

My Credit Profile

Villanova University, PA - 'A/Stable'

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Delaware County Authority, Pennsylvania Villanova University; Private Coll/Univ - General Obligation

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Credit Profile

Villanova Univ ICR

<i>Long Term Rating</i>	A/Stable	Affirmed
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Delaware Cnty Auth, Pennsylvania

Villanova Univ, Pennsylvania

+ Delaware Cnty Auth (Villanova Univ) rev bnds ser 2005 (MBIA)

<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
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+ Delaware Cnty Auth (Villanova Univ) ser 2006 (AMBAC)

<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services affirmed its 'A' long-term rating and 'A' underlying rating (SPUR) on the Delaware County Authority's outstanding bonds, issued on behalf of Villanova University.

The rating reflects the university's:

- Historically strong student demand, evidenced by an acceptance rate of 39.5% in fall 2008, in conjunction with a 26.9% matriculation rate and an excellent freshmen retention rate of 94.8%;
- Good student quality, with the average SAT score of 1,295 in fall 2008;
- Strong financial operations, with healthy operating surpluses and good growth in net tuition and fee income and seasoned management with conservative budgetary practices;
- Adequate financial resources, with expendable resources of \$366 million in fiscal year 2008 equal to 98% of operating expenses and 1.6x outstanding debt;
- Moderate debt burden of 4.9% in fiscal year 2008; and
- Good fundraising record, with the last comprehensive campaign exceeding the \$300 million goal.

The offsetting factors include limited revenue diversity, a relatively small endowment fund, and long-term capital needs.

Outlook

The stable outlook reflects Standard & Poor's expectation that student demand will remain strong and

financial operations will remain favorable. We also expect that when additional debt is issued, there will be a commensurate increase in financial resources. Sustained strong financial operations during the weak economic environment could have positive implications for the rating.

The University

Villanova University is an independent, coeducational institution located in Radnor Township, about 14 miles west of Philadelphia. Founded in 1842 by the Augustinian Order of the Roman Catholic Church, today the well-maintained 255-acre campus encompasses 66 buildings located on Philadelphia's affluent "Main Line."

The institution comprises the College of Liberal Arts and Sciences, the College of Commerce and Finance, the College of Engineering, the College of Nursing, and the School of Law. In addition, all of the colleges offer graduate studies. Combined, these colleges and schools offer bachelors degrees in 56 fields, master's degrees in 40, a juris doctorate, and three PhD degrees. In fall 2008, 91% of enrolled students are undergraduates.

Strong Demand With Increased Applicant Pool And Improved Selectivity

The university has a strong demand profile characterized by a growing applicant pool, improving selectivity, and high freshmen retention rate. Enrollment has remained stable during the past few years, with a total headcount of 10,152 in fall 2008. The university's housing is close to capacity, and management plans to keep enrollment at the current level for the foreseeable future. Freshmen applications for fall 2008 were 15,102, a 10% increase from fall 2007. The acceptance rate has improved over the years, with the acceptance rate of 39.5% in fall 2008, compared to a high of 58% in fall 2004. At the same time, the matriculation rate has remained fairly stable between 27% and 31% in the past five years, reflecting strong regional competition. Student retention continues to be strong, with approximately 94% of freshmen returning for their sophomore year.

Student quality, as measured by SAT scores, continues to improve. The average SAT score for the fall 2008 class was 1,295. The university has a fairly regional draw in its applicant pool, with approximately 70% of the incoming students coming from mid-Atlantic states.

Finances: Positive Operations

Villanova has maintained consistently positive financial operations on a full accrual basis over the years. In fiscal year 2008, the university produced an operating surplus of \$28.8 million, following an operating surplus of \$30.1 million in fiscal year 2007. In addition, the university's projections through 2014 show positive operating results. The university has a history of strong financial planning, including an annual increase in planned savings. The amount of planned savings in fiscal 2008 was \$8.3 million, and the university is budgeting \$8.8 million for planned savings for fiscal 2009.

The university's revenue base is fairly concentrated with tuition and other student-generated fees accounting for close to 87% of total revenues. The university has increased tuition by an annual average of 8% for the past five years while maintaining a modest institutional discount rate around 20% during the same period.

Financial Resources: Adequate But Improving

Due to good operating performance and favorable market conditions in the past couple of years, financial resources have increased, improving financial resources ratios when compared to operating expenses and outstanding debt. In fiscal year ended May 31, 2008, expendable resources were \$366 million or 98% of operating expenses and 1.6x outstanding debt. This compares to expendable resources of \$214 million or 70% of operating expenses and 1.1x outstanding debt only three years ago. As of May 31, 2008, total outstanding debt was \$224 million (including nonrecourse debt of \$11.5 million). Only \$22 million or 10% of the outstanding debt is in the form of variable-rate demand debt, and the university does not have any swaps related to its debt. The university does not plan to issue additional debt in the next two to three years and maintains a moderate debt burden of 4.9%.

Somewhat Small Endowment But Good History Of Fundraising

The market value of Villanova's endowment as of May 31, 2008, was \$355 million, up from \$336 million as of May 31, 2007. Due to the recent market disruption, however, the estimated market value of the endowment was down to \$258 million as of Oct. 31, 2008. The asset allocation has remained diverse, with the largest components being domestic equities (25.4%), global equity (13.6%), hedge funds (22.5%), and U.S. bonds (13.3%). The spending policy continues to be 5%, based on a three-year rolling average market value.

The university concluded a \$300 million campaign in December 2007. The campaign raised \$304 million, and the plans for the campaign proceeds include scholarships, improvement of facilities and addition to the endowment.

Contact

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