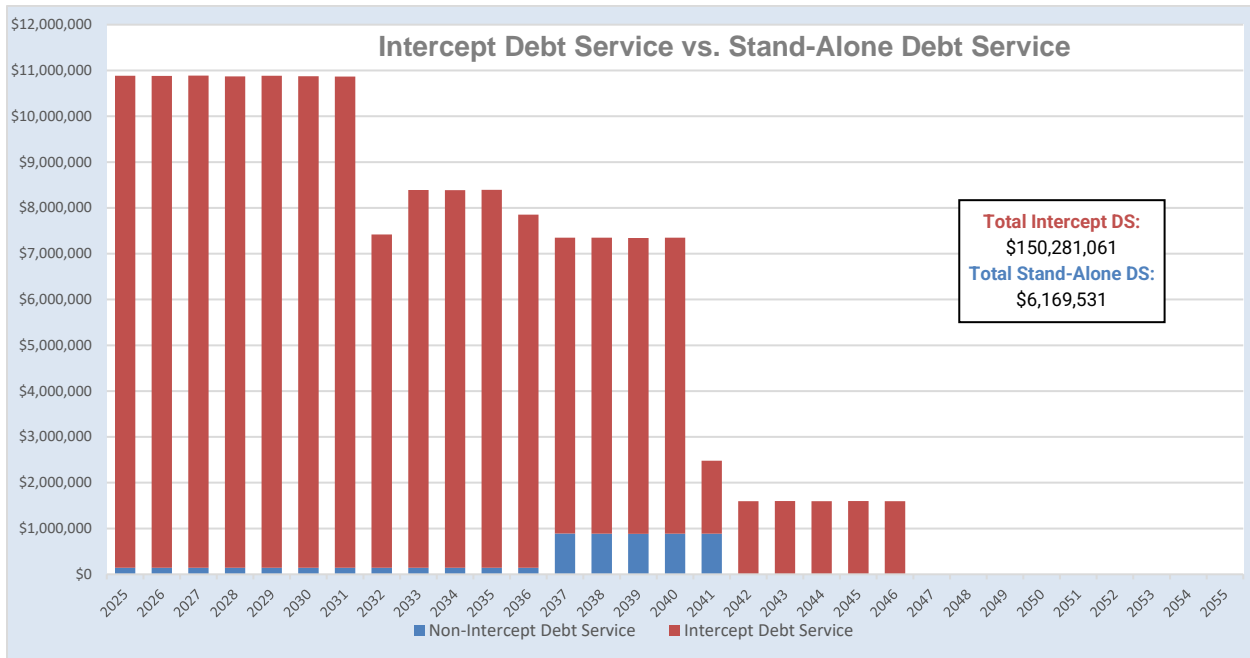
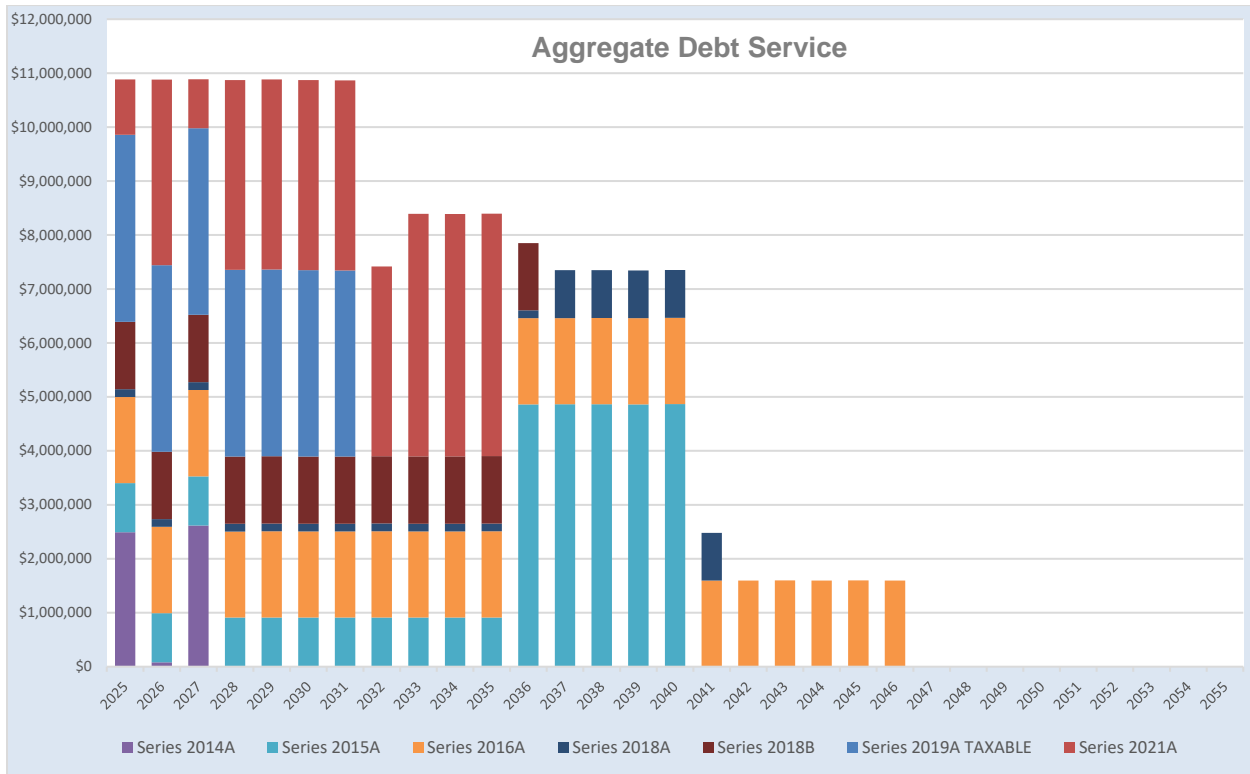
*Ratings are displayed in order of Moody's, S&P, and Fitch

University of Northern Colorado



UNIVERSITY OF
**NORTHERN
COLORADO**

Location: Greeley
Underlying Ratings: A3, A-, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: March 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$754.177 Million

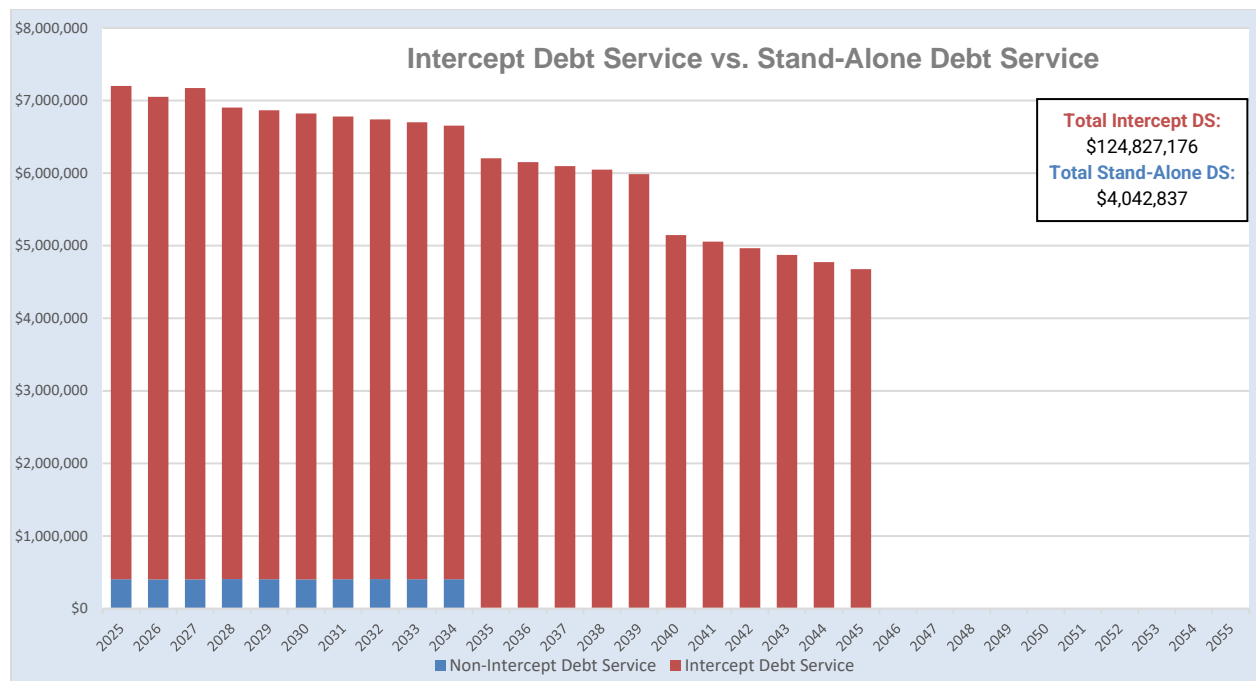
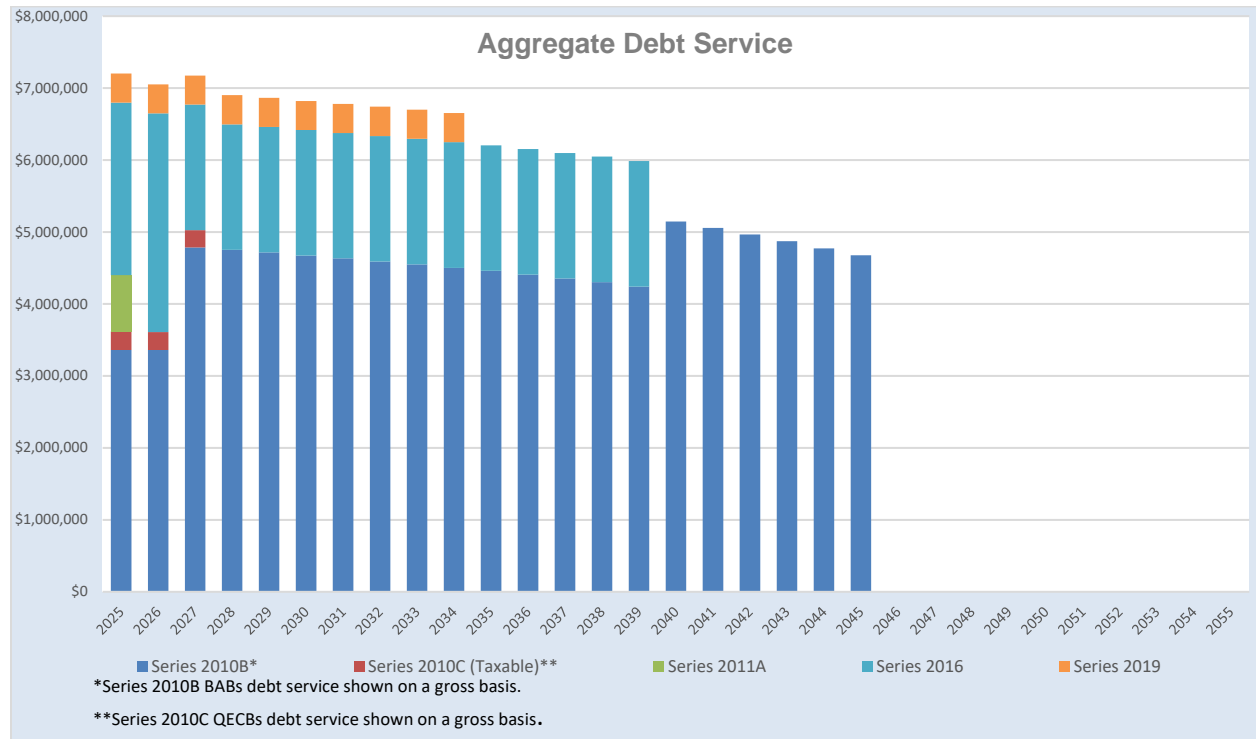


*Ratings are displayed in order of Moody's, S&P, and Fitch

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: August 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$184.928 Million



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

Appendix: Credit Reports

CREDIT OPINION

21 December 2022


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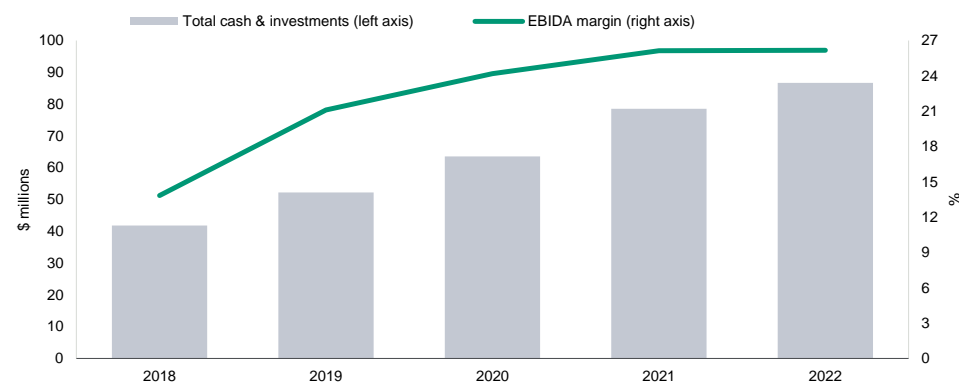
ADAMS STATE UNIVERSITY, CO

Update to credit analysis

Summary

[Adams State University's](#) (Adams; A3 stable) credit quality incorporates its important role as a Hispanic Serving Institution providing higher education to the southern region of the [State of Colorado](#) (Aa1 stable) including its diverse program mix. Improved fiscal management and relatively steady state operating funding in recent years are supportive of healthy operating performance. Recent gains in wealth and liquidity levels also support credit quality. Offsetting credit factors include a highly competitive student market which has resulted in uneven enrollment in recent years and a small operating base which limits future material expense management capacity. An elevated age of plant also weighs on credit quality and could indicate capital needs. The impact of a large unfunded pension liability will be partially mitigated by state pension reforms.

Exhibit 1

Total cash and investments continue to grow supported by improved operating performance


Source: Moody's Investors Service

Credit strengths

- » Regionally important state university with a Hispanic Serving Institution (HSI) designation and a diverse mix of academic programs
- » Strong operating performance, supported by improved fiscal management and relatively steady state operating support, with a three-year average EBIDA margin in fiscal 2022 of over 25%
- » Growth in total wealth and liquidity levels with fiscal 2022 total cash and investments to operations of 1.5x and monthly days cash on hand of 244
- » State of Colorado intercept program aids cost of capital

Credit challenges

- » Highly competitive student market despite market differentiation
- » Smaller scale of operations limits future expense flexibility
- » High pension exposure through the State of Colorado's PERA program
- » An elevated age of plant at 17.9 years for fiscal 2022 points to potential use of reserves or debt for reinvestment

Rating outlook

The stable outlook is supported by our expectations of continued well managed operations that will provide double-digit EBIDA margins. The outlook also incorporates no additional new debt in the near-term.

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
- » Enhanced rating: upgrade in the State of Colorado rating

Factors that could lead to a downgrade

- » Multiple years of narrower operating cash flow
- » Inability to maintain close to stable enrollment
- » Material use of available reserves
- » Enhanced rating: deterioration in credit quality of the State of Colorado rating or observation that the program does not function as contemplated

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

ADAMS STATE UNIVERSITY, CO

	2018	2019	2020	2021	2022	Median: A Rated Public Universities
Total FTE Enrollment	3,018	3,133	3,112	2,900	3,047	9,275
Operating Revenue (\$000)	53,678	57,656	57,731	58,341	66,343	232,885
Annual Change in Operating Revenue (%)	-1.9	7.4	0.1	1.1	13.7	3.2
Total Cash & Investments (\$000)	41,812	52,166	63,541	78,524	86,659	240,898
Total Debt (\$000)	69,789	65,942	64,818	63,652	63,263	132,722
Total Cash & Investments to Total Adjusted Debt (x)	0.3	0.3	0.4	0.5	0.6	0.6
Total Cash & Investments to Operating Expenses (x)	0.7	1.0	1.2	1.5	1.5	1.1
Monthly Days Cash on Hand (x)	124	191	341	252	244	191
EBIDA Margin (%)	13.8	21.1	24.2	26.1	26.2	15.4
Total Debt to EBIDA (x)	9.4	5.4	4.6	4.2	3.6	3.9
Annual Debt Service Coverage (x)	1.8	4.4	3.8	4.1	4.5	3.2

2022 is unaudited

Source: Moody's Investors Service

Profile

Adams State University is a small regional public university located in Alamosa, Colorado in the southern portion of the state. It serves students of the San Luis Valley and is designated as a Hispanic Serving Institution. The university was founded in 1921 in order to educate teachers to serve the rural areas of the state and has grown to provide a mix of undergraduate, graduate and distance learning programs. In fiscal 2022, Adams recorded operating revenue of \$66 million and had fall total full-time equivalent (FTE) enrollment of 3,047 students.

Detailed credit considerations

Market profile: highly competitive student market with some distinction given its status as a Hispanic Serving Institution and diverse programmatic offerings

Competition for students will continue to be elevated although recent trends indicate some enrollment stabilization. Total FTE enrollment for fall 2022 is 3,047 which is a 5.1% increase over fall 2021. Stable enrollment was driven by a 19% increase in the number of graduate students which offset an 8% decline in undergraduates. Continued enrollment stability is key to the university maintaining its credit quality, given the reliance on student revenue.

Adams has some market distinction given its importance to the State of Colorado's southern region in serving Hispanic and first generation students. 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.

The growth in graduate enrollment has been driven by the counselor education program and the university is focused on growing other graduate programs including in teacher's education and higher education administration and leadership. For undergraduate students, Adams is developing a nursing program and exploring the potential for a partnership with Colorado State University Fort Collins to offer a mechanical engineering degree.

Preliminary figures provided by management suggest that spring 2023 undergraduate enrollment will be about even with spring 2022 including a 12% increase in the number of enrolled first-year students.

Operating performance: continued healthy financial performance underpinned by good fiscal management and relatively steady state support

Operating performance should remain solid, underpinned by sound fiscal management and relatively steady state support. For fiscal 2022, the EBIDA margin was over 26% with a three-year average EBIDA margin of over 25%. Tuition and auxiliaries accounted for about 47% of operating revenue, including about \$4.4 million of lost revenue pandemic relief funds while state support contributed over 25%. Enhanced financial oversight in recent years including conservative budgeting and expense discipline support good fiscal management.

Notwithstanding a one-time funding cut to all public institutions in 2021, state support for Adams has improved in recent years averaging 21% of operating revenue over the last five years. State funding includes both the College Opportunity Fund, a stipend granted to undergraduate students that we include in net tuition revenue, and the annual fee for service contracts, which cover graduate students and other designated programs including HSI.

Management reports that the 2023 fiscal year-to-date budget is tracking about even with 2022. Key revenue drivers include a state approved 10% increase in operating funds, 2% contingency against total operating revenue, tuition revenue based on a lower enrollment figure and no pandemic relief funds. Key expense drivers include a 3% compensation increase and a 2% general fund reserve.

Wealth and liquidity: wealth and liquidity continue to grow driven by healthy operating cash flow

Adams total wealth will continue to be supported by good cash flow generated by operations, even as pandemic relief revenue wanes. From fiscal 2018 to 2022, total cash and investments grew from \$41.8 million to \$86.7 million and, for fiscal 2022, provided 1.5x coverage of operating expenses which is above the A-rated peer median of 1.1x. While the university's three-year average gift revenue in fiscal 2022 was a modest \$2.8 million, the university reports it is cultivating its donor base to support future growth in philanthropic support.

Liquidity

The university's liquidity will continue to be sound supported by good operating performance and combined with limited debt structure risks. For fiscal 2022, the university had \$34 million of monthly liquidity providing 244 days cash on hand, favorable to the A-rated peer median of 191.

Leverage: manageable financial leverage with elevated pension exposure

The university's financial leverage will remain manageable driven by gains in cash and investments and sound operating performance. For fiscal 2022, total cash and investments provided coverage of total adjusted debt by .6x which is equivalent to the A-rated peer median while total debt to EBIDA is a favorable 3.6x compared to the median of 3.9x. As of June 30, 2022, total debt was about \$63 million and total adjusted debt was approximately \$143 million.

Adams average capital spending from fiscal 2018 through 2022, measured by purchases of property, plant, and equipment to annual depreciation, of 0.4x is lower than its peers. For fiscal 2022, the university had an age of plant of 17.9 years, which is somewhat higher than the A-rated peer median of 16.8. While capital spending did increase substantially in 2022, most of this was due to information technology enhancements. Future balance sheet growth could be partially offset by the need to make additional capital investments in its facilities. The university does not have additional debt plans at this time.

Debt structure

Adams has a conservative debt structure comprised of all fixed rate securities and fully amortizes through 2043.

Legal security

Adams 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 bonds are further secured by a pledge of a portion of student fees as well as net tuition revenue. In April 2022, the governor signed a law that increased the net tuition available as pledged revenue to 100% from 10%. Moody's annual debt service coverage ratio for fiscal 2022 is projected to be 3.3x. In order to pledge net tuition revenue for new bonds, an institution must meet the criteria for enterprise status which means it received less than 10% of total revenue from state grants. While the university did not meet the criteria for enterprise status for fiscal 2022, due to the heightened

level of state capital funding received, tuition revenues remain pledged as security for the outstanding bonds. The university expects to regain enterprise status at the end of fiscal 2023.

Debt-related derivatives

None.

Pensions and OPEB

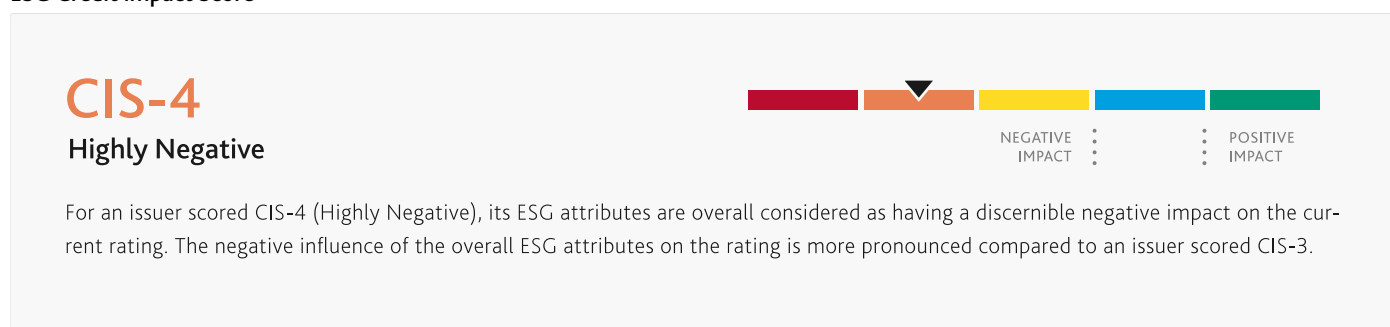
The university has a large exposure to the State Division Trust Fund (SDTF) cost-sharing multiple employer defined benefit plan administered by the Public Employees' Retirement Association (PERA). The Moody's three-year adjusted net pension liability (ANPL) was \$86.5 million for fiscal 2022 unaudited. Total adjusted debt to operating revenue, including this additional debt-like obligation, was 2.2x which is significantly weaker than A-rated peers. State pension reforms enacted during 2018 will lower accrued liabilities and improve pension funding trajectories resulting in a decrease in the magnitude of future potential expense pressure.

ESG considerations

Adams State University, CO's ESG Credit Impact Score is Highly Negative CIS-4

Exhibit 3

ESG Credit Impact Score

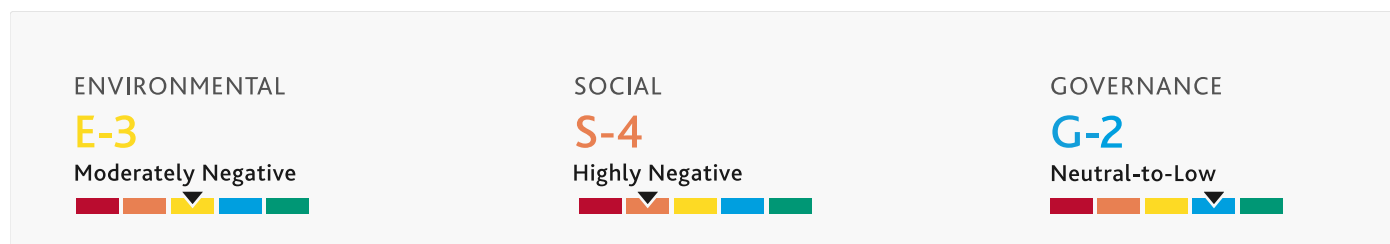


Source: Moody's Investors Service

Adams State University's credit impact score is primarily influenced by its heightened exposure to social risks reflected in uneven enrollment in recent years.

Exhibit 4

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Adams moderately negative exposure to environmental risks (**E-3**) is driven by physical climate risks. The university's location in Alamosa, Colorado exposes it to extreme water stress given drought conditions in the San Luis Valley. Favorably, the university is positioned to help address water issues by offering programs in water studies to students and community members.

Social

Adams exposure to social risks includes demographic and societal trends, customer relations and human capital risks. Consistent with most higher education providers, the university has a mission aligned with positive social impact through education and service and

those favorable impacts increase the likelihood of ongoing support from the state. However, the university's student market remains highly competitive with uneven enrollment in recent years. Favorably, Adams status as a Hispanic Serving Institution and its diverse academic program mix including undergraduate, graduate and distance learning provides some market distinction. Customer relations risks are highlighted by a comparatively low yield on accepted students with a price sensitive student population and comparatively modest retention and graduation rates. Human capital risks are introduced by exposure to a large unfunded state pension obligation. Favorably, state enacted pension reforms should help reduce future expense pressure.

Governance

Adams neutral-to-low exposure to governance risks (**G-2**) reflects that over the past several years enhanced budget management has improved operating performance and financial reserves, offset by some history of presidential turnover influencing management track record. Public universities typically have some board structure and governance risks given their lack of full independence from the state which allows for exposure to potential political considerations that could create misalignment to institutional priorities. For Adams, moderately negative board structure risks are introduced by the selection process, with voting trustees appointed by the governor and confirmed by the state senate.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was the [Higher Education Methodology](#) published in August 2021. 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 brand and strategic positioning, financial policy and strategy, and operating environment on a qualitative basis.

Exhibit 5

Adams State University, CO

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	66	Baa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Baa	Baa
Operating Environment	Baa	Baa
Factor 3: Operating Performance (10%)		
EBIDA Margin	26%	Aaa
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	87	A
Total Cash and Investments to Operating Expenses	1.5	Aaa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.6	A
Annual Debt Service Coverage	4.5	Aaa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	Baa	Baa
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.

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

Reflects 2022 in line with key indicators above

Source: Moody's Investors Service

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CREDIT OPINION

24 April 2023


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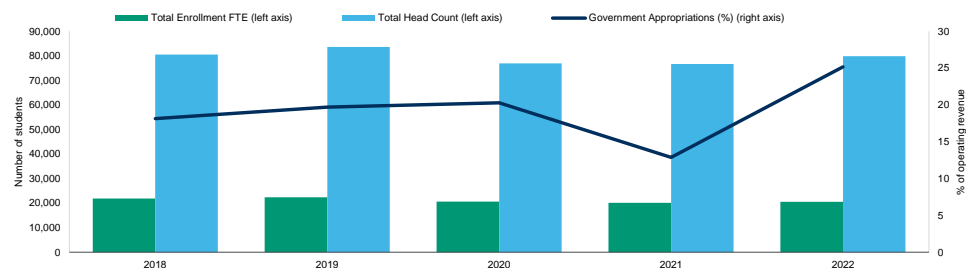
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Colorado Community College System, CO

Update to credit analysis

Summary

[Colorado Community College System's](#) ("CCCS"; Aa3 underlying, stable) quality incorporates its role as an important provider of higher education in the [State of Colorado](#) (Aa1 stable) with 13 colleges that served over 79,000 headcount students in the fall 2022 term. Like most community colleges, enrollment has declined significantly in recent years due to a strong economy. However, for CCCS, enrollment is stabilizing. Increasing state operating support also underpins credit quality. Liquidity is sound and total wealth is relatively sizeable compared to peers. Direct debt is low relative to operating revenue and EBIDA. Offsetting credit factors include a competitive student market in Colorado including continued weakness in the traditional age student population and an affordability mission which limits material growth in net student revenue. Operating performance will narrow as pandemic relief wanes and expense management will be important to credit quality particularly in the event of a potential reduction in state support. CCCS has a substantial unfunded pension liability although state pension reforms in recent years will gradually decrease the magnitude of potential expense pressure.

Exhibit 1
CCCS's status as a significant provider of higher education in the state and growing appropriations help to support credit quality


In 2021, there was a one-time funding cut to all Colorado public higher education institutions

Source: Moody's Investors Service

Credit strengths

- » Significant role in the State of Colorado, with broad geographic reach
- » Growing state support with fiscal 2023 funding increasing by 13% and 2024 projected to increase by 11%
- » Sound liquidity with monthly days cash on hand of 189 days and relatively sizeable total wealth
- » Low direct debt measured by total debt to EBIDA of 1.9x compared to peers

Credit challenges

- » Highly competitive market, including continued enrollment weakness in the adult student population while an affordability mission, limits material net student revenue growth
- » A substantial net pension liability with total adjusted debt to operating revenue of 3.1x in fiscal 2022
- » Narrowing operating performance following fiscal 2022 three-year average EBIDA margin of 8% boosted by pandemic relief
- » Revenue is concentrated with 46% of overall revenue coming from student derived charges

Rating outlook

The stable outlook is supported by Moody's expectations of stabilizing enrollment, leading to steady net student revenue growth. The outlook also incorporates continued sound debt service coverage aided by steady state operating support.

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
- » Enhanced rating: upgrade in the State of Colorado rating

Factors that could lead to a downgrade

- » Deterioration in EBIDA margins
- » Material increase in financial leverage
- » Significant decline in liquidity
- » Enhanced rating: deterioration in credit quality of the State of Colorado rating or observation that the program does not function as contemplated

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

COLORADO COMMUNITY COLLEGE SYSTEM

	2018	2019	2020	2021	2022
Total FTE Enrollment	21,868	22,368	20,635	20,114	20,499
Operating Revenue (\$000)	643,218	668,422	695,876	678,169	737,488
Annual Change in Operating Revenue (%)	3.4	3.9	4.1	-2.5	8.7
Total Cash & Investments (\$000)	327,643	343,144	367,260	380,153	432,033
Total Debt (\$000)	131,147	125,113	120,651	113,043	141,752
Total Cash & Investments to Total Adjusted Debt (x)	0.1	0.2	0.2	0.2	0.2
Total Cash & Investments to Operating Expenses (x)	0.5	0.5	0.5	0.6	0.6
Monthly Days Cash on Hand (x)	170	164	169	181	189
EBIDA Margin (%)	4.7	4.1	5.3	8.3	10.3
Total Debt to EBIDA (x)	4.4	4.5	3.3	2.0	1.9
Annual Debt Service Coverage (x)	1.2	2.6	3.8	6.7	8.9

Source: Moody's Investors Service

Profile

The Colorado Community College System is the largest higher education and workforce training provider in the State of Colorado with 13 colleges across 35 locations. The system offers a full range of educational options including concurrent enrollment, career & technical education, certificate programs, transfer programs, associate and bachelor's degree programs, a masters degree program, and customized employer training. For fall 2022, it served 20,499 full-time equivalent students and recorded over \$737 million in operating revenue for fiscal 2022.

Detailed credit considerations

Market position: Despite its good brand and strategic position, CCCS will continue to face a highly competitive student market

Despite its broad geographic reach and importance to Colorado as the largest provider of higher education in the state, competition for students will continue to be elevated. The countercyclical nature of community college enrollment tends to lead to declines during a favorable labor market economy and CCCS has experienced significant enrollment declines in recent years. However, recent reversal indicates some enrollment stabilization with total FTE enrollment for fall 2022 of 20,499, an almost 2% increase over fall 2021. Total headcount increased by 4% to 79,821. A recovery in high school college-level class enrollment has helped to offset continued decline in the adult student population. As a result of the strong labor market and upward wage pressure, many of these prospective students have opted, instead, for entry-level jobs. Given that many of its students are the first generation to attend college and are lower income, CCCS is focused on affordability which limits net tuition revenue growth. Management projects that fall 2023 system enrollment will be at least flat if not marginally up compared to fall 2022.

Operating performance: continued narrow operating performance with growing state support helping to offset limited net revenue growth

Operating performance will remain positive, but narrow, given limited ability to grow net tuition revenue. The fiscal 2022 EBIDA margin was 10.3% with a three-year average EBIDA margin of 8%. Revenue is concentrated with 46% consisting of tuition and auxiliaries. State support is an important element underpinning credit quality. Notwithstanding a one-time funding cut to all public institutions in 2021, state support for CCCS has increased in recent years averaging over 19% of operating revenue over the last five years. General fund appropriations include the annual fee for service contracts, which cover educational services related to low income, first-generation, and underserved students and performance funding related to metrics like student completion and retention, and

the College Opportunity Fund, a stipend granted to undergraduate students that we include in net tuition revenue. In addition, CCCS receives a portion of limited gaming revenue funds.

Based upon preliminary budgeted financial reports provided by management, we expect 2023 margins to remain positive but be thinner than 2022. Fiscal 2023 revenue is supported by a 13% increase in general fund appropriations and \$45 million of remaining HEERF funds. For fiscal 2024, we expect continued narrowing of margins with compensation increases of about 5% and a projected increase in general fund appropriations of about 11%. With limited opportunity to materially increase net student revenue and the conclusion of federal stimulus programs, CCCS's ability to manage expenses will be an important element of credit quality particularly in the event of a decline in state funding.

Wealth and liquidity: relatively sizeable total cash and investments provides some financial cushion

Total wealth will remain sizeable compared with peers with total cash and investments of \$432 million in fiscal 2022, an increase of 32% since fiscal 2018. Total cash and investments, though sizeable, covers operating expenses by a limited 0.6x which is somewhat weaker compared to peers due to CCCS's large expense base.

Liquidity

Liquidity will remain sound. For fiscal 2022, monthly liquidity totaled \$345 million proving 190 days cash on hand which is stronger than peers.

Leverage: manageable financial leverage with elevated pension exposure

Financial leverage will remain manageable. Fiscal 2022 total cash and investments only provided .2x coverage of total adjusted debt, which is low compared to peers. Debt affordability, however, is more favorable with total debt to EBIDA of 1.9x, lower than peers. As of June 30, 2022, total debt was about \$142 million and inclusive of a substantial adjusted net pension liability, total adjusted debt was \$2.3 billion. Management reports the potential for a new issuance of \$17 million as part of a \$21 million addition to the Diesel Power and Construction Trades building on the Aurora campus. CCCS has been reinvesting in its physical plant with an age of plant in 2022 of 13.8 years which is comparable to peers.

Debt structure

Outstanding debt is fixed rate and rapidly amortizing with decreasing debt service payments through 2048.

Legal Security

CCCS's outstanding bonds are payable from and secured by net revenue, which include gross revenue less operations and maintenance expenses. Gross revenue includes 10% of tuition revenue, revenue derived from facilities construction fees, special fees (assessed to students with respect to any facility) and other fee assessed to employees or other persons for use of any facility. In addition, it includes all mandatory student and faculty service fees, federal direct payments and any other income and any fees and revenue that the board may determine to include. For fiscal 2022, net pledged revenue totaled \$28.4 million which covered maximum annual debt service of \$7.4 million by 3.83x. In April 2022, the governor signed a law that increased the net tuition available as pledged revenue to 100% from 10% and CCCS's board is in the process of adopting this change.

There are no debt service reserve funds. However, there is a requirement that CCCS fund a minimum bond reserve equal to the average annual principal and interest payments through a reserve fund or a qualified surety bond. All CCCS bond issues currently have surety bonds in place to guarantee the minimum reserve requirement. There is a rate covenant under which the board agree to impose fees and charges to ensure gross revenue is sufficient to pay debt service and operations and maintenance expenses.

Debt-related derivatives

None

Pensions and OPEB

CCCS has substantial 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) was \$2.1 billion for fiscal 2022. Total adjusted debt to operating revenue, including this additional debt-like obligation, was 3.1x which is significantly weaker than peers. State pension reforms enacted during 2018 will lower accrued liabilities and improve pension funding

trajectories resulting in a decrease in the magnitude of future potential expense pressure. Pension expense as a percentage of overall expenses was moderately high at about 5%.

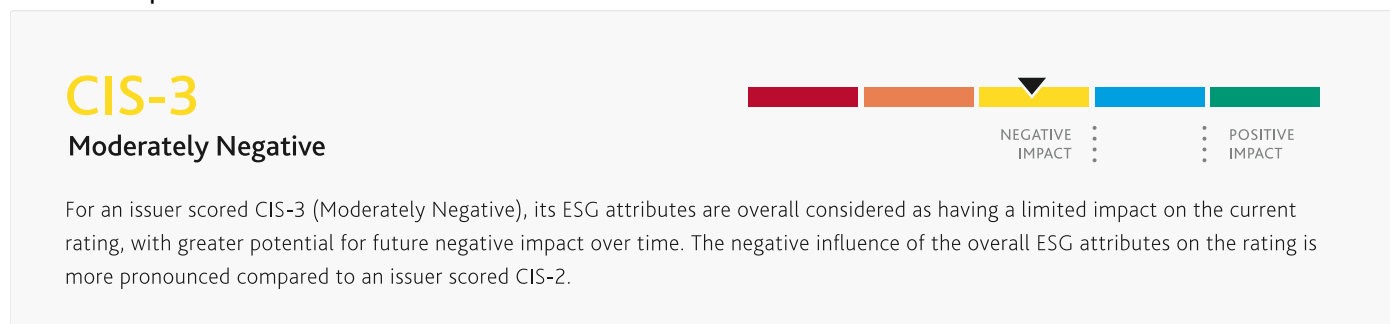
Other post-retirement employment benefits are provided to eligible employees primarily through the PERA Health Care Program. CCCS's share of the net OPEB liability was less than 1% of expenses in fiscal 2022.

ESG considerations

Colorado Community Coll.Sys.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 3

ESG Credit Impact Score

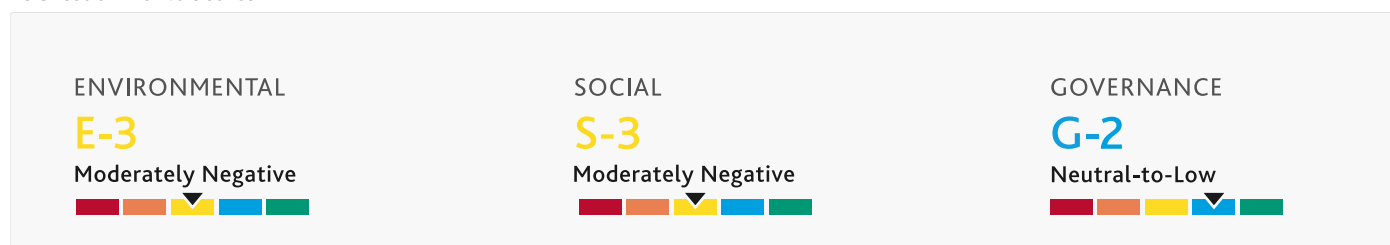


Source: Moody's Investors Service

Colorado Community College System's credit impact score is moderately negative (**CIS-3**). Its ESG risk exposures are partially mitigated by its sizeable total wealth and sound liquidity.

Exhibit 4

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

CCCS's exposure to environmental risks is moderately negative (**E-3**) driven by physical climate risks while most other categories have neutral-to-low scores. Moderately negative physical climate risks stem from considerable water stress and wildfire risks at certain campuses throughout the system. With regard to carbon transition and alternative energy, several of the colleges offer degree and other programs designed to foster workforce preparation for alternative energy fields.

Social

CCCS's exposure to social risks (**S-3**) includes demographic and societal trends, customer relations and human capital risks. Consistent with most higher education providers, the system has a mission aligned with positive social impact through education and service and those favorable impacts increase the likelihood of ongoing support from the state. However, the system's student market remains highly competitive. A strong labor market has attracted prospective traditional age students to enter the workforce. Favorably, the system benefits from its considerable scale with 13 campuses across the state as well as growth in high school student enrollment. Customer relations risks are introduced by a high reliance on tuition revenue and a price sensitive student population. Favorably, increases in state funding are supportive of good state relations. Human capital risks are introduced by exposure to a large unfunded state pension obligation.

Governance

CCCS's exposure to governance risks is neutral-to-low (**G-2**). While budgeting is undertaken at the individual colleges, fiscal oversight is provided by system management. Unlike many community colleges, CCCS has sizeable total wealth and sound liquidity. Public colleges typically have some board structure and governance risks given their lack of full independence from the state which allows for exposure to potential political considerations that could create misalignment to institutional priorities. For CCCS, moderately negative board structure risks are introduced by the selection process, with voting trustees appointed by the governor and confirmed by the state senate.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was the [Higher Education Methodology](#) published in August 2021. 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 brand and strategic positioning, financial policy and strategy, and operating environment on a qualitative basis.

Exhibit 5

Colorado Community College System, CO

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	737	Aa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	A	A
Operating Environment	Aa	Aa
Factor 3: Operating Performance (10%)		
EBIDA Margin	10%	A
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	432	Aa
Total Cash and Investments to Operating Expenses	0.6	A
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.2	Baa
Annual Debt Service Coverage	8.9	Aaa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		A1
Assigned Rating		Aa3

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.

Fiscal 2022 values

Source: Moody's Investors Service

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CREDIT OPINION

25 April 2024


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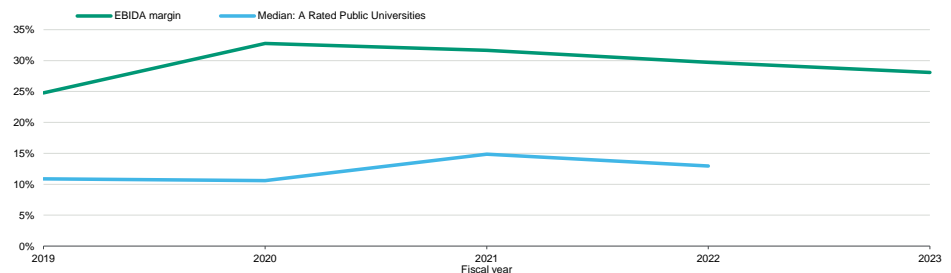
Colorado Mesa University

Update to credit analysis

Summary

[Colorado Mesa University's](#) (A2, stable) ("CMU") very good credit quality reflects the college's important role for Western Colorado, as a provider of both technical and academic programs. The importance of the institution is further evidenced by its unique funding support from the Cities of Grand Junction and Montrose, and Mesa County. Very strong EBIDA margins, averaging nearly 30% over the past five years, and recent increases in state appropriations further support the university's credit quality. Prudent financial management including broad strategic initiatives to attract and retain students will continue to foster strong operating performance. Further, growing wealth and liquidity levels support the university's considerable debt burden with total debt to revenue of around 1.3x and high reliance on student charges.

Exhibit 1

Very strong EBIDA margins supported the university's very good credit quality


Source: Moody's Ratings

Credit strengths

- » Solid market position and importance as a provider of higher education in the western portion of the state
- » Consistently strong EBIDA margins averaging nearly 30% over the past 5 years
- » Continued growth of liquidity translating to a favorable 305 days cash on hand at 2023 fiscal year end

Credit challenges

- » High reliance on tuition and fees to fund operations
- » Elevated financial leverage total adjusted debt at nearly 2x operating revenue including a large net pension liability
- » Generally flat enrollment highlighting broader market competition

Rating outlook

The stable outlook incorporates expectations that the university will continue to maintain strong EBIDA margins supported by modest tuition growth and more recent improvements in state appropriations. Additionally, wealth and liquidity levels will continue to support expectations of no planned borrowings to support capital.

Factors that could lead to an upgrade

- » Material reduction in leverage
- » Significant strengthening of student demand evidenced by multi-year enrollment growth
- » Sustained improvement in operating funding from Aa1-rated State of Colorado
- » Enhanced rating: upgrade in the State of Colorado issuer rating

Factors that could lead to a downgrade

- » Substantial increase in direct debt absent corresponding increases in cash flow
- » Reductions in liquidity
- » Material growth of expenses leading to material decline of EBIDA margins
- » Enhanced rating: deterioration in credit quality of the State of Colorado Rating or observation that the program does not function as contemplated

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

COLORADO MESA UNIVERSITY

	2019	2020	2021	2022	2023	2023 Sensitivity 2024 Bonds	Median: A Rated Public Universities
Total FTE Enrollment	7,440	7,314	7,155	7,099	7,174	7,174	8,977
Operating Revenue (\$000)	137,695	142,966	147,626	173,376	170,418	170,418	244,842
Annual Change in Operating Revenue (%)	7.2	3.8	3.3	17.4	-1.7	-1.7	5.3
Total Cash & Investments (\$000)	107,149	122,889	134,897	140,199	163,967	163,967	246,428
Total Adjusted Debt (\$000)	338,904	330,223	327,727	331,852	337,237	333,617	366,930
Total Cash & Investments to Total Adjusted Debt (x)	0.3	0.4	0.4	0.4	0.5	0.5	0.7
Total Cash & Investments to Operating Expenses (x)	0.8	1.0	1.1	1.0	1.1	1.1	1.1
Monthly Days Cash on Hand (x)	220	277	264	256	307	307	193
EBIDA Margin (%)	24.8	32.8	31.7	29.7	28.5	28.5	12.9
Total Debt to EBIDA (x)	6.6	4.7	4.6	4.2	4.7	4.7	4.1
Annual Debt Service Coverage (x)	2.3	2.7	2.7	3.2	3.0	3.0	3.1

2023 Sensitivity includes proposed Series 2024A refunding bonds

Source: Moody's Ratings

Profile

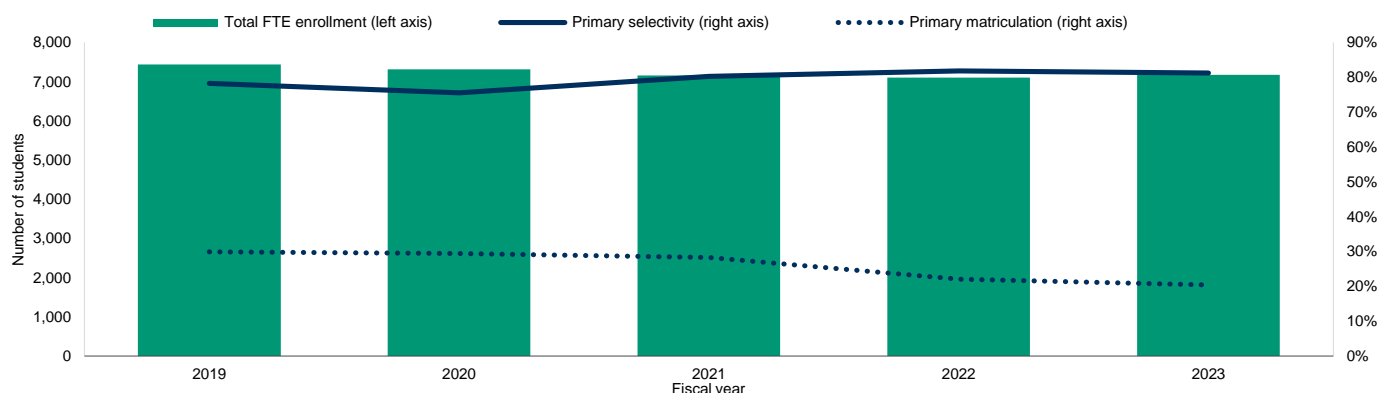
Colorado Mesa University is a regional public university located in Grand Junction, CO. As a regional public university, CMU serves as an important education provider in western Colorado, further evidenced by its unique funding support from the Cities of Grand Junction and Montrose, and Mesa County. In addition to its undergraduate and graduate programs, the university owns and operates a community college, delivering career and technical education, and a teaching hotel. In fiscal 2023, Colorado Mesa generated operating revenue of \$170.4 million and enrolled 7,174 full-time equivalent (FTE) students as of fall 2023.

Detailed credit considerations

Market profile

Colorado Mesa University's very good strategic position will continue, supported by its strong regional presence in the western portion of the State of Colorado. The university, which has three campuses and serves 14 counties in the western Colorado, has relatively low tuition and fee pricing (third lowest in-state tuition and fees in Colorado) and attractive facilities. Enrollment prospects are generally stable. Future enrollment growth prospects are driven by the university's constant assessment of programmatic needs to serve the community. As such, the university has an industry advisory group for each college that looks at both return on investment and community needs to refine and grow offerings. Additionally, through its CMU Distinctives initiative, the university offers a stackable credit model helps meet student demand and balance price sensitivity. Further, the university continues to broaden its reach to surrounding rural counties which has helped support enrollment management.

Exhibit 3

Stable enrollment driven by strong regional presence in Western Colorado

Source: Moody's Ratings

Operating performance

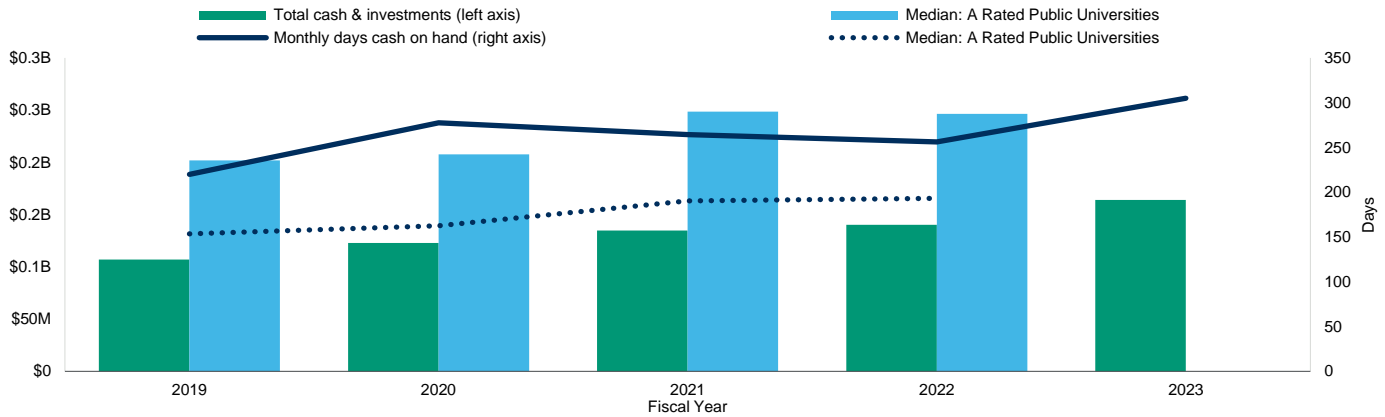
Expectations of very strong EBIDA margins are supported by a continued combination of revenue growth and modest expense growth. CMU reported an EBIDA margin of 28.1% in fiscal 2023 and has averaged 26% over the past ten years, well above peers of similar credit quality. Margins are expected to remain strong in the coming years with continued favorable state support and enrollment prospects. Through February 2024, the university had \$53 million net income compared to \$47 million in prior years. The university, like other Colorado public universities, relies heavily on tuition, student fees, and auxiliaries to fund operations, at approximately 72%. In 2020, the university embarked on a revenue diversification strategy by building a hotel on its campus. The hotel somewhat helps offset the university's reliance on student charges. Hotel Maverick includes 60 rooms, a classroom for teaching and a restaurant and bar. Based on audited financial statements net income was approximately \$1.3 million for the hotel.

The State of Colorado's funding for higher education has been historically weak compared to similarly rated peers, but has consistently improved in more recent years. The state primarily funds higher education through two vehicles: the college opportunity fund (COF) and fee-for-service (FFS). In fiscal 2023, funding from those sources was \$40 million, with anticipated growth to \$45 million in fiscal 2024. In addition to state funding, CMU receives additional support from the City of Grand Junction (unrated), [Mesa County](#) (Aa2 stable), and the City and County of Montrose (unrated), further illustrating its importance to the region.

Financial Resources & Liquidity

Liquidity at CMU will remain sound for its overall credit quality despite continued capital investment. In fiscal 2023, available liquidity was \$127 million, providing a healthy 307 days of monthly days cash. The university has favorably grown spendable cash and investments over 200% over the past ten years. Additionally, the university has continued to build wealth, 180% growth over ten years, through fundraising initiatives and prudent investment management of the endowment. Additionally, expectations of cash preservation are maintained through continued fundraising initiatives and additional state support for the largest capital projects, which include a performing arts expansion and renovation, electrical and computer engineering building and a campus geothermal exchange that should yield material utility expense savings.

Exhibit 4
Continued growth of wealth and liquidity helps close gap to peers



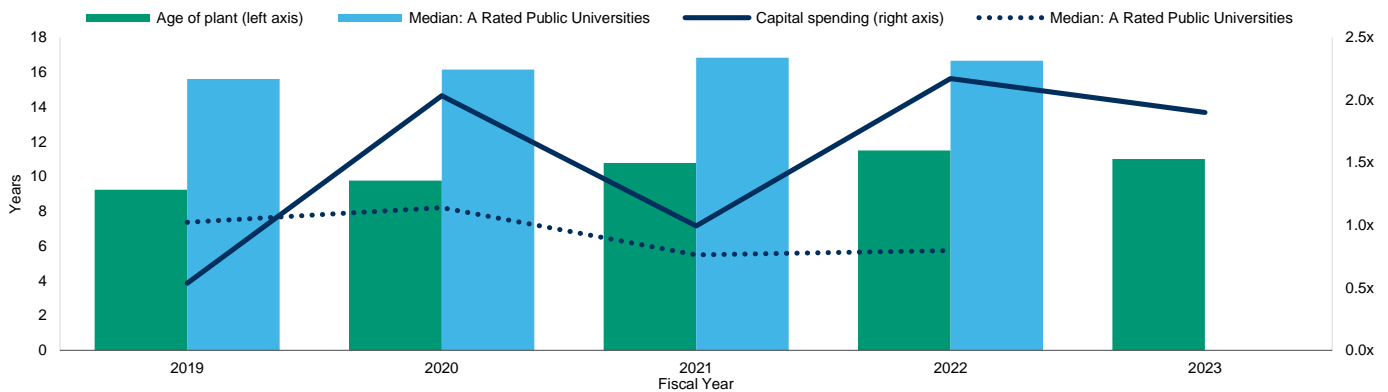
Source: Moody's Ratings

Leverage & Coverage

CMU's financial leverage will remain elevated compared to peers, but will improve through gradual debt amortization. Further pressuring leverage metrics is the university's pension exposure. The university participates in 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 average adjusted net pension liability (ANPL) for the university was \$110 million for fiscal 2023. Favorably, the university's debt is fixed rate with a majority of debt covered by the State of Colorado's Intercept program. Financial leverage, measured by spendable cash and investments to total debt, in fiscal 2023 was 0.57x, continued to be weak compared to peers however has continued to improve from the last 10 years. Favorably, total debt to EBIDA was a favorable 4.7x in fiscal 2023.

On December 14, 2023, the CMU board approved an updated master resolution. Key provisions under the new resolution include: new financings having a subordinate lien on net revenues with respect to current outstanding debt issued under the prior resolution, a debt service coverage of 1:1 calculation, although so long as the prior resolution is in place a 1.25x coverage is required, and provides, with board approval, the opportunity to issue variable rate debt or swaps/interest rate exchange agreements. The proposed Series 2024A bonds will be issued under the updated master resolution and therefore are subordinate to current outstanding debt. Management calculated coverage under outstanding debt was 6.28x with proforma debt service coverage of 12.86x on the proposed Series 2024A bonds.

Exhibit 5
High capital spending supports favorable age of plant



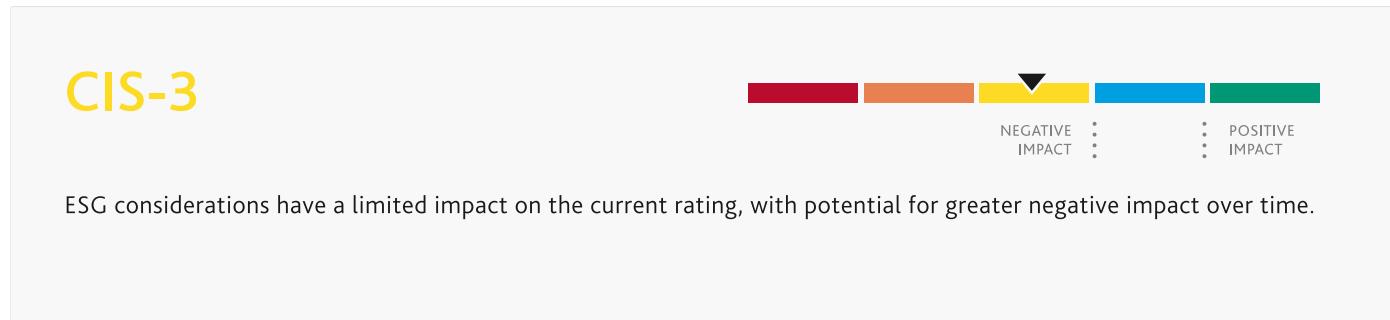
Source: Moody's Ratings

ESG considerations

Colorado Mesa University's ESG credit impact score is CIS-3

Exhibit 6

ESG credit impact score



Source: Moody's Ratings

Colorado Mesa University's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. The university's good regional market position and its fiscal discipline partially mitigate its ESG risk exposures.

Exhibit 7

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Colorado Mesa's exposure to environmental risks (**E-3**) reflect its location in Grand Junction, Colorado which provides high exposure to water stress given the water issues facing the Upper Colorado River Basin. Favorably, the university is positioned to help address water issues by offering programs through its Hutchins Water Center for both students and the public. Additionally, continued plans to be the first university in America to be fully heated and cooled by a geo-exchange system support plans to reduce environmental impacts on the university.

Social

Colorado Mesa's exposure to social risks (**S-4**) includes demographic and societal trends, customer relations and human capital risks. Consistent with most higher education providers, the university has a mission aligned with positive social impact through education and service and those favorable impacts increase the likelihood of ongoing support from the state. However, the university's student market remains highly competitive with minimal enrollment growth over the past several years. Favorably, Colorado Mesa's strong regional presence as a provider of higher education in the western portion of the state and well-maintained facilities provide good market differentiation. Customer relations risks are introduced by a high reliance on tuition revenue and a price sensitive student population. Human capital risks are introduced by exposure to a large unfunded state pension obligation.

Governance

Colorado Mesa's exposure to governance risks (**G-2**) reflect management's sound financial planning and conservative budget practices that have produced strong operating results. Public universities typically have some board structure and governance risks given their

lack of full independence from the state which allows for exposure to potential political considerations that could create misalignment to institutional priorities. For Colorado Mesa, moderately negative board structure risks are introduced by the selection process, with voting trustees appointed by the governor and confirmed by the state senate

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Exhibit 8

Colorado Mesa University

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	170	A
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	A	A
Operating Environment	Baa	Baa
Factor 3: Operating Performance (10%)		
EBIDA Margin	29%	Aaa
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	164	Aa
Total Cash and Investments to Operating Expenses	1.1	Aa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.5	A
Annual Debt Service Coverage	3.0	Aa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		A1
Assigned Rating		A2

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.

Fiscal 2023 values

Source: Moody's Ratings

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CREDIT OPINION

28 February 2024



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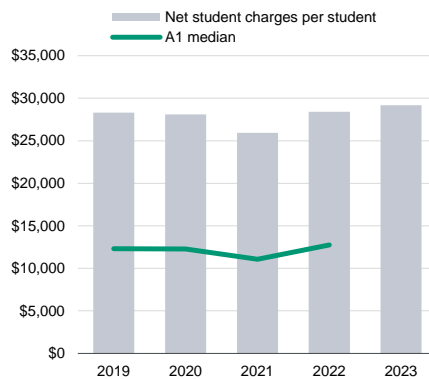
Colorado School of Mines

Update to credit analysis

Summary

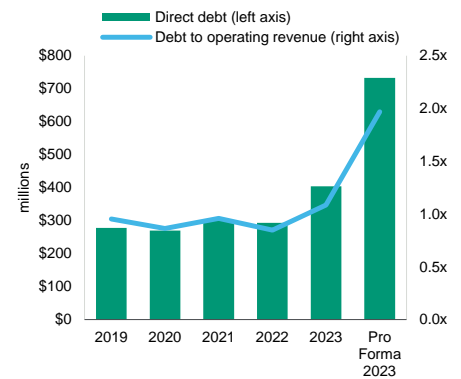
[Colorado School of Mines](#) (Mines, A1 stable) credit profile reflects its very good strategic positioning benefitting from an established niche in earth sciences, energy and the environment, drawing steady increases in enrollment, net tuition and auxiliary revenue, and research activity. Mines is facing very high and rising leverage, driven by a substantial increase in direct debt leverage stemming from its student-centric focused Master Plan, with pro forma new debt plus debt issued in fall 2023 elevating pro forma debt to revenue to a very high 2x and pro forma total debt to EBIDA moving to nearly 20x, Mines credit health will be increasingly tied to gains in EBIDA, including timely construction and net revenue gains of student housing investments. Mines wealth, liquidity levels, and strong donor support partially offset limited operating and capital support from the [State of Colorado](#) (Aa1 stable issuer rating) and high reliance on economically sensitive student charges. Mines also has a high underfunded pension liability, but Mines closure of the plan to new participants and recent state-enacted pension reforms should lower future potential expense pressure.

Exhibit 1
Strong net per student charges helps support...



Net student charges include net tuition and auxiliary revenue per student.
Source: Moody's Investors Service

Exhibit 2
...significant increase in leverage largely for housing



Pro Forma 2023 includes approximately \$329 million of fiscal 2024 debt issues.
Source: Moody's Investors Service

Credit strengths

- » Well established niche in earth sciences, energy and the environmental programs with strong student demand and growing enrollment
- » Solid cash and investments of \$578 million and sound monthly liquidity of 150 days
- » Comparatively strong donor support averaging \$37 million annually over the fiscal 2021-23 period, bolstered by a \$500 million capital campaign
- » Research enterprise supports market strength and adds revenue diversity

Credit challenges

- » Very high and rising financial leverage
- » Constrained tuition setting flexibility despite rate autonomy due to student affordability sensitivities in a highly competitive student market
- » Very low state funding for operations and very limited state capital support
- » Large unfunded pension liability adds substantial debt-like liabilities and inflexible costs

Rating outlook

The stable outlook rating reflects our expectations that Mines will maintain strong student demand and rising net tuition and auxiliary revenue. The stable outlook is also predicated on maintaining wealth and liquidity strengths, and continued fiscal discipline to effectively manage operating performance as well as the pace of debt and capital investment beyond the current planned issuance.

Factors that could lead to an upgrade

- » Substantial improvement in flexible financial resources combined with a material reduction in financial leverage
- » Further strengthening of brand, demonstrated by increased student demand and growth in revenue and donor support

Factors that could lead to a downgrade

- » Material increase in leverage, beyond current planned debt, absent strengthened wealth
- » Inability to strengthen EBIDA and return to over 2.0x debt service coverage once new housing is open
- » Disruption to enrollment or inability to achieve gains in net tuition and auxiliary revenue
- » Material reduction in monthly days cash on hand

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 3

Colorado School of Mines, CO

	2019	2020	2021	2022	2023	Pro Forma 2023	Median: A Rated Public Universities
Total FTE Enrollment	6,289	6,370	6,706	6,958	7,095	7,095	8,977
Operating Revenue (\$000)	291,309	312,649	312,714	346,156	372,246	372,246	244,842
Annual Change in Operating Revenue (%)	8.3	7.3	0.0	10.7	7.5	7.5	5.3
Total Cash & Investments (\$000)	493,959	525,862	603,693	562,763	577,667	577,667	246,428
Total Adjusted Debt (\$000)	956,071	916,842	879,284	867,132	918,741	1,247,766	366,930
Total Cash & Investments to Total Adjusted Debt (x)	0.5	0.6	0.7	0.6	0.6	0.5	0.7
Total Cash & Investments to Operating Expenses (x)	1.7	1.8	2.0	1.7	1.5	1.5	1.1
Monthly Days Cash on Hand (x)	170	190	199	182	150	150	193
EBIDA Margin (%)	13.1	14.1	14.9	13.8	10.3	10.3	12.9
Total Debt to EBIDA (x)	7.3	6.1	6.4	6.1	10.6	19.2	4.1
Annual Debt Service Coverage (x)	2.0	2.5	2.1	2.3	1.7	1.7	3.1

Pro Forma 2023 reflects fiscal 2023 data with impacts of Series 2023C bonds and planned Series 2024A bonds; coverage does not include incremental net housing revenue.

Source: Moody's Investors Service

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, though now offers degrees across a broad range of STEM disciplines. In fiscal year 2023, Mines recorded \$372 million in operating revenue and for fall 2023, enrolled 7,095 full-time equivalent enrollment (FTE) students.

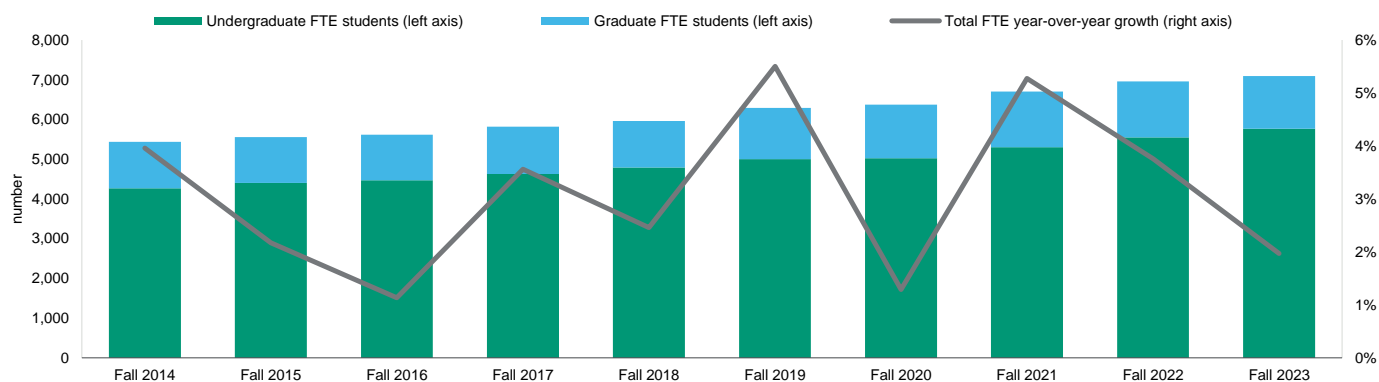
Detailed credit considerations

Market profile

Mines student demand will remain strong with broad geographic reach due to its primary offerings in highly sought science, technology, engineering and mathematics (STEM) programs. In contrast to national trends, Mines overall headcount enrollment rose 15% from fall 2019 to fall 2023, to roughly 7,600 students, with growth occurring across both undergraduate and graduate programs. Mines broad geographic reach is reflected in undergraduate nonresidents comprising 43% of fall 2023 undergraduate headcount. The Fall 2023 slight dip in first-time matriculants to 1,452 students was a deliberate strategy to reduce the first year class size.

Exhibit 4

Consistent FTE enrollment growth over the last decade



Source: Moody's Investors Service and Colorado School of Mines

Mines will continue to record good research activity relative to its scope of operations, bolstered by its R1 research status. Research activity of \$65 million in fiscal 2023 comprised 17% of expenses, well above rated peers median of about 3%. Over two-thirds of Mines research revenue is derived from federal contracts, primarily with the Department of Energy and the National Science Foundation.

Operating performance

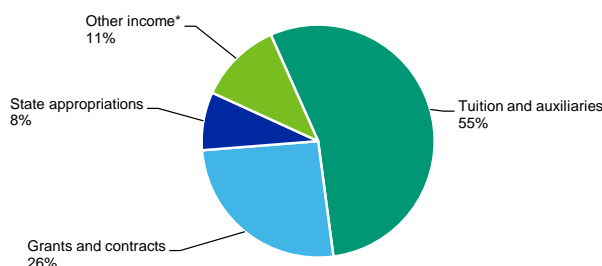
Financial operations will face elevated expense pressures in the near term as Mines navigates an inflationary environment, executes on several relatively large-scale construction projects, and begins to absorb debt service related to new issuances during fiscal 2023 and fiscal 2024. With modest, though improved, state operating and capital support, and high reliance on net student revenue, operating performance will remain pressured due to rising labor costs and the implementation of new strategic capital initiatives. Further, as currently planned, the absence of capitalized interest for Mines Park housing Phase II will add to performance pressures through the construction and lease-up phases. The fiscal 2023 EBIDA margin dipped to 10%, providing a 1.7x debt service coverage.

Mines will remain reliant on growth of net tuition and auxiliary revenue, given the modest state operating support, though grant and contract revenue provides favorable revenue diversity. Fiscal 2023 state support of \$30 million comprised 8.1% of operating revenue, below the A1-median of 24%. State funding includes both the College Opportunity Fund (COF), a stipend granted to undergraduate students that we include in net tuition revenue, and the annual fee for service (FFS) contracts, which cover graduate students and other designated programs.

Exhibit 5

Student charges and research activity will continue to offset modest state operating support

Fiscal 2023, revenue distribution



Source: Moody's Investors Service

Financial resources and liquidity

Mines total cash and investments will continue to provide a solid cushion to operating expenses, although growth will remain muted as the college allocates identified reserves and gift support to strategic projects. Fiscal 2023 total cash and investments of \$578 million were up 17% since fiscal 2019, a modest increase relative to peers, and covered expenses by 1.5x. The Mines foundation endowment was \$404 million as of June 30, 2023, recording an annual 8.2% return.

Donor support remains an important revenue source for capital needs, scholarships and identified strategic areas of investment. Higher annual gift support in recent fiscal years is a result of the college's current campaign, MINES@150. The campaign, with a revised goal of \$500 million, is on track to conclude in 2025. Management reports average annual gift support of nearly \$31 million over fiscal 2020-23.

Liquidity is adequate at roughly \$143 million or 150 monthly days cash on hand for fiscal 2023, though modest relative to the A1-median of 213 days. With ongoing capital needs, liquidity is expected to remain relatively stable, though ongoing reserve allocations and gift support will result in some variability. Monthly liquidity covers \$34 million of demand debt by a strong 4.2x.

Leverage and coverage

Mines high leverage will continue to rise due largely to its Master Plan to enhance the student experience. The plan includes adding housing for an additional 1,450 students, which would bring on campus housing availability to roughly half of undergraduates from its

current one-third. Pro forma debt will rise to approximately \$730 million for fiscal 2024. While overall debt will nearly double during the fiscal 2023-24 period, following the fall 2023 issue and planned spring 2024 issue, when all units are online, expected during fiscal years 2026-27, the majority of incremental debt is expected to be self-supporting.

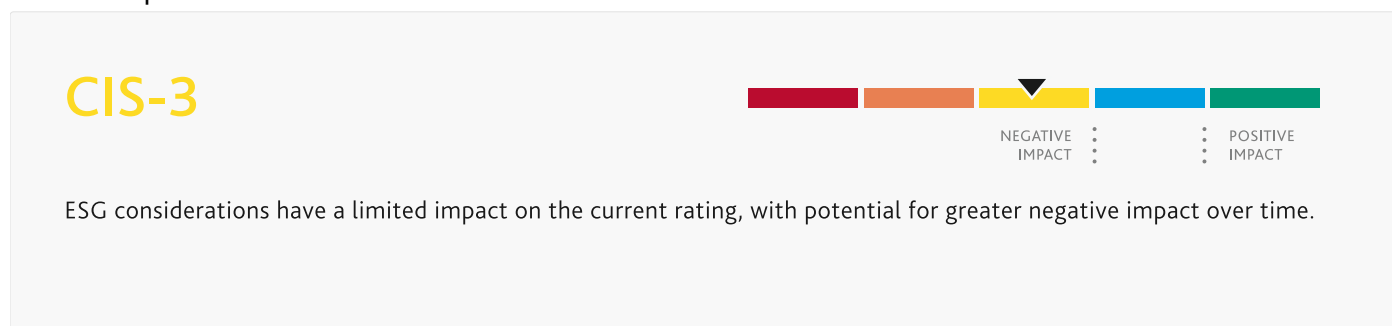
Similarly, total adjusted debt will remain high due to ongoing capital needs, limited growth in cash and investments, and a high \$574 million Moody's adjusted pension liability associated with the Colorado Employees Retirement System defined benefit plan. Fiscal end 2023 cash and investments to total adjusted debt was 0.6x for fiscal 2023 and weakens to 0.5x with the fiscal 2024 debt issuances. Total adjusted pro forma debt to operating revenue is estimated at 3.4x.

A new building (Energy and Minerals Research Facility, EMRF) to house the relocated United States Geological Survey (USGS) will be located on Mines land and will be funded by federal appropriations, currently estimated at \$240 million. Mines has executed both a ground lease and occupancy lease with the USGS for a term of 99 years.

ESG considerations

Colorado School of Mines' ESG credit impact score is CIS-3

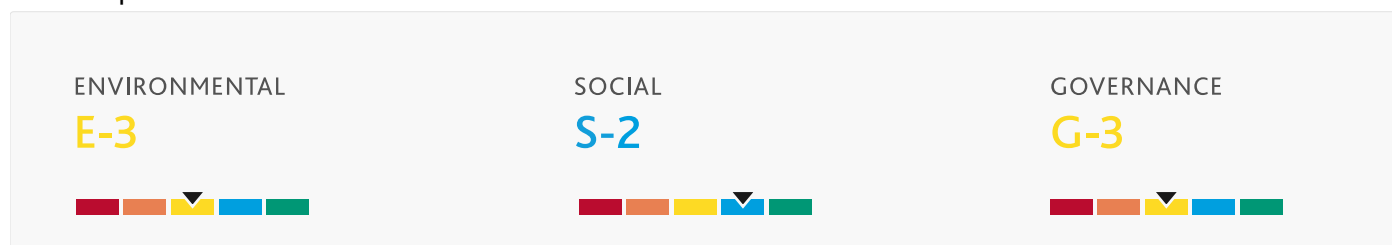
Exhibit 6
ESG credit impact score



Source: Moody's Investors Service

Mines' credit impact score (**CIS-3**) indicates that ESG considerations have limited impact on the current credit rating with potential for greater impact over time. Mines' very good strategic positioning and demonstrated financial stewardship partially mitigate its ESG risks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Investors Service

Environmental

Mines' (**E-3**) incorporates elevated physical climate risks stemming from high wildfire and water stress risks in the Golden, Colorado area. Regarding carbon transition, Mines serves a unique role in providing curriculum and expertise for employment opportunities in some carbon-intensive industries or work in industries that are developing carbon capture and energy transition techniques.

Social

Mines' issuer profile score (**S-2**) stems from its very good brand and strategic positioning and solid enrollment growth, with notable revenue diversity. The school has a mission aligned with positive social impact through education, research and service. Customer

relations are informed by favorable revenue diversity with good donor support and research activity stemming from Mines' established niche in earth sciences, energy and the environment, offset by fairly limited state operating and capital support. Strong graduation rates and high median ten-year income for graduates are favorable indicators of customer relations for students. Demographic and societal trend risks are neutral to low. While the university confronts tuition affordability sensitivities, a high in demand program mix should sustain steady demand. Exposure to a state defined benefit plan and faculty tenure introduce human capital risks.

Governance

Mines' governance issuer profile score (**G-3**) incorporates risks related to financial strategies and board structure. With its rapid growth, the school continues to invest in campus facilities through a variety of sources including debt and partnerships. The resulting elevated leverage introduces potential financial strategy and risk management sensitivities. Favorably, Mines' historical track record for budget discipline and sound operating performance underpins management credibility. Similar to many public universities, board structure risks are introduced by the selection process, with seven of the nine voting members of the board of trustees appointed by the Colorado governor. This structure adds exposure to potential political considerations which could create misalignment to institutional priorities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The [Higher Education rating 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 brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 8

Colorado School of Mines, CO

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	372	A
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	A	A
Operating Environment	A	A
Factor 3: Operating Performance (10%)		
EBIDA Margin	10%	A
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	578	Aa
Total Cash and Investments to Operating Expenses	1.5	Aaa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.5	A
Annual Debt Service Coverage	1.3	Baa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		A1
Assigned Rating		A1

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.

Values reflect fiscal 2023 data with impacts of Series 2023C bonds and planned Series 2024A bonds; coverage does not include incremental housing net revenue.

Source: Moody's Investors Service

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Summary:

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

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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

Credit Profile

Colorado School of Mines Board of Trustees Institutional enterprise rev bnds ser 2024A due 12/01/2059

<i>Long Term Rating</i>	AA/Stable	Upgraded
<i>Underlying Rating for Credit Program</i>	A+/Stable	Rating Assigned

Credit Highlights

- S&P Global Ratings raised its long-term rating two notches to 'AA' from 'A+' on the Colorado School of Mines Board of Trustees' (Mines) estimated \$196.74 million series 2024A institutional enterprise revenue bonds, reflecting the inclusion of these bonds in the Colorado Higher Education State Aid Intercept Program.
- At the same time, S&P Global Ratings assigned its 'A+' underlying rating (SPUR) to Mines' series 2024A institutional enterprise revenue bonds.
- Finally, S&P Global Ratings affirmed its 'AA' rating on Mines' state aid intercept eligible bonds outstanding.
- The outlook is stable.

Security

This series 2024A bonds are on parity with the school's other enterprise revenue bonds, which represent the majority of its debt outstanding. The series 2024A bonds are secured by a subordinate lien on a net revenue pledge, which includes 100% of student tuition revenue, certain student fees, revenue derived from pledged facilities, and indirect cost recoveries. 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 \$5 million in prior obligations (series 1999). 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.

Credit overview

The long-term rating reflects our view of the Mine's eligibility and participation in the Colorado Higher Education State Aid Intercept Program, and the creditworthiness of the state of Colorado, as reflected in our issuer credit rating (ICR; AA/Stable) on the state.

We rate bonds in the program on par with the state ICR, reflecting Colorado's state aid withholding legislation that requires the state treasurer to advance money to the bond paying agent on a timely basis if a shortfall exists in debt service funds to pay debt service on qualified debt. The state treasurer will advance this debt payment on debt from

immediately available funds, which we view as legally available funds in the event it is notified by the trustee that the institution fails to meet its debt service obligations. The credit characteristics of the program are supported by the strength and availability of state aid to the intercept program participants, as applied under our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," criteria published Nov. 20, 2019, on RatingsDirect. The program rating moves in tandem with that of the state ICR.

For further information on Mines, please see our analysis on the Colorado School of Mines Board of Trustees, published March 5, 2024, on RatingsDirect.)

Our ratings on the bonds under the program also reflect:

- An independent paying agent, which notifies the state one business day in advance of a potential default;
- The state treasurer's statutory requirement to pay debt service to the paying agent on the due date to allow for timely payment to bondholders;
- Ample state liquidity to cover debt service payments; and
- Strong oversight of the program, including limits on the maximum annual debt service (MADS) on intercept bonds for each institution and a rating in one of the three highest categories.

Colorado enacted the withholding program on June 4, 2008, as part of its revised Statutes (CRS) Section 23-5-139. Based on the provisions of this law, state-supported institutions of higher education are covered under this program unless they choose to opt out before bond issuance by resolution delivered to the state treasurer. Eligible financings include revenue bonds issued by a state-supported institution of higher education on, or after, June 4, 2008. Colorado statutes require a participating state-supported institution of higher education to file with the state treasurer a copy of the resolution that authorizes the issuance of bonds.

The state attorney general's office has clarified that it will cover debt service payments even if it determines that an institution of higher education is unlikely to repay the advanced funds. Therefore, there is no requirement that existing state aid cover future MADS as long as it is expected that an institution of higher education will continue participating in the withholding program and be eligible for future state aid payments.

If a paying agent has not received a debt service payment by the business day before the due date, the agent will notify the state treasurer and the institution of higher education. After notification, the state treasurer will contact the institution of higher education to determine whether payment will be made. If the institution cannot make the payment, the state treasurer will forward the amount necessary, in immediately available funds, to the paying agent to be applied only to debt service, even if the state determines it is unlikely to be repaid in full by future state aid in the following 12 months.

The state treasurer's policy stipulates that payment will be made on the due date to allow for timely payment to bondholders. Whenever the state treasurer is required by this section to make a payment of principal of, or interest on, bonds or other obligations on behalf of an institution, the department of higher education is required to initiate an audit of the institution to determine the reason for the nonpayment and to assist the institution, if necessary, in developing and implementing measures to ensure that future payments will be made when they are due.

As provided in Section 11 of Article II of the state constitution, Colorado also covenants with the purchasers and owners of bonds issued by institutions that it will not repeal, revoke, or rescind the provisions of this section of the state statutes or modify or amend this section so as to limit or impair the rights and remedies granted thereunder.

Environmental, social, and governance factors

Our environmental, social, and governance factors on the bonds reflect those of the state of Colorado. (For additional information, see "State Brief: Colorado," published June 14, 2023).

Outlook

The stable outlook on the long-term rating reflects our view of the strength of Colorado Higher Education State Aid Intercept Program for state-supported institutions of higher education as well that of the state.

Downside scenario

Deteriorating fiscal performance and evidence of weaker commitment to fiscal discipline, as demonstrated by lower reserves and significant reliance on one-time measures to address revenue shortfalls, could lead to a negative rating action. A significant decrease in Colorado's combined pension funded ratios either from reduced commitment to pension funding or asset declines could also lead to a lowered rating.

Upside scenario

A higher rating or positive outlook on the state ICR would likely require demonstration of sustained revenue or expenditure flexibility throughout the economic cycle, in light of Colorado's Taxpayer Bill of Rights limitation on revenue growth and constitutional formula mandates for school spending.

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 6, 2024)		
Colorado Sch of Mines Brd of Trustees PCU_USF		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Current
Colorado Sch of Mines Brd of Trustees SCHSTPR		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Current

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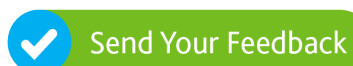
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CREDIT OPINION

14 February 2024



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Colorado State University System, CO

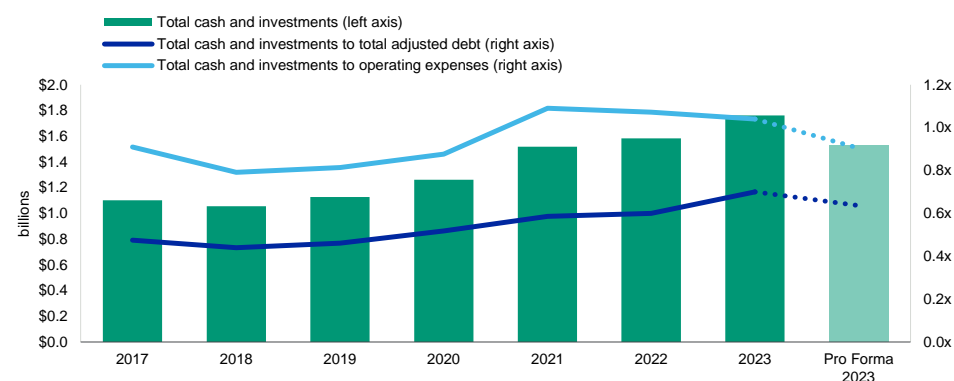
Update to credit analysis

Summary

[Colorado State University System's](#) (CSUS or the system, Aa3 stable issuer rating) credit profile reflects its excellent strategic positioning stemming from its role as the land grant institution for the [State of Colorado](#) (Aa1 stable issuer rating), with a nearly \$1.7 billion scope of operations and meaningful research enterprise. Strong fiscal stewardship acknowledges the maintenance of sound operating results while navigating post-pandemic inflationary pressures. Favorable growing net tuition per student, steady student demand, and strong donor support will partially mitigate expense pressures. Offsetting challenges include high pro forma debt relative to adjusted cash and investments of 0.6x and total adjusted debt to revenue of 1.5x, and ongoing capital funding needs. Though roughly \$230 million of liquidity will be used in fiscal 2024 to pay off short term debt, liquidity will remain adequate at about 177 monthly days. State operating and capital support is relatively low relative to peers; however over the last three years, the state has been adding funding for operations and capital funding. The system remains exposed to an elevated underfunded state plan pension liability.

Exhibit 1

Multi-year growth in total wealth and planned retirement of Series 2021A and 2021B bonds support the system's incremental debt capacity



Pro Forma 2023 reflects addition of Series 2023A-1 and 2023A-2 of \$121 million, and cash pay off of \$230 million of Series 2021A and 2021B bonds.

Source: Moody's Investors Service

Credit strengths

- » Excellent strategic position as Colorado's land-grant university with nearly \$1.7 billion scope of operations
- » Growing national brand and nonresident enrollment growth reflected in growing net tuition revenue while navigating disruptions inflationary environment
- » Wealth of \$1.8 billion stemming from good donor support and fiscal discipline
- » Growing revenue diversity through multidisciplinary research activity comprising meaningful 16% of fiscal 2023 expenses

Credit challenges

- » Comparatively high leverage, with pro forma total cash and investments to total adjusted debt of 0.6x, and total adjusted debt to operating revenue of 1.5x
- » Ongoing capital funding needs
- » State funding accounts for low 11% of revenue relative to peers; high reliance on economically-sensitive tuition revenue
- » Large unfunded pension liability adds debt-like liabilities and inflexible costs

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 total cash and investments relative to expenses and debt.

Factors that could lead to an upgrade

- » Substantial increase in wealth relative to debt and expenses
- » Sustained and material improvement in EBIDA
- » Limited debt increases

Factors that could lead to a downgrade

- » Sustained deterioration of EBIDA margins and debt service coverage
- » Erosion of liquidity
- » Significant increase in leverage
- » Consistently weak coverage of commercial paper from self-liquidity (short-term rating)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Colorado State University System, CO June 30 fiscal year end

	2019	2020	2021	2022	2023	Pro Forma 2023	Median: Aa Rated Public Universities
Total FTE Enrollment	40,851	38,217	37,966	34,251	34,718	34,718	30,783
Operating Revenue (\$Billion)	1.4	1.5	1.4	1.6	1.7	1.7	1.5
Annual Change in Operating Revenue (%)	2.0	2.3	-4.7	15.2	3.9	3.9	8.8
Total Cash & Investments (\$Billion)	1.1	1.3	1.5	1.6	1.8	1.5	1.9
Total Adjusted Debt (\$Billion)	2.4	2.4	2.6	2.6	2.5	2.4	1.9
Total Cash & Investments to Total Adjusted Debt (x)	0.5	0.5	0.6	0.6	0.7	0.6	1.0
Total Cash & Investments to Operating Expenses (x)	0.8	0.9	1.1	1.1	1.0	0.9	1.3
Monthly Days Cash on Hand (x)	161	168	213	231	231	177	191
EBIDA Margin (%)	12.8	11.4	9.9	17.4	9.6	9.6	14.4
Total Debt to EBIDA (x)	6.5	7.2	9.7	4.9	8.6	7.9	3.4
Annual Debt Service Coverage (x)	2.4	2.3	2.0	3.9	1.8	1.7	4.1

Pro Forma 2023 reflects addition of Series 2023A-1 and 2023A-2 of \$121 million, and cash pay off of \$230 million of Series 2021A and 2021B bonds.

Source: Moody's Investors Service

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 2023, the system's operating revenue totaled \$1.7 billion and in fall 2023 served a full-time equivalent (FTE) of 34,718 students.

Detailed credit considerations

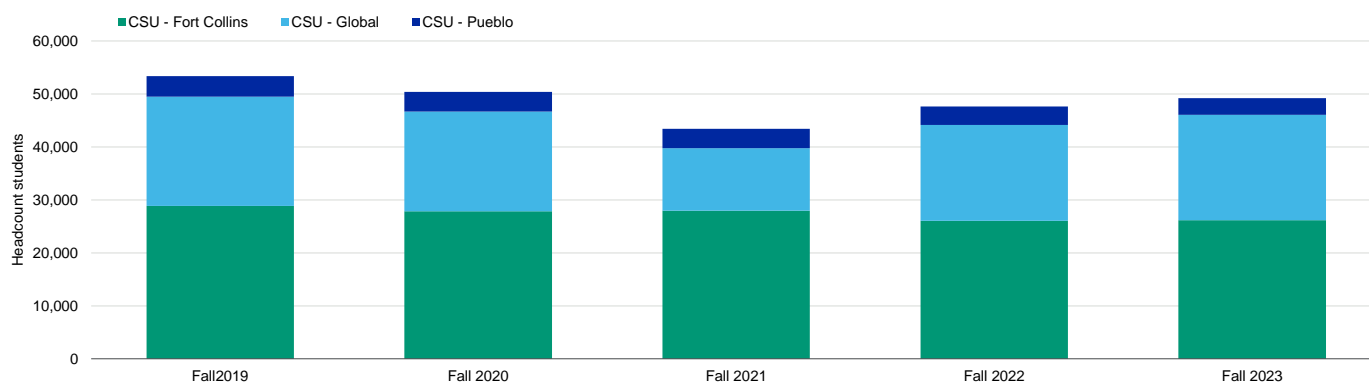
Market profile

CSUS' excellent brand and strategic positioning, reflecting its role as the state's land-grant university with diverse offerings, campuses and delivery modes, will support longer-term enrollment stabilization. Lingering effects of the pandemic continue to impact total enrollment, as first time freshman cohorts resume growth. Year-over-year Fall 2023 FTE enrollment rebounded by 1.4%, compared to 9.8% decline in the prior fall. Multiple campuses and venues adds to the system brand, with the large research-oriented campus in Fort Collins, regional Hispanic Serving Institution in Pueblo and accredited online Global Campus. The Pueblo campus continues to face modest enrollment declines due to smaller geographic reach and demographic challenges.

Exhibit 3

Enrollment growth is resuming post-pandemic largely across CSU Global and CSU Fort Collins

Headcount enrollment by campus



Source: Moody's Investors Service and the system

Research activity remains an important component of the CSUS profile, comprising 16% or \$274 million of fiscal 2023 operating expenses. The system's specialized areas of research include veterinary and biological sciences, as well as renewable energy.

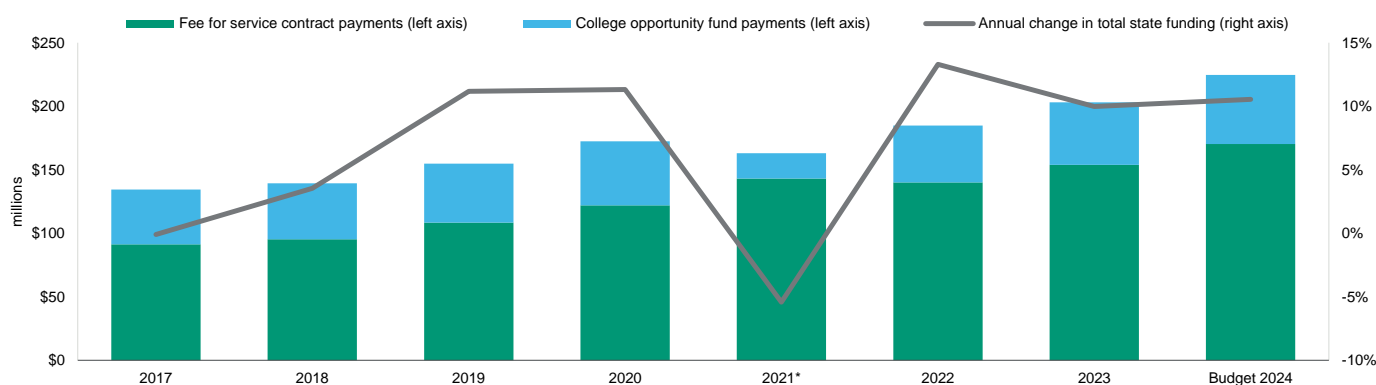
Operating performance

The system's operating performance is budgeted to return to pre-pandemic levels for fiscal 2024. Recent volatility in EBIDA margins reflect covid-related disruptions and CARES Act funding in fiscal years 2020-22, followed by impacts of inflationary pressures in fiscal 2023. Resumption of growth in net tuition revenue and auxiliaries, rising state operating support, and disciplined fiscal oversight support prospects for EBIDA margins of 10-12% and over 2x debt service coverage beginning in fiscal 2024.

Improving state funding favorably supports operations, though still remain low relative to rated peers. Total fiscal 2023 operating support of \$203 million comprised 12% of operating revenue, relative to the Moody's Aa3-median of 23%. Fiscal 2024 state support is budgeted to rise another 11%. State operating support is recorded in the form of the College Opportunity Fund (COF, a stipend granted to resident undergraduate students) and annual fee-for-service (FFS) contracts.

Exhibit 4

Improving fee for service contract payments underpin rising state operating support



* Fiscal 2021 fee for service payments include \$90.4 million of CARES Act funds from state sources.

Source: Moody's Investors Service

Wealth and liquidity

The system's aggregate wealth of nearly \$1.8 billion at fiscal end 2023 will decrease by \$230 million by March 2024, concurrent with the planned pay off of the \$230 million combined Series 2021A and 2021B bonds. The remaining \$1.5 billion of cash and investments to expenses is estimated at 0.9x, slightly below the Moody's Aa3-median of 1.1x. Long term, system wealth will resume growth due largely to donor support, investment returns, and modest surpluses.

Similarly, systemwide liquidity will decrease from its fiscal 2023 end of \$988 million, 231 monthly days cash on hand to roughly \$758 million or 177 days. The system uses its own liquidity to support its CP program. As of December 31, 2023, CSUS reported \$65 million in discounted daily liquidity that provided a very good 2.7x coverage of outstanding CP, excluding the largest money market fund. There is a \$15 million maximum amount of CP that can mature within five business days.

Leverage and coverage

The system is highly leveraged compared to other Aa3-rated public universities and will likely remain so despite rising wealth because of ongoing capital investment plans. Wealth to total adjusted debt of \$2.5 billion of 0.7x remains lower than the Aa3-median of 0.9x. Nearly half of the system's adjusted debt is related to the state-related pension liability (on a Moody's adjusted basis). High leverage reflects historically modest capital funding and continued capital investment, mitigated to some extent by several projects that are supported by gifts, user fees, enterprise revenue and improving state capital support. Ongoing capital investment is evidenced by a fiscal 2019-23 average capital spending ratio of 1.3x and low 11.7 years age of plant. The majority of the system's debt is fixed rate and amortizing, allowing for predictable budget planning.

For near term capital projects, the system is in the midst of multiple capital projects, primarily at the Fort Collins campus, that are relying on a combination of debt, gifts and state capital support. The system anticipates issuing up to \$230 million through fiscal 2026

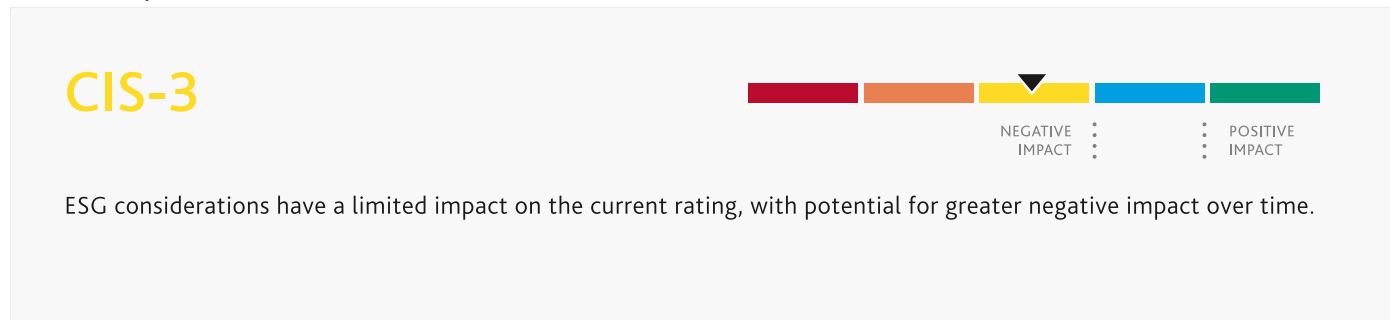
to fund various capital projects. Given the cash defeasance of the Series 2021A&B bonds in fiscal 2024 and incremental debt issuances over the next several years, with continued state capital support, the system has good prospects for manageable leverage.

ESG considerations

Colorado State University System, CO's ESG credit impact score is CIS-3

Exhibit 5

ESG credit impact score

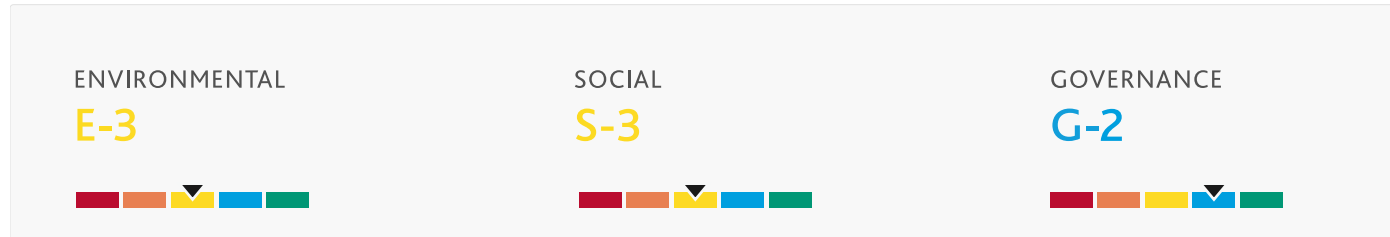


Source: Moody's Investors Service

Colorado State University System's **CIS-3** reflects ESG attributes that have a limited impact on the current rating now, with greater potential for future negative impact over time. Elevated risks around environmental and social considerations is partly mitigated by favorable attributes as a public land-grant university and active financial management.

Exhibit 6

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

The system's **E-3** score is driven by physical climate risks offsetting other neutral-to-low scores. Physical climate risks stem from high wildfire and water stress risks notably at the main campus in Fort Collins. Regarding carbon transition, CSU-Fort Collins has committed to 100% renewable energy reliance and reduce carbon emissions 50% by 2030.

Social

CSUS' **S-3** score reflects exposure to social risks related to demographic and social trends, and human capital. Multiple campuses and delivery models favorably address changing consumer preferences, and its growing research enhances brand recognition. Demographic and societal risks stem from higher tuition relative to peers due largely to lower state support and related student tuition affordability concerns. Human capital considerations include inflationary pressures for the labor-intensive system as well exposure to inflexible costs through the participation in the statewide pension plan.

Governance

CSUS' governance risk score is **G-2**. Prudent budget and treasury management contributes to good predictability in financial results, including consistently favorable operating performance and liquidity. Management credibility reflects the system's demonstrated ability to preserve financial strength, while advancing strategic objectives. Similar to many public universities, board structure risks are

introduced by the selection process, with the nine voting members of the board of governors appointed by the Colorado governor. This structure adds exposure to potential political considerations which could create misalignment to institutional priorities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The [Higher Education](#) rating 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 brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 7

Colorado State University System, CO

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	1,658	Aa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	Aa	Aa
Factor 3: Operating Performance (10%)		
EBIDA Margin	10%	A
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	1,530	Aa
Total Cash and Investments to Operating Expenses	0.9	Aa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.6	A
Annual Debt Service Coverage	1.8	A
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	Aa	Aa
Scorecard-Indicated Outcome		Aa3
Assigned Rating		Aa3

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.

Values reflect fiscal 2023 data, which includes the addition of Series 2023A-1 and 2023A-2 of \$121 million, and cash pay off of \$230 million of Series 2021A and 2021B bonds.

Source: Moody's Investors Service

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RatingsDirect®

Summary:

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

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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

Credit Profile

Colorado State University System Board of Governors sys enterprise rev rfdg bnds (taxable) (State Intercept) ser 2023C-1 due 03/01/2035

<i>Long Term Rating</i>	AA/Stable	Upgraded
<i>Underlying Rating for Credit Program</i>	A+/Stable	Rating Assigned

Colorado St Univ Sys Brd of Governors PCU_USF

<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed

Colorado St Univ Sys Brd of Governors SCHSTPR

<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings raised its long-term rating two notches to 'AA' from 'A+' on the Colorado State University (CSU) System Board of Governors' series 2023B-1 system enterprise revenue refunding bonds and series 2023C-1 system enterprise revenue refunding bonds (taxable), reflecting the inclusion of these bonds in the Colorado Higher Education State Aid Intercept Program.
- S&P Global Ratings also assigned its 'A+' underlying rating to the bonds, replacing its former long-term rating on the bonds and affirmed its 'AA' rating on CSU state aid intercept eligible bonds outstanding.
- The outlook is stable.

Security

Net revenue from CSU's Fort Collins and CSU-Pueblo campuses, which includes a variety of student fees, indirect cost recovery, and 100% of tuition, secures the system's enterprise revenue bonds. We view this broad pledge as equivalent to an unlimited student-fee pledge.

Credit overview

The long-term rating reflects our view of the university's eligibility and participation in the Colorado Higher Education State Aid Intercept Program, and the creditworthiness of the State of Colorado, as reflected in our issuer credit rating (ICR; AA/Stable) on the state.

We rate bonds in the program on par with the state ICR, reflecting Colorado's state aid withholding legislation that requires the state treasurer to advance money to the bond paying agent on a timely basis if a shortfall exists in debt

service funds to pay debt service on qualified debt. The state treasurer will advance this debt payment on debt from immediately available funds, which we view as legally available funds in the event it is notified by the trustee that the institution fails to meet its debt service obligations. The credit characteristics of the program are supported by the strength and availability of state aid to the intercept program participants, as applied under our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," criteria published Nov. 20, 2019. This program rating will move in tandem with the state ICR.

At the same time, we have converted the previous 'A+' rating on the series 2023B-1 and series 2023C-1 bonds, with a stable outlook, which was based on the credit quality of the pledge of the university, to an ICR. (For further information on the ICR for CSU, see our analysis on the Colorado State University System Board of Governors, published Oct. 13, 2023, on RatingsDirect.)

Our ratings on the bonds under the program also reflect:

- An independent paying agent, which notifies the state one business day in advance of a potential default;
- The state treasurer's statutory requirement to pay debt service to the paying agent on the due date to allow for timely payment to bondholders;
- Ample state liquidity to cover debt service payments; and
- Strong oversight of the program, including limits on the maximum annual debt service (MADS) on intercept bonds for each institution and a rating in one of the three highest categories.

The withholding program was enacted by the state on June 4, 2008, as part of Colorado's revised Statutes (CRS) Section 23-5-139. Based on the provisions of this law, state-supported institutions of higher education are covered under this program, unless they choose to opt out before bond issuance by resolution delivered to the state treasurer. Eligible financings include revenue bonds issued by a state-supported institution of higher education on, or after, June 4, 2008. Colorado statutes require a participating state-supported institution of higher education to file with the state treasurer a copy of the resolution that authorizes the issuance of bonds.

The state attorney general's office has clarified that it will cover debt service payments even if it determines that an institution of higher education is unlikely to repay the advanced funds. Therefore, there is no requirement that existing state aid cover future MADS as long as it is expected that an institution of higher education will continue participating in the withholding program and be eligible for future state aid payments.

If a paying agent has not received a debt service payment by the business day before the due date, the agent will notify the state treasurer and the institution of higher education. After notification, the state treasurer will contact the institution of higher education to determine whether payment will be made. If the institution cannot make the payment, the state treasurer will forward the amount necessary, in immediately available funds, to the paying agent to be applied only to debt service, even if the state determines it is unlikely to be repaid in full by future state aid in the following 12 months.

The state treasurer's policy stipulates that payment will be made on the due date to allow for timely payment to bondholders. Whenever the state treasurer is required by this section to make a payment of principal of, or interest on,

bonds or other obligations on behalf of an institution, the department of higher education is required to initiate an audit of the institution to determine the reason for the nonpayment and to assist the institution, if necessary, in developing and implementing measures to ensure that future payments will be made when they are due.

As provided in Section 11 of Article II of the state constitution, Colorado also covenants with the purchasers and owners of bonds issued by institutions that it will not repeal, revoke, or rescind the provisions of this section of the state statutes or modify or amend this section so as to limit or impair the rights and remedies granted thereunder.

Environmental, social, and governance

Our environmental, social, and governance factors on the bonds reflect those of the State of Colorado. (For additional information, see "Credit Brief: Colorado," published June 14, 2023).

Outlook

The stable outlook of the long-term rating reflects our view of the strength of Colorado's state aid intercept structure for state-supported institutions of higher education as well as our stable outlook on Colorado.

Downside scenario

Deteriorating fiscal performance and evidence of weaker commitment to fiscal discipline, as demonstrated by lower reserves and significant reliance on one-time measures to address revenue shortfalls, could lead to a negative rating action. A significant decrease in Colorado's combined pension funded ratios either from reduced commitment to pension funding or asset declines could also lead to a downgrade.

Upside scenario

A higher rating or positive outlook on the state ICR would likely require demonstration of sustained revenue or expenditure flexibility throughout the economic cycle, in light of Colorado's Taxpayer Bill of Rights limitation on revenue growth and constitutional formula mandates for school spending.

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 October 16, 2023)		
Colorado St Univ Sys Brd of Governors ser 2021D-1 PCU_USF		
Long Term Rating	AA/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
Long Term Rating	AA/Stable	Affirmed
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	Affirmed

Ratings Detail (As Of October 16, 2023) (cont.)		
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed
Colorado St Univ Sys Brd of Governors PCU_USF		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed

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MOODY'S

RATINGS

Rating Action: Moody's affirms Fort Lewis College's (CO) A3 underlying and Aa2 enhanced ratings; outlook stable on underlying ratings

21 Mar 2024

New York, March 21, 2024 -- Moody's Ratings has affirmed Fort Lewis College's (CO) A3 issuer rating, underlying A3 revenue bond ratings and enhanced Aa2 ratings. Total debt outstanding is approximately \$45 million as of fiscal year-end 2023. The outlook on the issuer rating and underlying ratings is stable.

RATINGS RATIONALE

The affirmation of the A3 issuer rating reflects the college's important role in the State of Colorado (Aa1, stable) and region as a provider of liberal arts education with a prominent provision of higher education for Native American students. The college's mission significantly contributes to its credit quality as Colorado subsidizes the full cost of tuition for Native American students as well as providing additional capital support. While total government appropriations has been historically volatile, recent increases in state appropriations for general use and capital further support the colleges credit quality. Expected maintenance of current moderate leverage is supported by large capital spend funded through federal and state sources. Additionally, favorable wealth and liquidity levels support the rating as the university continues to manage through enrollment and fiscal challenges. The college has faced significant enrollment headwinds over the past ten years with a resulting loss of approximately 19% of full-time equivalent students, significant given the college's high-reliance on student charges to fund operations. While the college has outlined strategic initiatives to stabilize enrollment and bolster operating performance, these initiatives will take time to implement.

The affirmation of the A3 revenue bond ratings incorporates the college's issuer rating and the broad nature of the revenue pledge.

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 of Colorado's Aa1 issuer rating, as well as financing-level attributes related to

sufficiency of the financing structure.

RATING OUTLOOK

The stable outlook incorporates Moody's expectations that the university will maintain wealth and liquidity levels to provide a near term cushion as it manages through fiscal challenges. It additionally incorporates expectations that enrollment stabilization, additional state appropriations and tuition increases will lead to incremental improvement of operating performance.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material sustained improvement in operating performance
- Continued growth of cash and investments
- Significant strengthening of student demand reflected through enrollment growth and improved pricing power
- Intercept Bonds: upgrade in the State of Colorado Issuer Rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Weakening of operating performance below current levels
- Reduction in support for the Native American Tuition waiver program or other state funding cuts
- Material use of reserves or reductions in liquidity
- Intercept Bonds: deterioration in credit quality of the State of Colorado Rating or observation that the program does not function as contemplated

LEGAL SECURITY

The college's outstanding 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 100% of the tuition revenues received by the college, as long as it maintains enterprise status, and other income that the board determines to include in gross pledged revenues. In fiscal 2023, net revenues covered debt service a healthy 2.7x and the college projects this trend to continue. On parity Series 2016B, 2019B and Series 2020B bonds have an additional pledge of student union building revenue fees and in fiscal 2023, 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.

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 2023 operating revenues of \$93 million and enrolled 2,888 full-time equivalent students in Fall 2023.

METHODOLOGY

The principal methodology used in the issuer and underlying ratings was Higher Education Methodology published in August 2021 and available at <https://ratings.moodys.com/rmc-documents/72158>. The principal methodology used in the enhanced ratings was US State Aid Intercept Programs and Financings published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/415020>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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CREDIT OPINION

18 July 2024



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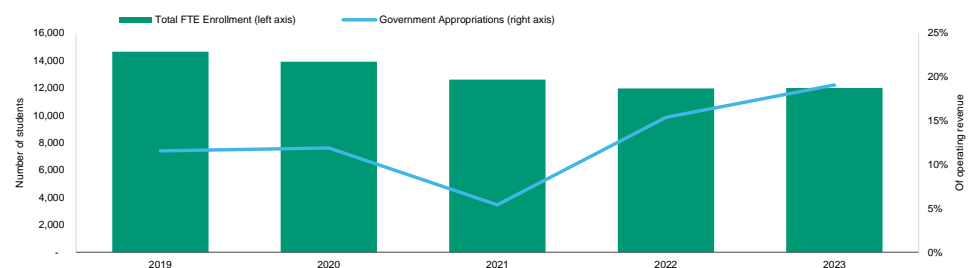
Metropolitan State University of Denver, CO

Update to credit analysis

Summary

[Metropolitan State University of Denver](#), CO's (MSU Denver; A1/stable) credit quality incorporates its important role as a large provider of higher education in the [State of Colorado](#) (Aa1 stable) and [City and County of Denver](#) (Aaa stable). The university's good brand and strategic positioning is also supported by a number of strategic partnerships including as one of three complementary institutions on the [Auraria Higher Education Center](#) (A2/stable) campus. Total wealth and liquidity, supported by improving philanthropy, provides adequate coverage of operating expenses while generally steady improvement in state operating support also underpins credit quality. Offsetting credit factors include a competitive student market environment in Colorado and nearby states as well as a strong economy in the region which is attracting prospective students to join the labor force. As a result, enrollment has declined and coupled with strategic investments to bolster recruitment and retention and waning pandemic relief, operating performance has weakened. Leverage is elevated relative to wealth and operations and the university has a large unfunded pension liability. The university's relationship with a third party hospitality provider provides exposure to the more volatile hotel industry.

Exhibit 1
Steady growth in state operating support helps to offset student demand challenges



The decline in state support in fiscal 2021 reflects a one-time funding cut to all public higher education institutions in the state
Source: Moody's Ratings

Credit strengths

- » Large provider of higher education in the State with nearly 12,000 total FTE enrollment
- » Generally steady improvement in state operating funding and good state capital support
- » Total wealth and liquidity, supported by good fundraising, provide some financial cushion with monthly days cash on hand of 169
- » Demonstrated ability to advantageously use partnerships to further curriculum goals

Credit challenges

- » Highly competitive student market, reflected by an 18% decline in enrollment from fall 2019 to fall 2023
- » Variable operating performance with weak fiscal 2023 results and about 70% of overall revenue derived from student charges
- » Elevated leverage, including a large pension obligation, with total cash and investments to total adjusted debt of 0.4x
- » Partnership with a hotel exposes the university to the volatility of the hospitality industry

Rating outlook

The stable outlook reflects our expectations of improving student demand leading to incremental growth in net tuition revenue which coupled with steady growth in state funding and ongoing expense discipline will lead to improvement in operating performance. It also incorporates expectations of no material increase in total adjusted debt without improvement in cash flow and liquid reserves.

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

Factors that could lead to a downgrade

- » Inability to improve and sustain EBIDA margins of at least 8%
- » Decline in state funding or continued enrollment decreases evidencing further weakening of strategic position
- » Material increase in total adjusted debt without improved liquid reserves and cash flow to cover debt service

Key indicators

Exhibit 2

METROPOLITAN STATE UNIVERSITY OF DENVER, CO

	2019	2020	2021	2022	2023	Median: A Rated Public Universities
Total FTE Enrollment	14,638	13,895	12,589	11,951	11,981	9,489
Operating Revenue (\$000)	226,368	246,090	263,758	293,388	284,132	256,122
Annual Change in Operating Revenue (%)	7.5	8.7	7.2	11.2	-3.2	2.6
Total Cash & Investments (\$000)	92,571	100,139	144,956	182,834	174,737	253,632
Total Adjusted Debt (\$000)	501,121	487,813	473,297	454,937	416,679	338,554
Total Cash & Investments to Total Adjusted Debt (x)	0.2	0.2	0.3	0.4	0.4	0.7
Total Cash & Investments to Operating Expenses (x)	0.4	0.4	0.6	0.7	0.6	1.0
Monthly Days Cash on Hand (x)	116	140	211	212	169	168
EBIDA Margin (%)	8.1	12.3	20.2	14.1	2.6	8.6
Total Debt to EBIDA (x)	7.9	4.6	2.5	3.2	17.1	5.6
Annual Debt Service Coverage (x)	2.4	3.3	4.4	3.5	0.6	1.8

Source: Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Profile

Metropolitan State University of Denver is the third largest four-year public higher education institution in Colorado, located in downtown Denver on 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 (member of the [University of Colorado](#) rated Aa1 stable) and the Community College of Denver (member of the [Colorado Community College System](#) rated Aa3 stable). A unique partnership between the university and a third-party hospitality provider includes a hospitality learning center and hotel (HLC) located on the campus which provides students with experiential based learning opportunities. MSU Denver had fiscal 2023 operating revenue of \$284 million and served 11,981 full-time equivalent students in fall 2023 with about 95% in-state.

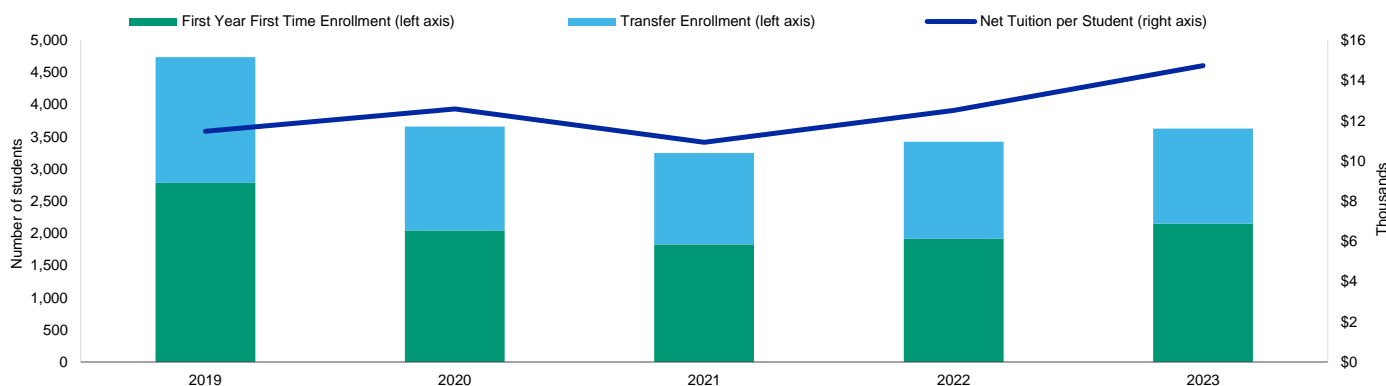
Detailed credit considerations

Market position

MSU Denver will continue to face a challenging student market environment competing not only with Colorado public institutions but also public universities in nearby states. Total FTE enrollment declined about 18% since fall 2019 while retention has been very low averaging just 64% during this period. In addition, the university serves a price-sensitive student population and, as a result of the strong labor market in both the state and Denver metropolitan area, many have opted for entry level jobs instead of pursuing college. Despite elevated competition for students, MSU Denver's good brand and strategic positioning is based upon its considerable scale, favorable campus location in Denver and partnerships with other public universities which is supportive of the university's 50% transfer population. Favorably, demand appears to be stabilizing with the entering class in fall 2023 growing for the second year in a row while total FTE enrollment was flat; the first year without a decline since fall 2017. Other indications of improving demand are reflected by steady increases in net tuition revenue. Based upon preliminary figures provided by management, fall 2024 new student deposits are up almost 4% compared to the same point in time for fall 2023.

Exhibit 3

Student demand appears to be stabilizing evidenced by growth in new student enrollment and overall pricing power



Source: Moody's Ratings

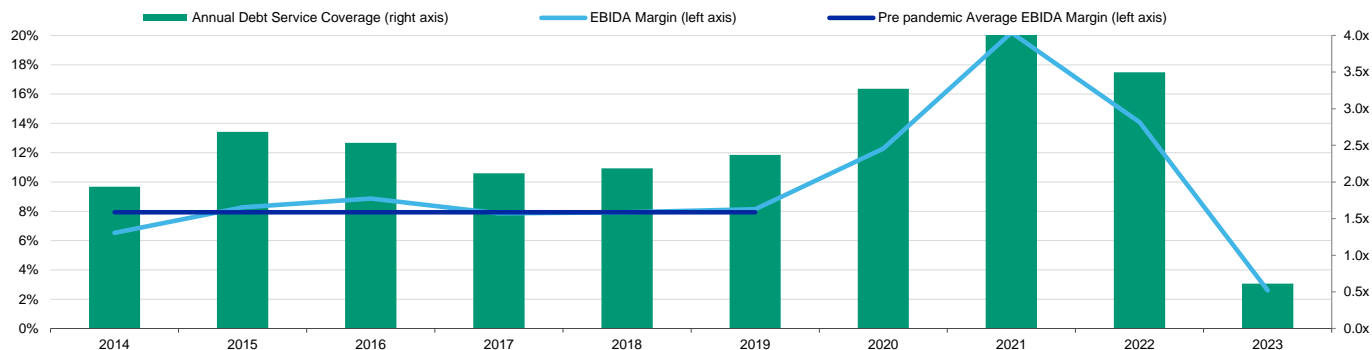
Operating performance

Operating performance will continue to be soft through fiscal 2026 while the university completes the intentional drawdown of unspent pandemic relief funds to support enrollment stabilization. Based upon year end projections provided by management, we expect fiscal 2024 will result in a smaller deficit than 2023. We expect continued improvement in financial results given the rebound in enrollment, steady state funding and expense containment. State support has increased in recent years averaging 13% of operating revenue over the last five years. General fund appropriations include both the annual fee for service contracts, which cover educational services related to low income, first-generation, underserved students and graduate students, and the College Opportunity Fund, a stipend granted to undergraduate students that we include in net tuition revenue. For fiscal 2025, MSU Denver adopted a balanced budget reflecting a 10% increase in state funding to \$103 million, 1% decline in credit hours, 3% resident tuition increase (applied to newly enrolled students), \$3.5 million of discretionary compensation increases and \$4.1M of contractual/mandatory increases. Revenue is concentrated and, in fiscal 2023, about 70% came from tuition and auxiliaries, underscoring the importance of capable

enrollment management. HLC, a component unit of the university, has been self-sustaining since fiscal 2015 although this arrangement will continue to expose the university to the volatility of the hospitality industry.

Exhibit 4

Strategic investments including deploying pandemic relief funds intended to help stabilize enrollment will increase variability in operating performance including very weak fiscal 2023 results



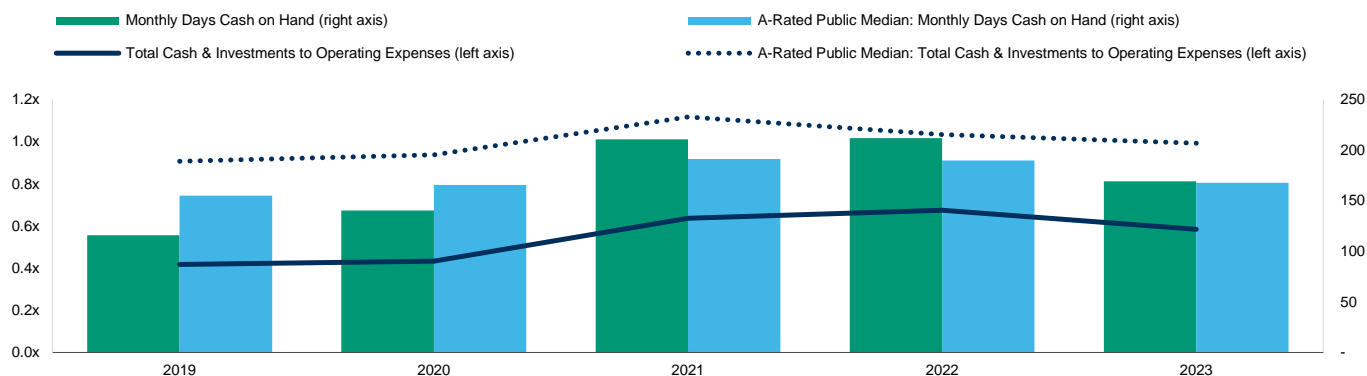
Source: Moody's Ratings

Financial resources and liquidity

Total wealth and liquidity will continue to provide some financial cushion, although the rate of growth will slow given narrower operating performance. For fiscal 2023, total cash and investments, including those held by the Metropolitan State University of Denver Foundation (MSUDF), totaled about \$175 million which provided 0.6x coverage of operating expenses lower than the A-rated public median of 1x. Philanthropy has been improving with 2023 three-year average gift revenue increasing for the third year in a row to \$7.8 million, slightly above the A-rated public median of \$6.9 million. While MSUDF has raised about \$21 million to help finance two upcoming capital projects, sustained improvement in donor support will continue to be an important source of capital funding particularly while the university rebuilds its EBIDA margins. Fiscal 2023 monthly liquidity of \$131 million translates to 169 days cash on comparable to the A-rated public median of 168. Based upon guidance provided by management, we expect unrestricted cash will be around \$115 million for fiscal 2024 and the university expects to expend its remaining \$15 million of pandemic relief funds in fiscal 2025 and 2026.

Exhibit 5

Total wealth and liquidity will continue to provide some financial flexibility



Source: Moody's Ratings

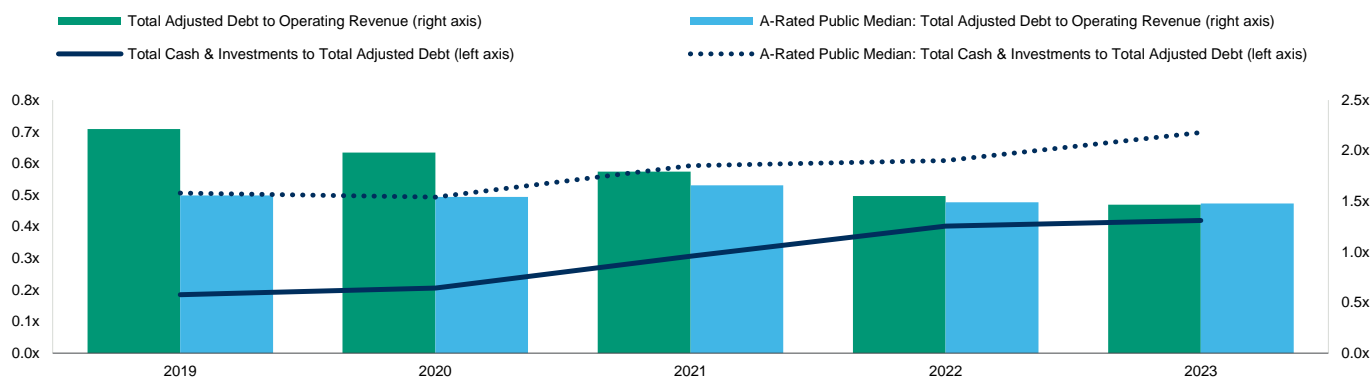
Leverage and coverage

Leverage will remain elevated compared to peers. Total cash and investments to total adjusted debt of 0.4x is weaker than the A-rated public median of 0.7x. Although fiscal 2023 total debt to EBIDA was over 17x, as operating performance improves, we expect this ratio to decline significantly. Capital support from the state has improved in recent years providing about \$50 million toward construction

of a facility to house MSU Denver's allied health programs and another \$6 million toward buildout of a career hub space. In fiscal 2025, the university expects to issue around \$15 million of bonds to support renovations to an existing facility to create an event center providing some financial benefit as many events will be brought in-house. Bond principal is rapidly amortizing with decreasing debt service payments through 2046. Approximately 35% of total debt is in a variable rate mode with most hedged by an interest rate swap. The university has significant additional debt like obligations through its participation in state pension and retirement health plans. MSU Denver will continue to focus on enhancing the student campus life experience, largely through the addition of on-campus residential housing. While it expects to assemble a financing team in fiscal 2025, likely undertaking the project through a third-party partnership, specific financing arrangements have yet to be determined. The credit impact of this project will depend on enrollment trends, operating performance impacts, liquidity and leverage levels.

Exhibit 6

The university's leverage, including a large pension obligation, remains elevated compared to A-rated peers



Source: Moody's Ratings

Legal Security

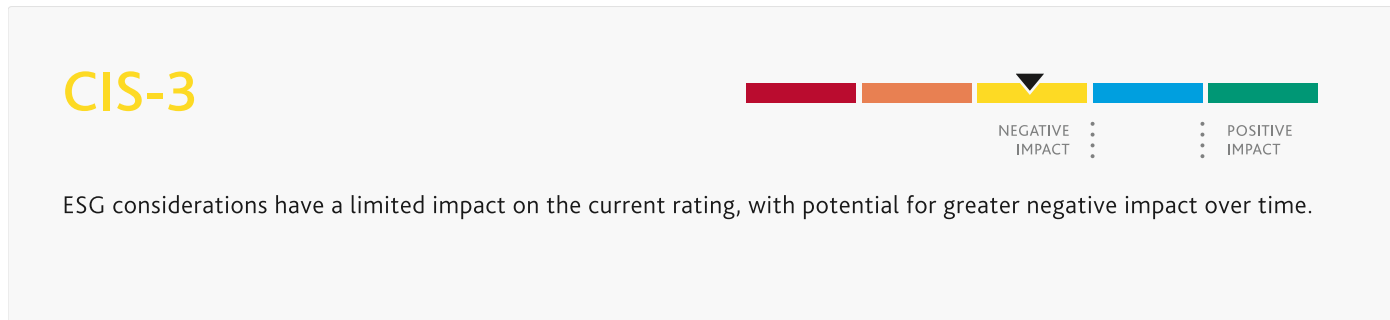
All of MSU Denver's outstanding revenue bonds are on parity, secured by pledged revenue that includes tuition revenue, net revenue derived from a student facilities construction fee, indirect cost recoveries, mandatory fees for student and faculty services, continuing education services, the federal interest subsidy on qualifying bonds, and all designated unrestricted net income of the university. In April 2022, the governor signed a law that increased the tuition revenue available as pledged revenue to 100% from 10% and MSU Denver's board has adopted this change. Fiscal 2023 pledged net revenue, including 100% of tuition revenue, was \$126 million which provided 11.4x coverage of fiscal 2024 maximum annual debt service. There are no debt service reserve fund requirements. However, there is a rate covenant under which the board agrees to impose such revenues and fees to ensure pledged revenue is sufficient to pay debt service.

ESG considerations

Metropolitan State University of Denver, CO's ESG credit impact score is CIS-3

Exhibit 7

ESG credit impact score



Source: Moody's Ratings

MSU Denver's credit impact score (**CIS-3**), indicates ESG considerations have limited impact on the credit rating with potential for greater impact over time. MSU Denver's good total wealth and liquidity and good brand and strategic position partially offset its student market challenges.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

MSU Denver's exposure to environmental risks is (**E-2**). The university's location in Denver exposes it to elevated risks from water stress and wildfires, but other physical climate risks are low.

Social

MSU Denver's exposure to social risks is (**S-3**) driven by demographic and societal trends, customer relations and human capital risks. Consistent with most higher education providers, the university has a mission aligned with positive social impact through education and service and those favorable impacts increase the likelihood of ongoing support from the state. However, the university's student market remains highly competitive with declining enrollment in recent years. In addition, a strong economy in both Denver and the state has attracted prospective students and potential transfers to enter the workforce instead of pursuing a four-year degree. Favorably, the university's location in downtown Denver and good strategic relationships with other Colorado colleges and universities provide good market distinction. Customer relations risks are introduced by a high reliance on tuition revenue and a price sensitive student population. Human capital risks are introduced by exposure to faculty tenure and a large unfunded state pension obligation.

Governance

MSU Denver's exposure to governance risks is (**G-2**) with some exposure to board structure risks. Recent weakening of operating performance is largely due to the use of unspent pandemic relief funds to support strategic initiatives intended to stabilize enrollment. A unique public-private partnership between the university and a third-party hospitality provider includes a hospitality learning center and hotel located on the campus. While this arrangement requires additional oversight and management, it also provides students

with experiential learning opportunities. Public universities typically have some board structure and governance risks given their lack of full independence from the state which allows for exposure to potential political considerations that could create misalignment to institutional priorities. For MSU Denver, board structure risks are introduced by the selection process, with voting trustees appointed by the governor.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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The two notch differential between the scorecard indicated outcome and the assigned rating reflects the steady improvement in state support and MSU Denver's important role in the state.

Exhibit 9

Metropolitan State University of Denver, CO

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	284	A
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Baa	Baa
Operating Environment	A	A
Factor 3: Operating Performance (10%)		
EBIDA Margin	3%	Ba
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	175	Aa
Total Cash and Investments to Operating Expenses	0.6	A
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.4	A
Annual Debt Service Coverage	0.6	Ba
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		A3
Assigned Rating		A1

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.

Scorecard reflects fiscal 2023 in line with key indicators above

Source: Moody's Ratings

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

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Table Of Contents

Credit Highlights

Outlook

Credit Opinion

Enterprise Risk Profile--Strong

Financial Risk Profile--Strong

Related Research

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

Credit Profile

Metropolitan State University Board of Trustees, Colorado

Metropolitan State University of Denver, Colorado

Metro State University Brd of Trustees

<i>Long Term Rating</i>	AA/Stable	Current
<i>Unenhanced Rating</i>	NR(SPUR)	Current
<i>Underlying Rating for Credit Program</i>	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, 2022, MSU Denver had \$132.3 million in outstanding debt and leases. Pledged revenue secures the university's debt and includes a broad mix of revenue streams: 100% 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. We consider this equivalent to an unlimited student fee pledge. Pledged revenue was approximately \$127.7 million in fiscal 2022. All debt is on parity. We believe the university's maximum annual debt service (MADS) burden is moderate at 3.6% of fiscal 2022's adjusted operating expenses. The university has no confirmed plans for additional debt in the outlook period.

Credit overview

We assess MSU Denver's enterprise risk profile as strong, with a niche position in Denver's higher education market and stabilized enrollment in fall 2023 following significant full-time-equivalent (FTE) declines in recent years. We also assess MSU Denver's financial risk profile as strong, with a history of positive full-accrual operations and a moderate MADS burden offset by weak cash and investments relative to operations. We believe these credit factors, combined, lead to an anchor of 'a' and a final rating of 'A'.

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

- Key niche in Colorado's higher education ecosystem, serving the growing metropolitan Denver area with increased financial support from the state;

- Experienced management team committed to preparing students, including nontraditional, transfer, and part-time students, for high-demand careers; and
- Historically positive full-accrual operating margins as management has scaled operations for changes in demand, though we expect a softer result in fiscal 2023.

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

- Weak ratio of cash and investments to operations at 54% in fiscal 2022;
- Limited demand flexibility, with a modified open enrollment model and significant FTE enrollment declines leading up to fall 2023; and
- Modest endowment with limited fundraising history.

MSU Denver, founded in 1963, is one of 13 public four-year colleges in Colorado. It shares the Auraria campus in downtown Denver with the Community College of Denver and University of Colorado at Denver. MSU Denver offers over 100 undergraduate majors, eight graduate programs, and 34 certificate programs. The university also owns and operates a hotel and hospitality learning center on its campus.

Environmental, social, and governance

We analyzed the university's environmental, social, and governance factors related to its market position and financial performance. MSU Denver faces elevated social risks from a decline in college-attending students. We view the university's environmental and governance factors as neutral in our analysis.

Outlook

The stable outlook reflects our expectation that following softer operations in fiscal 2023, MSU Denver will stabilize enrollment and continue to appropriately scale operations with increased state support. We also expect that the university will maintain debt ratios sufficient for the current rating.

Downside scenario

We could consider a negative rating action if enrollment declines return, leading to a deterioration of MSU Denver's margins and resources. We could also consider a negative rating action if the university issues 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 achieves material growth in financial resources relative to operations and debt while maintaining stable enrollment and generating consistent surpluses.

Credit Opinion

Enterprise Risk Profile--Strong

Market position and demand

Following several years of significant demand pressure, MSU Denver stabilized enrollment in fall 2023. This followed a decline of 2.7% in fall 2022 and is the university's first sign of demand stability since fall 2010. Management attributes the rebound partly to strategic investments in new programs and marketing.

We view MSU Denver's demand flexibility as limited as it operates with a modified open enrollment policy. Selectivity is weak, and the university accepted 98% of applicants in fall 2022. Typically, a third of students are Pell eligible. These students may have faced greater economic hardships during the pandemic or may have opted to work instead of attending school due to a strong job market.

MSU Denver has limited geographic diversity. About 98% of students are from Colorado, and most students are commuters. However, we view MSU Denver's mix of first-year, transfer, and graduate students as unique and believe it provides some diversification. 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 2022, the university welcomed 1,520 transfer matriculants. While MSU Denver's graduate programs remain relatively small, graduate enrollment has grown for several years, reaching 858 FTE students in fall 2022. We would view continued growth in graduate enrollment favorably.

MSU Denver has had stable, though weak, retention and graduation rates. In fall 2022, the university's retention rate was 63%. Management is targeting a retention rate of 75%, among other student success metrics. The six-year graduation rate remains low at approximately 30%. However, we recognize that MSU Denver serves many part-time students who may take longer to graduate.

Management and governance

While there have been some transitions in the leadership team, we view MSU Denver's management as stable and experienced. The university's president, Dr. Janine Davidson, has been in her role since July 2017 following the retirement of her predecessor. Since our last review, MSU Denver gained a new chief financial officer following a retirement. There were also transitions in the positions of chief strategy officer and chief enrollment officer. The provost role is currently filled on an interim basis with a search underway. The board has experienced normal transitions.

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 Risk Profile--Strong

Financial performance

Historically, MSU Denver has generated positive or near break-even full-accrual operations, which we consider a key credit strength. With cost-cutting measures and federal relief funds, the university posted stronger results during the past few years, including a robust margin of 5.8% of adjusted operating expenses in fiscal 2022. Management projects a softer result in fiscal 2023 with the end of federal relief funds and strategic investments to stabilize enrollment. In fiscal 2024, the university is budgeting for a modest surplus using conservative assumptions. We believe MSU Denver will continue to carefully manage expenses while benefiting from increased state funding.

Net tuition revenue, the university's main revenue source, increased in fiscal 2022 by 17% following a sharp decline in fiscal 2021. Tuition revenue is affected by 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. In fiscal 2022, MSU Denver received approximately \$72.5 million in state funding, which made up approximately 19% of adjusted operating revenue. Management expects to report increased state support in fiscal 2023 totaling over \$80 million, which we view favorably. Auxiliary revenues, which include revenues from a hotel learning center, made up approximately 4% of total revenue in fiscal 2022.

The board sets tuition, which we consider very competitive and well below that of other large state universities. For the 2023-2024 school year, tuition and fees for a full-time undergraduate total \$8,788. Tuition discounting is slightly higher than that of similarly rated peers at 33% in fiscal 2022.

Financial resources

MSU Denver has seen growth in financial resources over the last few years. As of 2022 fiscal year-end, cash and investments including the university's foundation measured \$191.3 million, up from \$108.6 million in fiscal 2019. Cash and investments relative to operations are weak at 54% of adjusted operating expenses. Relative to debt, cash and investments are a stronger 145%. Management expects total cash and investments including the foundation to decline modestly in fiscal 2023, due in part to strategic investments to stabilize enrollment.

MSU Denver's endowment is held with its related foundation. While the endowment has grown significantly over the last few years, it remains modest at \$23.6 million as of fiscal year-end 2023 and does not provide a significant amount of budgetary flexibility for the university. Annual fundraising has improved in recent years, reaching \$15.8 million in fiscal 2023. MSU Denver is currently in year three of a five-year comprehensive fundraising campaign.

Debt and contingent liabilities

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 \$46.0 million as of fiscal 2022. The series 2021 debt has an associated interest rate swap. The series 2014 debt has only two

remaining payments.

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 declined to 61% in fiscal 2022. The funded ratio prior to fiscal 2019 was historically 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 material declines in 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' category rated public colleges & universities
	2023	2022	2021	2020	2019	2022
Enrollment and demand						
Full-time-equivalent enrollment	11,981	12,319	13,860	14,641	15,072	12,990
Undergraduates as a % of total enrollment	92.8	93.1	94.5	95.6	98.8	84.7
First-year acceptance rate (%)	97.9	88.8	83.3	61.3	58.9	81.5
First-year matriculation rate (%)	19.2	18.2	20.4	33.5	29.7	23.8
First-year retention rate (%)	56.0	59.0	67.0	68.0	64.0	76.0
Six-year graduation rate (%)	29.0	30.0	32.0	28.0	28.0	57.4
Income statement						
Adjusted operating revenue (\$000s)	N.A.	377,221	333,149	336,265	286,669	489,805
Adjusted operating expense (\$000s)	N.A.	356,406	298,135	324,411	282,483	486,926
Net adjusted operating margin (%)	N.A.	5.8	11.7	3.6	1.5	2.5
Tuition discount (%)	N.A.	32.9	35.7	31.0	33.4	26.4
Student dependence (%)	N.A.	52.9	52.1	64.1	63.4	47.7
State appropriations to revenue (%)	N.A.	N.A.	N.A.	N.A.	N.A.	20.7
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	10.4	10.0	10.0	10.8	8.6
Debt						
Outstanding debt (\$000s)	N.A.	132,319	140,233	138,162	145,288	231,363
Foundation debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total debt with foundation (\$000s)	N.A.	132,319	140,233	138,162	145,288	241,762
Current debt service burden (%)	N.A.	3.7	5.3	4.4	2.8	MNR
Current MADS burden (%)	N.A.	3.6	3.8	3.5	4.8	4.0
Average age of plant (years)	N.A.	6.9	6.2	6.5	6.1	15.9
Financial resource ratios						
Endowment market value (\$000s)	N.A.	19,765	23,175	16,709	15,424	164,766
Related foundation market value (\$000s)	N.A.	37,526	38,744	30,955	28,785	178,684
Cash and investments (\$000s)	N.A.	157,487	111,455	128,910	82,939	257,181

Metropolitan State University of Denver, Colorado--enterprise and financial statistics (cont.)

	--Fiscal year ended June 30--					Medians for 'A' category rated public colleges & universities
	2023	2022	2021	2020	2019	2022
Cash and investments including foundation (\$000s)	N.A.	191,348	146,696	155,956	108,597	457,156
Cash and investments including foundation to operations (%)	N.A.	53.7	49.2	48.1	38.4	96.5
Cash and investments including foundation to debt (%)	N.A.	144.6	104.6	112.9	74.7	208.7

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 = $100 \times (\text{net adjusted operating income} / \text{adjusted operating expense})$. Student dependence = $100 \times (\text{gross tuition revenue} + \text{auxiliary revenue}) / \text{adjusted operating revenue}$. Current MADS burden = $100 \times (\text{maximum annual debt service expense} / \text{adjusted operating expenses})$. Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

Related Research

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

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RATING ACTION COMMENTARY

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

Mon 10 Jun, 2024 - 3:26 PM ET

Fitch Ratings - Chicago - 10 Jun 2024: Fitch Ratings has affirmed the University of Colorado's (CU) Issuer Default Rating (IDR) at 'AA+'. Fitch has also affirmed at 'AA+' the ratings on revenue bonds issued on behalf of CU by the Regents of the University of Colorado. In addition, Fitch has affirmed CU's Short-Term rating on the university's commercial paper (CP) program at 'F1+'.

The Rating Outlook is Stable.

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](#)

The 'AA+' IDR is based on CU's very strong financial profile in the context of robust demand and a track record of strong adjusted cash flow margins. As a comprehensive flagship research university, CU has a statewide and expanding national and international draw for students, as well as considerable fundraising capabilities.

The Stable Outlook reflects Fitch's expectation that CU's adjusted cash flow margins will remain in the 12% range and its liquidity should continue to be a key area of strength, even in a stress case of Fitch's forward-looking scenario analysis.

SECURITY

Revenue bonds are secured by 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.

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/international draw. Its demand assessment is very strong. In fall 2023 the freshmen-to-sophomore retention rate remained sound at 89%. Student quality is very strong as freshmen average SAT and ACT scores are well above average. Some key demand characteristics are comparatively more modest for a 'AA+' rated flagship university, as the freshmen acceptance rate is consistently in the 80% range and the matriculation rate is under 20%.

Total enrollment was just over 66,000 in fall 2023, a modest increase from fall 2022. The CU Boulder campus experienced enrollment growth in fall 2023, balancing a decline in the Denver campus (enrollment at the UCCS and CU Anschutz campuses was largely flat). Management expects these trends to continue in fall 2024 (although enrollment growth at Anschutz is expected). Fitch expects enrollment demand to remain sound. Freshmen applications have increased steadily and significantly in recent years, increasing from less than 37,000 in fall 2018 to more than 57,000 in fall 2023. State population growth and an expanding national/international reach should support continued enrollment demand.

In-state students account for less than 60% of undergraduate enrollment, which is low for a state university. It indicates CU's national draw and the flexibility afforded the university by the state in terms of enrollment management.

Fitch views CU's enrollment demand as somewhat inelastic relative to price increases. This is illustrated by CU's five-year net tuition revenue per FTE enrollment CAGR of 5.0% as of FY23, despite the pandemic and other macro pressures. CU's demand capacity is considerable as a leading comprehensive flagship research university in a fast-growing state.

CU benefits from support from various revenue streams. Its endowment spend policy is a sustainable 4%. The university benefits from robust fundraising. CU has received regular operating support from the state, with recent increases in statewide higher education support for FY 2024-2025 (although CU is not overly reliant on public subsidies. Its healthcare operations provide considerable cash flow to the university. While UCHealth (rated 'AA') is a separate legal entity from CU, the two organizations are tightly aligned.

Operating Risk - 'aa'

Operating Margins Should Remain Robust

CU's trend of Fitch-adjusted cash flow margins has remained strong, despite the pandemic and macro labor and inflationary pressures, although metrics dipped somewhat in FY23. As calculated by Fitch, the cash flow margin averaged 12.4% between FY19 and FY23, including 10.4% in FY23. (Under Fitch's Criteria, the adjusted cash flow margin includes a proportionate share of the service cost for reported pensions.) While margins remained sufficient in FY23 and net tuition and fees continued to grow favorably (7.2% over FY22), revenue growth did not keep pace with expense growth of 10.6%. These trends are not unusual as all industries have faced elevated inflationary and labor pressures.

Management is working to manage expense growth in line with revenue growth, and Fitch expects CU will continue to generate sound adjusted cash flow margins in the coming years. Management reports that operating results through unaudited six-months FY24 (as of Dec. 31, 2023) were in-line with the same period FY23. The state legislature approved an increase in statewide higher education funding of more than 9% for FY 2024-2025, including 9.6% for CU operations.

Capital Spending

CU's capital spending requirements are manageable given the university's scope of operations and track-record of fundraising. The capital spending ratio averaged about 1.2x between FY19 and FY23, and CU's average age of plant was 12.6 years at FYE23. Highlighted ongoing and planned capital projects include student housing and parking facilities in Boulder, engineering facilities in Colorado Springs, and a health sciences building at Anschutz. CU management anticipates new debt of nearly \$325 million through FY27 to support capex, which Fitch expects can be absorbed at the current rating.

CU is also engaged with a private developer to construct a public-private partnership (PPP) conference center and hotel on the Boulder campus (expected to open in spring 2025). The PPP project is estimated at about \$200 million plus \$35 million for a parking garage (the university is only directly responsible for primary financing of the parking).

Financial Profile - 'aa'

Very Strong Capital-Related Ratios, Including through the Cycle

CU's financial profile is very strong. Total debt was just under \$2 billion at FYE23 (including direct debt, notes payable, capitalized leases, and other obligations). Total available funds (AF) at FYE23 (inclusive of available Foundation liquidity) measured nearly \$5.9 billion (Fitch defines AF as unrestricted cash and investments less non-expendable restricted net assets). AF-to-operating expense measured more than 105% at FYE23 and does not pose an asymmetric risk to the university's financial profile.

CU's debt equivalents include defined benefit (DB) pension plan obligations via participation in the Colorado Public Employees' Retirement Association (PERA). Per the FY23 audit (whose pension data are based on PERA's measurement date of Dec. 31, 2022), CU's proportionate share of the collective net pension liability (NPL) was nearly \$1.1 billion and the university's ratio of plan assets to liabilities measured 61%. The discount rate on the PERA DB plan was 7.25%; Fitch adjusts to a discount rate of 6%, which translates to an NPL of nearly \$1.5 billion. Despite the sizable DB pension obligation, CU's net adjusted debt (adjusted debt minus AF) was favorably negative at FYE23.

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 exceeded 170% at FYE23. In the forward-looking scenario analysis stress case, net adjusted debt remains favorably negative in every year and AF-to-adjusted debt never falls below 150% and exceeds 200% by year four.

'F1+' Short-Term Rating

CU's 'AA+' IDR, together with sufficient liquid resources and written procedures to fund any unremarketed put and/or CP roll, and self-liquidity support the 'F1+' Short-Term rating. Even including the entire expected authorized

\$250 million of CP, total adjusted internal liquidity coverage of maximum potential CP is strong in excess of 5x (based on liquidity as of Dec. 31, 2023).

Asymmetric Additional Risk Considerations

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

DEBT STRUCTURE

CU's smoothed maximum annual debt service (MADS) is \$145 million (actual MADS is \$200 million based on a bullet due in FY26). MADS coverage based on FY23 results is sufficient at 3.6x.

RATING SENSITIVITIES

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 closer to 100%;
- Prolonged operating pressures resulting in adjusted cash flow margins closer to 6% for a sustained period.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An upgrade to 'AAA' would be bolstered by an even stronger demand assessment, particularly if the acceptance rate and matriculation rate were notably stronger;
- Expectations that the adjusted cash flow margin will continue to be sustained above 12%, even in the face of macro pressures;
- Continued improvement in already strong liquidity and leverage ratios, such that AF-to-adjusted debt clearly exceeds 200% in the forward-looking stress case.

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. CU is the largest institution of higher education in the state with more than 66,000 students. Its annual budget is \$5.9 billion in FY24.

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 UCHHealth. UCHHealth is a separate legal entity, but maintains very tight alignment with CU's School of Medicine and is CU's primary teaching hospital.

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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating

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APPLICABLE CRITERIA

[U.S. Public Finance College and University Rating Criteria \(pub. 19 Sep 2023\) \(including rating assumption sensitivity\)](#)

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 12 Jan 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

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

Portfolio Analysis Model (PAM), v2.0.0 (1)

ADDITIONAL DISCLOSURES

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Research

Summary:

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

Primary Credit Analyst:

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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)

<i>Long Term Rating</i>	AA/Stable	Current
<i>Underlying Rating for Credit Program</i>	A-/Stable	Outlook Revised

Credit Highlights

- S&P Global Ratings revised its outlook to stable from negative and 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 stable outlook reflects our view of UNC's solid balance sheet ratios, despite ongoing enrollment pressure. While we expect another enrollment decline in fall 2023, we believe the university will continue to scale operations for a smaller student body while benefiting from increased state support.

Security

As of fiscal year-end 2022, UNC had \$135.7 million in debt, including a small amount of leases. The university'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 100% of tuition revenue. We view this security as equivalent to an unlimited student fee pledge. UNC's 2014A, 2015A, 2016A, 2018B, 2019A, and 2021A bonds are additionally secured by the Colorado Higher Education State Aid Intercept Program. All debt is fixed rate, and all but the 2021A bonds are publicly issued. The university's maximum annual debt service is manageable at 4.8% of fiscal 2022 adjusted operating expenses. Management has no plans for additional debt.

Credit overview

We assessed UNC's enterprise risk profile as strong, with solid management, good retention, and low discounting, offset by significant enrollment pressure in recent years. We also assessed UNC's financial risk profile as strong, with good financial management policies, a manageable debt burden, growing financial resources, recent surpluses, and improved state funding. These combined credit factors lead to an anchor of 'a.' In our opinion, the university's enrollment trend and weak selectivity are more in line with a final rating of 'A-'.

The rating reflects our assessment of UNC's:

- Experienced senior management team that is focused on sustainability and is scaling operations for a smaller student body;
- State support that has increased in recent years, with operating appropriations expected to be approximately \$63 million in fiscal 2024, up from \$57 million in fiscal 2023; and
- Good retention rates and consistent student quality.

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

- Demand pressure, particularly at the undergraduate level, with sizable enrollment declines in the last several years and another decline expected in fall 2023, and
- Limited fundraising history, though the university is in the planning stages of its next campaign, which will support the launch of an osteopathic medical school.

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.

For more information, see the full analysis published Sept. 18, 2023, on RatingsDirect.

Environmental, social, and governance

We analyzed the university's environmental, social, and governance factors related to its market position and financial performance. UNC faces elevated social risks from a decline in college-attending students in the region. We view the university's environmental and governance factors as neutral in our analysis.

Outlook

The stable outlook reflects our view of UNC's solid cash and investments relative to operations and debt, along with increased state support. While we expect another enrollment decline in fall 2023, management reports growth in the first-year class size, and we believe the university will continue to scale operations for a smaller student body.

Downside scenario

We could consider a negative rating action if UNC is unable to effectively scale operations for a smaller student population, resulting in significant operating deficits that cause a decline in cash and investments relative to operations and debt.

Upside scenario

We could consider a positive rating action if UNC stabilizes or grows enrollment while significantly improving its ratios of cash and investments to operations and debt.

Related Research

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

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

21 Jun 2023

New York, June 21, 2023 – Moody's Investors Service has assigned a Aa1 rating to University of Colorado's (CU) proposed University Enterprise Refunding Revenue Bonds, Series 2023A and Taxable Series 2023B with an estimated total par amount of \$75 million. The proposed bonds are fixed rate and will be issued by the Regents of the University of Colorado with an expected final maturity in fiscal 2053. We maintain CU's Aa1 issuer rating, Aa1 rating on rated outstanding revenue bonds and P-1 ratings on both commercial paper and extendable commercial paper. Total debt outstanding as of fiscal year end 2022 was about \$2 billion. The outlook is stable.

RATINGS RATIONALE

Maintenance of CU's Aa1 issuer rating reflects its excellent brand and strategic positioning as the State of Colorado's (Aa1 stable) flagship public institution with multiple campuses, large and growing research enterprise, and important role as a provider of medical education for the state. A diverse and substantial scale of operations also underpins credit quality. Total wealth and liquidity are sizable and provide good financial cushion while consistent operating performance provides good cash flow.

Offsetting credit factors include very limited state support for operations and capital as well as a large exposure to potentially volatile patient care revenue through CU's affiliation with the University of Colorado Hospital Authority (UCHA; Aa2 stable). While financial leverage is manageable, the university has exposure to a large unfunded state pension liability which adds significantly to total adjusted debt.

The assignment and maintenance of the Aa1 rating on CUs revenue bonds incorporates both CU's credit quality and the scale and broad nature of the revenue pledge.

The maintenance of the P-1 rating on CU's commercial paper incorporates CU's credit quality, strong internal liquidity and treasury management functions. The university currently has no outstanding commercial paper.

The maintenance of the P-1 rating on CU's extendable commercial paper primarily reflects CU's market access as a regular debt issuer as well as its credit quality, strong internal liquidity and treasury management functions. The university currently has no outstanding extendable commercial paper.

RATING OUTLOOK

The stable outlook reflects Moody's expectations that CU will continue to generate healthy operating performance as the effects of the pandemic continue to subside.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material growth in financial cushion relative to debt and operations with sustained elevated improvement in cash flow
- Further enhancement in philanthropic support
- Short term 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 P-1 ratings: significant deterioration in available liquidity, underlying credit quality, or market access

LEGAL SECURITY

CU's proposed Series 2023A and Series 2023B bonds will be on parity with outstanding bonds, and secured by a pledge of net revenue (gross revenue less maintenance and operation expense) of certain auxiliary enterprise facilities, including income derived from athletics, 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 indirect cost recovery, and mandatory facilities construction fees. There are no debt service reserve funds.

Fiscal 2022 pledged net revenue totaled \$1.4 billion and provided 9.5x coverage of maximum annual debt service on outstanding parity bonds.

USE OF PROCEEDS

Proceeds of the bonds will be used to refund and discharge certain outstanding obligations of the University tendered to the University in response to a tender invitation and pay costs of issuance.

PROFILE

Founded in 1876, 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. In fiscal 2022, CU recorded \$5.2 billion in operating revenue while fall 2022 total FTE enrollment was 58,750.

METHODOLOGY

The principal methodology used in these ratings was Higher Education Methodology published in August 2021 and available at <https://ratings.moodys.com/rmc-documents/72158>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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CREDIT OPINION

8 August 2024



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Western Colorado University

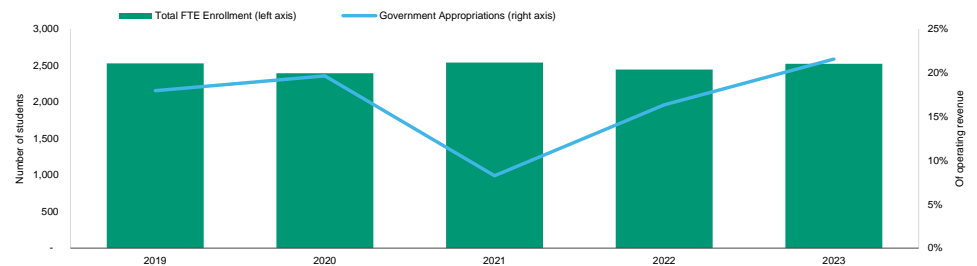
Update to credit analysis

Summary

[Western Colorado University](#), CO's (Western; A3/stable) credit quality incorporates the university's important role as a small public university in the Central Rocky Mountain region of the [State of Colorado](#) (Aa1 stable) with some distinctive programs. A generally steady improvement in state operating support, including an enhanced increase to base support for rural institutions, also underpins credit quality. Total wealth and liquidity, supported by good philanthropy, provide adequate coverage of operating expenses. Offsetting credit factors include a competitive student market environment in Colorado resulting in uneven enrollment in recent years. Coupled with strategic investments to bolster recruitment and retention amid waning pandemic relief, operating performance has weakened. A small operating base also limits future material expense management capacity. Leverage, including a large unfunded state pension liability, is elevated relative to wealth and operations while an elevated age of plant also weighs on credit quality and could indicate capital needs.

Exhibit 1

Steady growth in state operating support helps to offset student demand challenges



The decline in state support in fiscal 2021 reflects a one-time funding cut to all public higher education institutions in the state
Source: Moody's Ratings

Credit strengths

- » Generally steady improvement in state operating funding averaging about 17% of operating revenue over the last five years
- » Total wealth and liquidity, supported by good fundraising, provide some financial cushion with monthly days cash on hand of 148
- » Regionally important public university with a demonstrated ability to advantageously use partnerships to further curriculum goals
- » All fixed rate debt structure provides budget predictability especially relevant given recent narrow operating performance

Credit challenges

- » Highly competitive student market, reflected by a 7% decline in first year enrollment and average first to second year retention of 71% over the last five years
- » Small scale of operations, with \$66 million of operating revenue in fiscal 2023, limits expense flexibility
- » Variable operating performance with weak fiscal 2023 results and over 60% of overall revenue derived from student charges
- » Elevated leverage, including a large pension obligation, with total cash and investments to total adjusted debt of 0.5x

Rating outlook

The stable outlook reflects our expectations of improving student demand leading to incremental growth in net tuition revenue which coupled with steady growth in state funding and ongoing expense discipline will lead to improvement in operating performance with debt service coverage of at least 1.2x. It also incorporates expectations of no material increase in total adjusted debt without improvement in cash flow and liquid reserves.

Factors that could lead to an upgrade

- » Strengthening of brand and strategic position, leading to improved annual revenue growth prospects including net tuition revenue, along with ability to achieve philanthropic goals
- » Sustained improvement in operating performance providing stronger coverage of debt and debt service on an entity-wide basis
- » Material increase in wealth relative to debt and operations

Factors that could lead to a downgrade

- » Erosion of operating performance with debt-service coverage on an enterprise-wide basis below 1.2x
- » Decline in state funding or continued enrollment decreases evidencing further weakening of strategic position
- » Significant increase in total adjusted debt absent improved liquid reserves and cash flow to cover debt service
- » Decline in unrestricted liquidity evidenced by less than 100 monthly days cash on hand

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

WESTERN COLORADO UNIVERSITY

	2019	2020	2021	2022	2023	Median: A Rated Public Universities
Total FTE Enrollment	2,527	2,393	2,539	2,444	2,521	9,489
Operating Revenue (\$000)	60,432	58,988	58,622	78,484	66,190	256,122
Annual Change in Operating Revenue (%)	11.3	-2.4	-0.6	33.9	-15.7	2.6
Total Cash & Investments (\$000)	43,803	56,409	57,444	56,324	60,926	253,632
Total Adjusted Debt (\$000)	131,844	128,992	125,670	123,840	118,372	338,554
Total Cash & Investments to Total Adjusted Debt (x)	0.3	0.4	0.5	0.5	0.5	0.7
Total Cash & Investments to Operating Expenses (x)	0.7	1.0	1.0	0.9	0.8	1.0
Monthly Days Cash on Hand (x)	150	180	185	171	148	168
EBIDA Margin (%)	18.8	19.7	18.9	32.8	7.5	8.6
Total Debt to EBIDA (x)	7.7	7.3	7.4	3.1	15.7	5.6
Annual Debt Service Coverage (x)	1.7	1.6	1.5	3.5	0.7	1.8

Source: Moody's Ratings

Profile

Western 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. For fiscal 2023, the university recorded operating revenue of \$66 million and served 2,521 full-time equivalent (FTE) students in the fall of 2023.

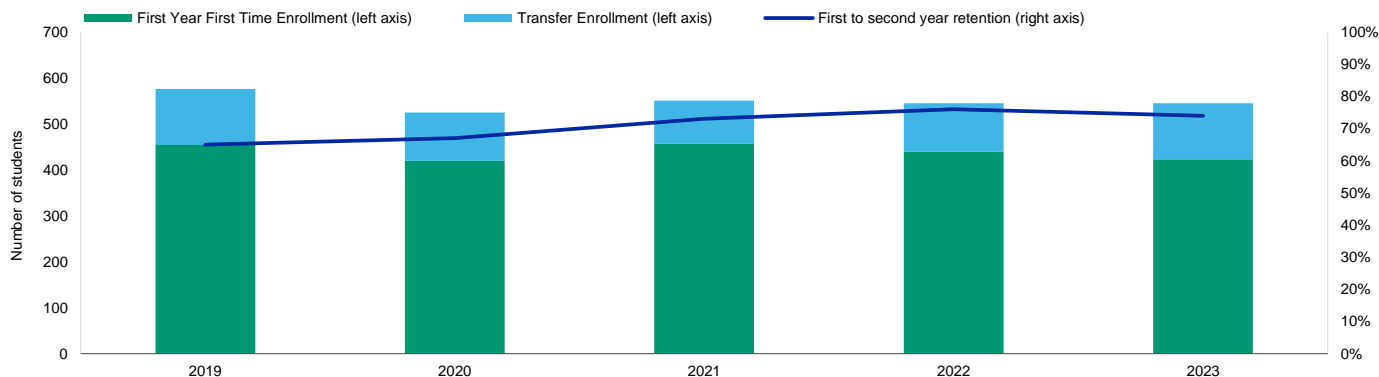
Detailed credit considerations

Market position

Western will continue to face a challenging student market environment given the number of regional public universities in the state coupled with an over 70% reliance on resident students. Since fall 2019, total FTE enrollment has been flat while first year first time enrollment is down 7% to 423 and first to second year retention has been low averaging just 71%. Western's good brand and strategic positioning is based upon its market position as the only university serving the central Rocky Mountain region coupled with significant investment in attractive new academic and athletic facilities. Disruptions due to FAFSA delays are slowing fall 2024 enrollment deposits, though Western's fall 2024 goal is to enroll at least 400 new students.

Exhibit 3

A highly competitive in-state market has pressured first time enrollment and student retention



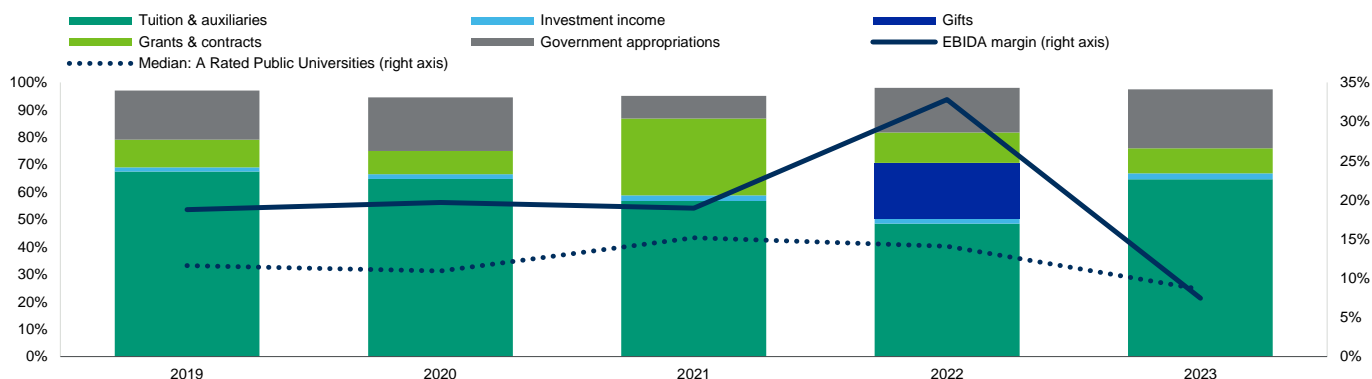
Source: Moody's Ratings

Operating performance

Despite historically strong operating performance, recent softening will continued through at least fiscal 2024. Based upon year end projections provided by management, we expect fiscal 2024 will result in a larger deficit than 2023 driven largely by one-time strategic investments. The university's relatively small scale of operations provides for elevated exposure to enrollment volatility while revenue is concentrated, with over 60% from tuition and auxiliaries, underscoring the importance of capable enrollment management. Favorably, state support has increased in recent years averaging 17% of operating revenue over the last five years. General fund appropriations include both the annual fee for service contracts, which cover educational services related to low income, first-generation, underserved students and graduate students, and the College Opportunity Fund, a stipend granted to undergraduate students that we include in net tuition revenue. For fiscal 2025, Western has adopted a balanced budget reflecting a 22% increase in state funding to almost \$25 million, 2.5% resident tuition increase, enrollment level with fiscal 2024, 3% salary increase pool, 15% increase in health plan premiums and \$1.5 for strategic initiatives.

Exhibit 4

Strategic investments intended to help stabilize enrollment will increase variability in operating performance including very weak fiscal 2023 results



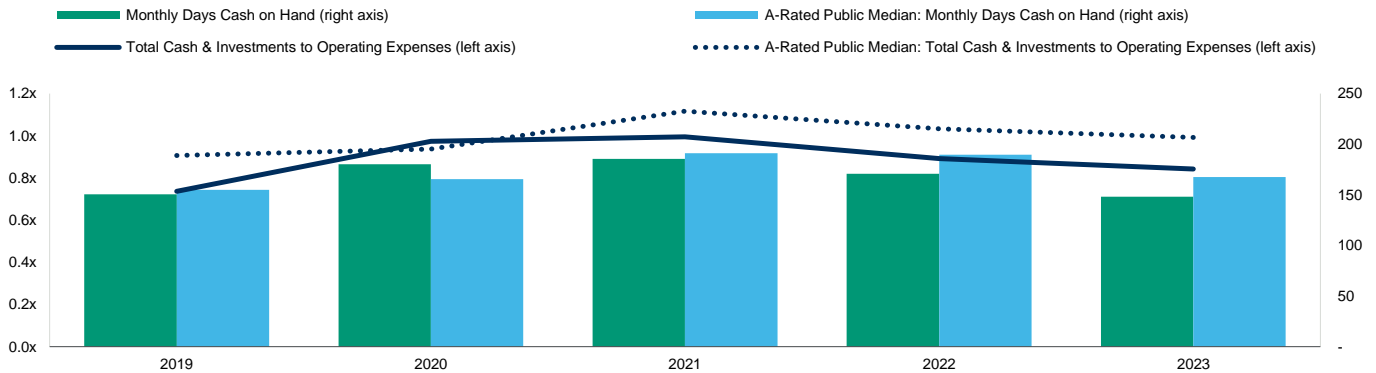
Source: Moody's Ratings

Financial resources and liquidity

Total wealth will continue to provide some financial cushion, although more modest compared to peers. For fiscal 2023, total cash and investments including those held by the university's affiliated foundation totaled about \$61 million covering operating expenses by 0.8x compared to the A-rated public median of 1x. Philanthropy has been strong and as part of its Elevate Western campaign, the university has raised \$68 million toward an \$80 million goal with \$22 million received in cash to date. This is in addition to an \$80 million gift to support construction and operation of the Rady School of Computer Science and Engineering. Western's 2023 three year average gift revenue of \$28 million well exceeds the A-rated public median of \$7 million. Liquidity has been sound with fiscal 2023 monthly liquidity of \$27 million providing 148 days cash on hand only slightly lower than the A-rated public median of 168.

Exhibit 5

Total wealth and liquidity will continue to provide some financial flexibility



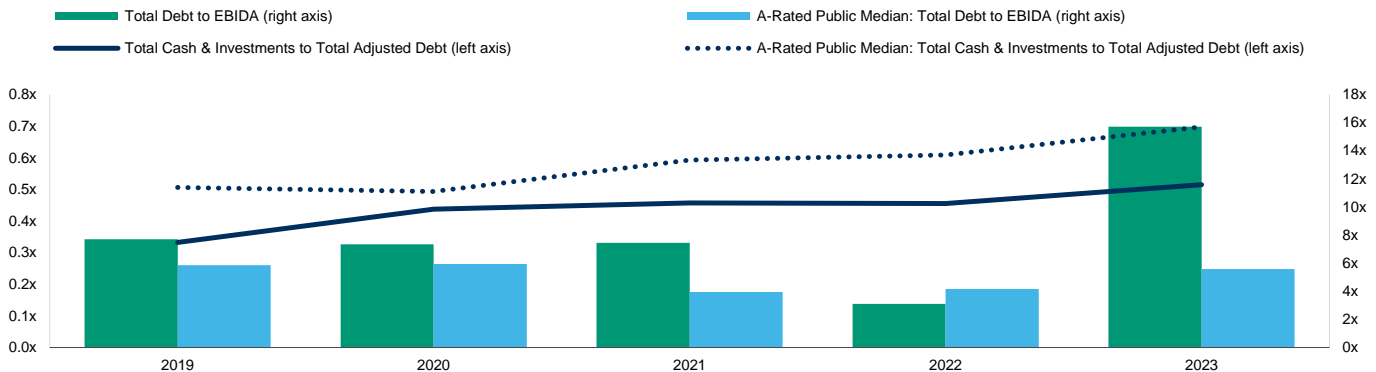
Source: Moody's Ratings

Leverage and coverage

Leverage will remain elevated compared to peers. Total cash and investments to total adjusted debt of 0.5x is weaker than the A-rated public median of 0.7x while total debt to EBIDA of 16x is considerably weaker than the peer median of 5.6x. The university has significant additional debt like obligations through its participation in state pension and retirement health plans while its age of plant at almost 18 years is above the peer median of 16. Favorably, the university's debt is all fixed rated and regularly amortizing with decreasing debt service payments through 2045. Management reports that Western is currently contemplating development of on-campus workforce housing. While it expects to undertake financing for the project in fiscal 2025, specific arrangements have yet to be determined. The credit impact of this project will depend on enrollment trends, operating performance impacts, liquidity and leverage levels.

Exhibit 6

The university's leverage, including a large net pension obligation, remains elevated compared to A-rated peers



Source: Moody's Ratings

Legal security

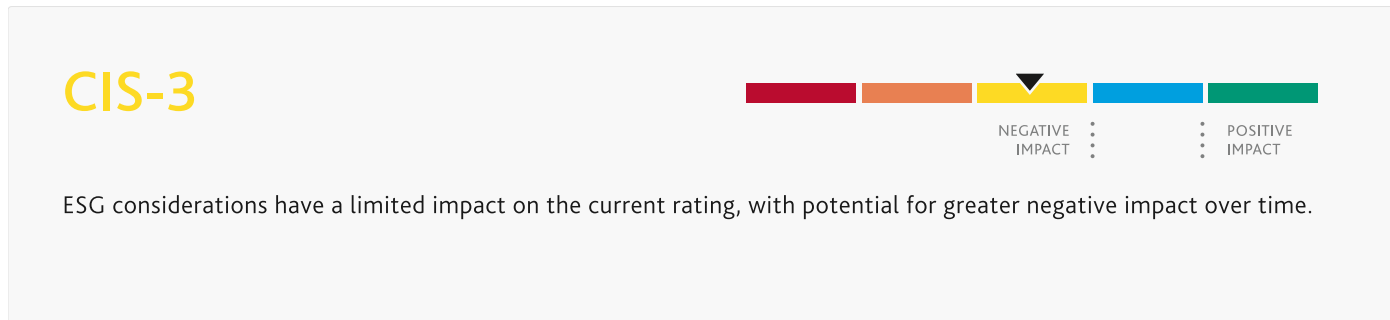
All of Western's outstanding revenue bonds are on parity, secured by a pledge of net revenues that includes tuition revenue, net revenue of certain auxiliary enterprise facilities (housing, dining, and certain student recreational facilities), certain mandatory student fees, as well as indirect cost recoveries (overhead received for research grants and contracts) and extended studies revenue. In April 2022, the governor signed a law that increased the tuition revenue available as pledged revenue to 100% from 10% and Western's board has adopted this change. Fiscal 2023 pledged net revenue, including 100% of tuition revenue, was \$25.9 million which provided 3.6x coverage of fiscal 2024 maximum annual debt service. There are no debt service reserve fund requirements. However, there is a rate covenant under which the board agrees to impose such revenues and fees to ensure pledged revenue is sufficient to pay debt service.

ESG considerations

Western Colorado University's ESG credit impact score is CIS-3

Exhibit 7

ESG credit impact score

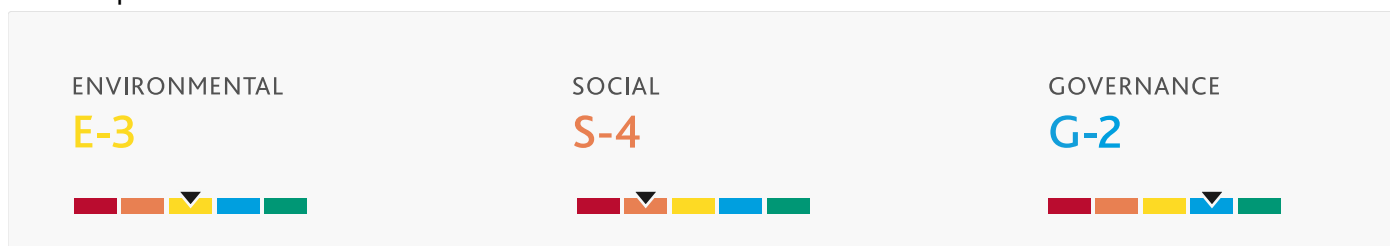


Source: Moody's Ratings

Western's **(CIS-3)** indicates that ESG considerations have a limited impact on the current rating with potential for greater negative impact over time. Western's total wealth and liquidity partially mitigate its ESG risk exposures.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Western's exposure to environmental risks is **(E-3)** driven by physical climate risks. The university's location in Gunnison, Colorado provides high exposure to water stress. Favorably, the university is positioned to help address water issues given its water studies program which educates students on water science and management.

Social

Western's exposure to social risks is **(CIS-4)**, driven by demographic and societal trends, customer relations and human capital risks. Consistent with most higher education providers, the university has a mission aligned with positive social impact through education and service and those favorable impacts increase the likelihood of ongoing support from the state. The university's student market is competitive given the other regional universities in Colorado. Favorably, Western's role as the only university serving the central Rocky Mountain region and its significant investment in facilities and academic programs support good market distinction. Customer relations risks are introduced by a high reliance on tuition revenue and a price sensitive student population. Favorably, state operating appropriations have been improving and Western has benefited from enhanced funding for rural institutions which is supportive of good state relations. Human capital risks are introduced by exposure to a large unfunded state pension obligation.

Governance

Western's exposure to governance risks is **(G-2)**. Public universities typically have some board structure and governance risks given their lack of full independence from the state which allows for exposure to potential political considerations that could create misalignment to institutional priorities. For Western, moderately negative board structure risks are introduced by the selection process, with voting trustees appointed by the governor.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was the [Higher Education Methodology](#) published in July 2024. 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 brand and strategic positioning, financial policy and strategy, and operating environment on a qualitative basis.

Exhibit 9

Western Colorado University, CO

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	66	Baa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Baa	Baa
Operating Environment	A	A
Factor 3: Operating Performance (10%)		
EBIDA Margin	7%	Baa
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	61	A
Total Cash and Investments to Operating Expenses	0.8	Aa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	0.5	A
Annual Debt Service Coverage	0.7	Ba
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	Baa	Baa
Scorecard-Indicated Outcome		Baa1
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.

Score card reflects fiscal 2023 in line with key indicators above.

Source: Moody's Ratings

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