

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aa3 to Texas Woman's University revenue bonds; outlook stable**

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Global Credit Research - 13 Mar 2018

New York, March 13, 2018 -- Moody's Investors Service has assigned a Aa3 rating to Texas Woman's University's (TWU) planned \$12.4 million of fixed rate Revenue Financing System Bonds, Series 2018 (expected final maturity in 2038) to be issued by the Board of Regents of TWU. We have also affirmed the Aa3 ratings on approximately \$157 million of parity rated outstanding debt. The outlook is stable.

#### RATINGS RATIONALE

The Aa3 rating and stable outlook reflect the university's unique market position as the only Texas public university serving a primarily female student body. TWU further benefits from its high-demand health professional programs and locations in the vibrant Dallas-Fort Worth and Houston metropolitan areas. Strong operating and capital support from the State of Texas (Aaa stable) enhance revenue diversity, and relatively high financial resources provide an ample cushion to expenses and for growing debt to support capital investment. Offsetting credit considerations include TWU's sizeable debt-financed capital plan and historically modest gift support to provide alternative revenue streams for capital and program expansion. Our credit considerations include a sizeable \$84 million public-private partnership for housing and dining with which the university has strong strategic, financial, and operational links. Recent modest legislative cuts to higher education funding signal some future uncertainty for continued strong state support. Favorably, TWU is proactively reducing expenses by 7% over the fiscal 2017-20 period, which should continue to support favorable financial performance.

#### RATING OUTLOOK

The stable outlook reflects our expectation that growing financial resources and generally stable cash flow enable TWU to comfortably support increasing debt, particularly given expected debt service reimbursement from the state for a portion of the borrowing.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant growth in financial reserves relative to outstanding debt
- Further diversification and growth of revenues, including research and philanthropic activity

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Disruption or downturn in state financial support
- Sustained deterioration of operating performance, with narrowing debt service coverage
- Material increase in leverage beyond the current debt plans

#### LEGAL SECURITY

TWU's revenue financing system debt is secured by a broad pledge of revenue, including tuition, fees, and auxiliary revenue, and certain unappropriated funds and reserve balances. The pledge excludes state appropriations and other restricted funds. Pledged Revenues in fiscal 2017 totaled \$291 million, providing approximately 18 times coverage of pro forma maximum annual debt service (MADS).

#### USE OF PROCEEDS

Proceeds from the bonds will be used to support various capital projects, including a new science and technology building, on the university's Denton campus and to pay costs of issuance.

#### PROFILE

TWU was established in 1901 and is the largest university primarily for woman in the US, with its main campus in Denton, Texas, and its largest satellite locations in Dallas and Houston located adjacent to major healthcare institutions and medical centers. The university's primary programs are in nursing and education. In fiscal 2017, the university recorded operating revenues of \$207 million and for fall 2017 enrolled 12,552 full-time equivalent students.

#### METHODOLOGY

The principal methodology used in this rating was Higher Education published in December 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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