

Rating Action: Moody's Assigns Aa3 to University of Rochester's (NY) up to \$230M Series 2017A&B Bonds; Outlook Stable

Global Credit Research - 13 Mar 2017

New York, March 13, 2017 -- Issue: Revenue Bonds (University of Rochester Project), Series 2017A (Tax-Exempt); Rating: Aa3; Rating Type: Underlying LT; Sale Amount: \$193,000,000; Expected Sale Date: 03/16/2017; Rating Description: Revenue: 501c3 Unsecured General Obligation;

Issue: Revenue Bonds (University of Rochester Project), Series 2017B (Tax-Exempt); Rating: Aa3; Rating Type: Underlying LT; Sale Amount: \$39,000,000; Expected Sale Date: 03/16/2017; Rating Description: Revenue: 501c3 Unsecured General Obligation;

Summary Rating Rationale

Moody's Investors Service has assigned a Aa3 rating to University of Rochester's ("UR") proposed up to approximately \$232 million of tax-exempt fixed rate Series 2017A and 2017B Revenue Bonds, expected to mature in FY 2047. Concurrently, we have also affirmed the Aa3 ratings on the university's \$1 billion of revenue bonds issued through the Monroe County Industrial Development Corporation and the Dormitory Authority of the State of New York. The outlook is stable.

The Aa3 rating reflects the university's excellent strategic positioning stemming from its role as a large private research university with a sound and strengthening student market and leading healthcare system providing unique clinical services to the Upstate New York region. The university's positioning is supported by a well-coordinated leadership structure in managing the large enterprise, with significant revenue and wealth. The rating also reflects UR's high exposure and concentration of patient care related revenue (72%), a high and increasingly competitive market for students and research funding, and moderate liquidity relative to a large expense base.

Rating Outlook

The stable outlook reflects expectations of sound cash flow performance across the consolidated academic and medical enterprises with continued momentum in fundraising to bolster reserves relative to rising debt and expenses.

Factors that Could Lead to an Upgrade

Substantial increase in unrestricted reserves and monthly liquidity that provides a materially stronger cushion for operations

Strengthened fundraising

Sustained improvement in operating performance

Factors that Could Lead to a Downgrade

Deterioration of already modest cash flow margins

Contraction of unrestricted liquidity

Large increase in financial leverage

Legal Security

All bonds are unsecured general obligations of the university.

Use of Proceeds

The proceeds of the Series 2017A bonds will be used to refund selected maturities of the Series 2007A,

2009A, 2009B, 2009E, 2011A and fund capitalized interest on a portion of the bonds and pay certain issuance costs. Additionally, the Series 2017B bond proceeds will be used to finance various capital projects, refund the Series 2007C, 2009C, and 2011B bonds, and fund capitalized interest on a portion of the bonds and pay certain issuance costs.

Obligor Profile

The University of Rochester, founded in 1850, is a comprehensive private university with significant healthcare operations and large research profile, with FY 2016 operating revenue of \$3.69 billion. The University of Rochester Medical Center is part of the university, consisting of Strong Memorial Hospital; the Schools of Medicine, Dentistry, and Nursing; the faculty practice; and Eastman Institute for Oral Health. The Hospital serves as the largest acute care general hospital in Rochester and serves both as a general and national tertiary care hospital and a specialty referral center for a 14-county area.

Methodology

The principal methodology used in this rating was Global Higher Education published in November 2015. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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