Rating Action: Moody's assigns Aaa to University of Virginia series 2018A&B bonds; outlook stable

Global Credit Research - 19 Apr 2018

New York, April 19, 2018 -- Moody's Investors Service has assigned Aaa ratings to the University of Virginia's proposed $200 million General Revenue Pledge Bonds, Series 2018A and Series 2018B. The proposed bonds are likely to be structured with bullet maturities in fiscal 2049. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the university's superior student market position, $8.9 billion of total wealth, strong operating performance, and continued generous donor support. While commonwealth funding has been declining, the rating also incorporates operating and capital support from the Commonwealth of Virginia (Aaa stable). The rating is tempered by the expanding patient care enterprise that comprised 48% of operating revenue in fiscal 2017, soft outlook for funding from the commonwealth and ongoing capital needs.

RATING OUTLOOK

The stable outlook reflects our expectations of continued excellent student demand and philanthropic support. It also reflects sound operating performance, maintenance of superior financial resource levels and manageable future borrowing.

FACTORS THAT COULD LEAD TO AN UPGRADE
-Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE
- Deterioration in operating performance including performance of patient care enterprise
- Material deterioration in total cash and investments or unrestricted liquidity
- Marked increase in financial leverage

LEGAL SECURITY

The bonds are secured by Pledged Revenues, which include all legally available funds of the university such as tuition, fees, net patient revenues, gifts, and grants.

USE OF PROCEEDS

Proceeds from the series 2018A and 2018B bonds will be used for various capital projects and to pay costs of issuance.

PROFILE

The University of Virginia serves as the flagship university of the Commonwealth of Virginia and is one of the nation's leading higher education institutions. UVA enrolls about 23,000 full-time equivalent (FTE) students, and expects to continue a period of measured enrollment growth in the coming years. In addition to its undergraduate program in Charlottesville and the College at Wise, UVA has other highly regarded graduate and professional programs which comprise approximately 30% of the enrollment.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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