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Ratings

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Summary:

Pennsylvania Higher Educational Facilities Authority
Mount Aloysius College; Private Coll/Univ - General Obligation

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Credit Profile		
US$10.0 mil rev bnds (Mount Aloysius Coll) ser 2016 OO4 due 09/01/2046		
Long Term Rating	A/Stable	New
ICR		
Long Term Rating	A/Stable	Affirmed
Pennsylvania Hgr Educl Facs Auth, Pennsylvania		
Mount Aloysius Coll, Pennsylvania		
ser 2011 (JJ1 & R1)		
Long Term Rating	A/Stable	Affirmed

Rationale

S&P Global Ratings has assigned its 'A' long-term rating to the Pennsylvania Higher Educational Facilities Authority's series 2016 revenue bonds issued on behalf of Mount Aloysius College. At the same time, we affirmed our 'A' issuer credit rating (ICR) on Mt. Aloysius and our rating on the authority's series 2011 JJ1 and R1 bonds revenue bonds issued for the college. The outlook is stable.

We assessed Mt. Aloysius enterprise profile as strong, characterized by a stable and tenured management team, somewhat stable enrollment (although it declined for fall 2015), and an above-average matriculation rate. Despite these factors, the college has limited demand flexibility with a high selectivity rate and low retention and a highly concentrated geographic draw. We assessed Mt. Aloysius' financial profile as strong, characterized by its continued robust operating surpluses and solid financial resources, as well as low debt for the rating category. Combined, we believe these credit factors lead to an indicative stand-alone credit profile of 'a' and a long-term rating of 'A'.

The 'A' rating further reflects our assessment of the college's:

- Robust financial performance historically, with a solid margin in fiscal 2015 of 4.93%, and management expects a positive, but modest margin in fiscal 2016;
- Solid financial resource ratios for the rating category, with expendable resources equal to 204% operating expenses and 418% of debt outstanding as of June 30, 2015;
- Modest debt burden, with pro forma maximum annual debt service (MADS) equal to about 4.57% of 2015 adjusted operating expenses; and

- Stable and experienced management team that is attentive to financial metrics.

We believe partly offsetting credit factors include the college's:

- Limited demand flexibility with regional draw and SAT scores below the national average;
- Small endowment size of $35 million as of fiscal 2015, partially mitigated by additional unrestricted long-term investments together equal to $78.6 million as of June 30, 2015; and
- High reliance on student-generated revenues, which made up nearly 95% of total revenues in 2015.

We understand that Mt. Aloysius intends to use the proceeds of the series 2016 bonds (about $10 million) for the substantial renovation of and construction of a two-story, approximately 18,500-square-foot addition to the College's science building, the Learning Center for Health, Science & Technology. which will be used by many of the college's most popular programs. The fixed-rate bonds are a general obligation of the university on parity with existing rated debt. Total pro forma debt is about $27.6 million. We understand that the college does not intend to issue additional debt during the outlook period.

Mount Aloysius is a small, private Catholic college in Cresson, approximately 80 miles east of Pittsburgh, with 1,546 students and 1,399 full-time equivalent (FTE) students as of fall 2015. The vast majority of students are undergraduates who live within a 50-mile radius of Cresson, and there are both residential and commuter students.

For more information, see the full analysis on Mt. Aloysius, published July 22, 2016, on RatingsDirect.

Outlook

The stable outlook reflects our opinion that over the next two years, operations will continue to generate full-accrual surpluses although modest relative to historical performance, financial resource ratios will remain solid, and enrollment along with demand metrics will remain at least stable. We do not expect the college to issue additional debt during the next two years.

Downside scenario

We could take a negative rating action if enrollment and demand pressure continues such that operating margins or financial resource ratios weaken significantly or if the college issues significant debt beyond current plans.

Upside scenario

A higher rating is unlikely during the outlook period given the limited demand flexibility, concentrated revenue, and lower endowment size and fundraising capacity relative to 'A' category peers. We would have a positive view of strengthening demand metrics and a more geographically diverse student body.

Related Criteria And Research

Related Criteria

- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- General Criteria: Methodology: Not-For-Profit Public And Private Colleges And Universities, Jan. 6, 2016
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015

- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

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