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Rating Action: Moody's affirms Stetson University (FL)'s A3 rating; outlook stable

06 May 2019

New York, May 06, 2019 -- Moody's Investors Service has affirmed Stetson University's (FL) ("Stetson") A3 rating on Series 2015 revenue bonds issued through the Volusia County Educational Facility Authority. The outlook is stable.

RATINGS RATIONALE

Stetson's A3 rating is supported by consistently positive operating cash flows, healthy philanthropic support, moderate leverage, and regionally established student market position. The university benefits from the diversity of its program offerings and its location in Florida, with a growing population and increasing number of high school graduates in the state. Total wealth of \$256 million for fiscal 2018 also supports the rating. Management's commitment to maintain sound operating performance and capital investment support the university's very good strategic positioning. The yield rate, however, remains very low reflecting the intense competition the university faces. The rating also considers high dependence on student charges and ongoing increase in the aggregate tuition discount rate.

RATING OUTLOOK

The stable outlook reflects our expectations of sustained positive operating performance and no new debt plans. The outlook also assumes spend down of approximately \$20 million of reserves on campus facilities over the next 2-3 years for the University's Health and Science Initiative.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Strengthening student demand reflected in consistent enrollment growth, improvement in yield, and net tuition revenue growth
- Substantial increase in flexible financial reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significant deterioration in operating performance
- Weakening student demand leading to stagnant or declining net tuition revenue
- Material reduction in unrestricted liquidity beyond the \$20 million for capital projects

LEGAL SECURITY

The Series 2015 bonds are an unsecured general obligation of the university

PROFILE

Stetson University is a private university located in Florida, with its main campus located one hour north of Orlando in DeLand and three other campuses in Tampa, Gulfport, and Celebration. Enrollment of over 4,200 FTEs contributes to a \$141 million operating

base.

METHODOLOGY

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

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