

The Curators of The University of
Missouri
University of Missouri; CP; Public
Coll/Univ - Unlimited Student Fees

The Curators of The University of Missouri University of Missouri; CP; Public Coll/Univ - Unlimited Student Fees

Credit Profile

Curators of University of Missouri (The), Missouri

University of Missouri, Missouri

University of Missouri Brd of Curators (University of Missouri)

Long Term Rating	AA+/A-1+/Stable	Affirmed
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University of Missouri Brd of Curators (University of Missouri)

Long Term Rating	AA+/Stable	Affirmed
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Credit Highlights

- S&P Global Ratings affirmed its 'AA+' long-term rating on the University of Missouri Board of Curators' debt outstanding issued for the University of Missouri (UM).
- At the same time, S&P Global Ratings affirmed its 'A-1+' rating on UM's commercial paper (CP) notes and its 'AA+/A-1+' rating on the university's variable-rate demand bonds (VRDBs).
- The outlook is stable.

Security

UM had total debt outstanding of about \$1.8 billion as of June 30, 2023, including about \$70 million in VRDBs and a modest amount of capital and operating leases. All debt is secured by what we view as an unlimited student fee pledge. The university has moderate potential debt plans within the outlook period, which we have not included at this time. In our opinion, the university has debt capacity at the current rating.

We based our 'A-1+' short-term rating on the university's provision of self-liquidity in the event of a tender and a failed remarketing of the VRDB. The rating reflects both ample liquidity and the sufficiency of the assets identified by the university to cover the total debt supported by self-liquidity. The university does not have any CP notes outstanding. UM has \$1.2 billion in discounted total assets with same-day liquidity as of Sept. 30, 2023, and has the necessary procedures to access funds in a timely manner.

Credit overview

We assessed UM's enterprise risk profile as extremely strong, characterized by solid full-time equivalent enrollment, healthy retention, and above-t,

Enterprise Risk Profile--Extremely Strong

Market position and demand

The university's geographic diversity is more limited, with about 24% of total students on the Columbia campus coming from outside the state. Approximately 75% of students are undergraduates, and most attend fulltime. Demand remains strong, in our view, and headcount is stable. The university will continue to focus on student quality, retention, and graduation rates, which have been improving over the past few years. We consider UM selective compared with peer public flagship universities.

Prior to fall 2021, the university had several years of declines, which likely reflected factors such as declining demographics in the state, and racial unrest on campus in 2014 that drew negative headlines and made recruiting more difficult. However, management believes the changes made to create a better student experience for minority student groups have helped improve the enrollment trend.

Other demand metrics are fairly in line with where they have been historically. The university's selectivity rate improved in fall 2023 to 73%, although this includes all campuses, as the University of Missouri-Columbia is more selective. Retention and graduation rates both remained fairly stable and are 86% and 68.5%, respectively. So far, applications have increased for fall 2024, and deposits are up as well. UM recently increased its tuition prices, in addition to differentiating its prices slightly more. Even after the increase, tuition and fees remain in line, if not slightly lower than, those of competitors. In our view, the university has somewhat limited geographic diversity, with approximately 76% of students coming from Missouri. Therefore, our assessment of UM's economic fundamentals is anchored by the state GDP per capita.

The system offers both professional and doctoral degrees, including medicine, pharmacy, veterinary medicine, engineering, business, and nursing. While the university already has a large research presence, management is focused on further increasing its research base, which could lead to further demand for prestigious programs. Applications for graduate programs have increased significantly, which should help the university continue to increase its graduate enrollment. The university has taken major strides to expand its online education courses and nontraditional students have increased significantly, which provides flexibility given the impending demographic cliff.

The university has had outstanding fundraising success, as it continues to meet campaign goals and raise funds annually outside of the campaign. UM raised \$1.4 billion recently, exceeding the \$1.3 billion goal on its Columbia campus. In addition, Missouri S&T recently exceeded its \$150 million goal, raising \$423 million. (already) -260.0 (has)60.0 (had)

board approves these when complete.

Management has been stable, as the university hired new chancellors at its Kansas City campus in June 2018, its Missouri S&T campus in August 2019, and more recently at UMSL in 2020. We view management's ability to stabilize enrollment, surpass fundraising goals, and continue to generate positive full-accrual surpluses favorably and anticipate its experience and depth should enable it to achieve most of its goals.

Financial Risk Profile--Very Strong

Financial performance

UM has a long history of positive operations on a full-accrual basis, aside from fiscal 2020; it had its first full-accrual deficit in years in fiscal 2020 mainly due to the pandemic, as auxiliary revenue decreased by about \$30 million, elective surgeries were deferred, and state funds were cut to \$364 million from \$409 million in the previous year. The university mitigated its losses, however, and the deficit was still just about 2% and positive on a cash basis. UM generated positive operations in fiscal 2023, with expectations for similar results in fiscal 2024. State appropriations rose in fiscal years 2022 and 2023, with a 7% increase in core operating appropriations in fiscal 2024. UM has excellent revenue diversity, with student funds accounting for about 33% of adjusted operating revenue, state appropriations about 10%, research about 10%, and health care revenue about 40%.

University health system (MU Health Care)

MU Health Care is a fully integrated academic system of hospitals and faculty practice clinics serving the health care needs of the 25 counties in central Missouri surrounding Columbia. The system includes:

- University Hospital and Clinics (UHC), a 389-bed, medical center that is a designated Level I trauma center;
- Women's and Children's Hospital, a 158-bed freestanding hospital;
- Missouri Orthopedic Institute, a 35-bed freestanding orthopedic center;
- Missouri Psychiatric Center, a 61-bed facility (included in the 389-bed count of UHC);
- Ellis Fischel Cancer Center; and
- Capital Region Medical Center (CRMC)

The combined MU Health Care service area now consists of 25 counties, and market share within this area is 30.7%. Management reports that total inpatient volume has been climbing for the past few years due to increased medicine and surgery volumes, while clinic visits have increased for the past three years, to 846,276 in fiscal 2023 from 741,090 in fiscal 2021, with 861,748 budgeted for fiscal 2024. Discharges have also increased to 27,333 in fiscal 2023 from 26,302 in fiscal 2021; the fiscal 2024 budget is for 28,565 discharges. Operating room cases and emergency room visits have also increased over the same time period. This growing activity has led to an increase in net assets of \$22.7 million in fiscal 2023, and operating income of \$60.7 million, compared with \$28.8 million in fiscal 2022 and \$90.6 million in fiscal 2021. MU Health Care maintained a positive operating income even in fiscal 2022, while many health

Management reports that while it has improved, MU Health Care continues to experience cost pressure with staffing shortages and wage pressure. Contract labor pricing continues to decline, and MU Health Care has demonstrated an ability to use that contract labor toward growth in higher-margin services like neurosurgery. Salaries and benefits made up 41.9% of fiscal 2023 costs, while supplies made up 26.4% of costs. Management said that UM has made strategic investments in faculty recruitment and has increased physicians and advanced practice providers by 86 net providers from fiscal 2021 to fiscal 2023, with a plan to add 90 providers during the next four years.

Financial resources

The university system has solid financial resource ratios compared with debt for the rating. Cash and investments rose to \$5.8 billion in fiscal 2023, reflecting investment returns, fundraising, and positive operations. This is equal to 125% of adjusted operating expenses and 318% of total debt.

As of June 30, 2023, the university had \$2.2 billion in endowment funds, with \$270.5 million considered unrestricted. The university has distributed approximately 4.36% of the endowment market value on average each year for the past few years (based on a 28-quarter market value average); in fiscal 2023, the policy was updated to be 4.0%.

Debt and contingent liabilities

UM's total debt outstanding is primarily fixed-rate debt, has bullet maturities, and the unsmoothed MADS is in 2031 is about \$275 million. However, when smoothing debt service, our MADS calculation is at about \$139.5 million, equal to about 3.0% of adjusted operating expenses in fiscal 2023.

The university had three interest-rate swap contracts in the notional amount of \$151.9 million as of June 30, 2023. The university is only required to post collateral for two of its three swap agreements when the negative market value exceeds \$30 million, based on the current long-term rating on the university. As of June 30, 2023, UM was not required to post collateral with the counterparty in accordance with this obligation. Under its third swap agreement, the counterparty is required to post collateral with the university if the market value calculated on each valuation date exceeds a ratings-dependent threshold. The university is not required to post collateral with the swap counterparty.

The university sponsors a defined-benefit retirement plan for its employees and a hybrid plan for those hired after Oct. 1, 2012. As of fiscal 2023 year-end, UM's net pension liability on its balance sheet was \$1.3 billion. As of April 2019, the Board of Curators approved offering a defined-contribution plan only for all employees hired on or after Oct. 1, 2019. The plan's benefits were determined using the existing retirement plan, and the university does not anticipate the pension liability decreasing in the near term. However, this does give the university additional flexibility to modify



Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of November 30, 2023)		
Curators of University of Missouri (The), Missouri		
University of Missouri, Missouri		
The Curators of the University of Missouri (University of Missouri) Sys Fac Rev Bnds		
Long Term Rating	AA+/Stable	Affirmed
The Curators of the University of Missouri (University of Missouri) Sys Fac Rev Bnds (University of Missouri) ser 2020A dtd 05/18/2020 due 11/01/2050		
Long Term Rating	AA+/Stable	Affirmed
University of Missouri Brd of Curators (University of Missouri) CP nts		
Short Term Rating	A-1+	Affirmed
University of Missouri Brd of Curators (University of Missouri) PCU_USF		
Long Term Rating	AA+/Stable	Affirmed
University of Missouri Brd of Curators (University of Missouri) (BABs)		
Long Term Rating	AA+/Stable	Affirmed

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