

# Illinois Development Finance Authority

## Loyola University Of Chicago; Private Coll/Univ - General Obligation

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### Table Of Contents

Rating Action

Stable Outlook

Credit Opinion

Enterprise Profile

Financial Profile

Related Research

Illinois Development Finance Authority  
Loyola University Of Chicago; Private Coll/Univ -  
General Obligation

grant portion and the remainder, \$10.5 million, is for institutional use. The university has not been materially affected due to cancellation of fall sports due to COVID-19, as athletics is not a primary revenue driver for LUC. International students make up approximately 4% of the student population, which represents a fairly small number in our view and therefore there has not been a significant financial impact due to the lower number of international students. Although there have been significant challenges, we recognize that management has taken prudent measures to address the current situation and that it continues to monitor the course of the pandemic, having fully evaluated additional

professional degrees in law, business, nursing, and medicine. It also offers undergraduate majors, master's degrees, and doctoral programs. The institution has three campuses in the Chicago metropolitan area:

- The Water Tower campus near Chicago's Loop business district;
- The Lake Shore campus in the Rogers Park neighborhood on Chicago's North Side; and
- The Health Sciences Campus in Maywood, which houses the medical and nursing schools and various health science programs.

The university also owns a retreat and campus in Woodstock, Ill., the Cuneo Mansion and Gardens in Vernon Hills, Ill.,

## Enterprise Profile

### Economic fundamentals

In our view, LUC's geographic diversity is limited to Illinois and is mostly regional with 63% of students coming from the state as of fall 2020. Therefore, Illinois' GDP per capita anchors our assessment of LUC's economic fundamentals.

### Management and governance

A 50-member board of trustees, elected for staggered three-year terms, governs LUC. University bylaws provide that the president is an ex-officio member with full voting rights; historically, the president has been a Jesuit. We understand that currently a minimum of eight positions on the board are reserved for Jesuits, and there is generally a limit of three consecutive terms. The Board of Trustees has approved the elevation of the institute of environmental Sustainability (IES) to the school of environmental Sustainability, creating Loyola University Chicago's 11th school. The school of environmental sustainability (SES) solidifies the university's continued commitment to addressing the causes and impact of global climate change.

In 2016, the university elected Dr. Jo Ann Rooney as its 24th president. We believe she comes with lifelong experience as an educator and an impressive and diverse array of experience that will benefit the university tremendously. She is the university's first lay president. Wayne Magdziarz remains senior vice president, chief financial officer, and chief business officer and comes with a long tenure of serving the university. The university moved from a dual-provost model to a single provost model. The initiative was led by Margaret Faut Callahan, who was acting provost and chief academic officer. Dr. Callahan assumed the role of senior vice president for strategy and innovation. The university appointed Norberto Grzywacz as provost and chief academic officer in February 2021. He previously served as dean of the Graduate School of Arts and Sciences at Georgetown University and is an accomplished academic leader with a deep, multidisciplinary research and teaching portfolio that bridges science and the humanities. Overall, the team remains stable and no other changes are expected. The new strategic plan is currently in the last phase and will be presented in July 2021 and will be an extension of the current strategic plan. The current strategic plan, 'Plan 2020' focused on student access and success, faculty development, programs for societal needs, and local and global partnerships. The strategic plan also included estimated costs and funding sources available for each goal, which we view as a good practice.

### Market position and demand

Enrollment at LUC can be characterized as growing year-over-year until 2020, which management primarily attributes

27.4 in fall 2019, and is remaining 20% above the national average. The retention rate remains stable at 85%, but management's goal is to increase it to 90%.

For fall 2020, applicants totaled 25,453--down from 25,583 in fall 2019. Selectivity has varied ranging from 67%-70%. However, it has improved to 70.5% in fall 2020.

We consider LUC's matriculation rate weak compared with its peer institutions. For fall 2020, matriculation declined further to 11.9% from 15.3% in fall 2019. We view this as a limited factor and indicative of strong regional competition for high-quality students.

## Financial Profile

### Financial management policies

We consider LUC's financial practices conservative and a management strength. While not all practices are formal board-approved policies, the university fully funds depreciation; targets a large surplus annually; and operates

institutional funding to augment the \$5 million student share, for students' direct benefit. The remainder would likely include support for safety protocols in use for the current spring semester, including testing. The university expects that the institutional funds will likely be used in fiscal year 2021, though they can be used in fiscal 2022 as well. As such, management expects to end fiscal 2021 with a modest surplus, though it might be narrower than fiscal 2020 results.

Management is working on its fiscal 2022 budget and plans to reintroduce expenses that were curtailed in the previous years in a phased manner if revenue projections meet or exceed expectations. As such, management is projecting a balanced budget, but it could generate surplus depending on expenses. We view the financial management as prudent and expect LUC to sustain its operating strength. The university, in our opinion, has a concentrated revenue base with above 80% of adjusted operating revenue from student-generated fees for the past years. Net tuition revenue, an important metric, in our view, due to the university's dependence, has grown steadily each year since at least fiscal 2005; with a 3.5% growth in net tuition revenue for fiscal 2020.

Although tuition-discount pressure exists, LUC manages it within the operating budget, in our view. The discount for the fall 2020 freshman class was 47%, relatively stable compared with prior years, and consistent with LUC's peer institutions. The overall tuition discount rate, however, was a modest 37.02% for fall 2020. Like many private universities, LUC has recently worked to reduce its rate of tuition increases.

For the 2020-2021 academic year, undergraduate tuition was \$45,500, increase of 3.1%, which is modest compared with fall 2019. Management reports that it manages operating cash flow without external lines of credit and that it maintains liquid significant liquid reserves even during low-cash cycles. LUC does maintain two lines of credit totaling \$100 million line of credit though does not have any balance outstanding on it as of fiscal year end and does not expect to utilize them for fiscal 2021 either. As of June 30, 2020, the university maintained approximately \$261 million of short-term operating funds and reserves.

#### Available resources

Expendable resources as of fiscal 2020 remain solid for the rating category, though slightly lower than fiscal 2019. For fiscal 2020, expendable resources measured \$752.9 million or 90.8% of adjusted operating expenses and 204% of debt relative to \$760 million or 96.3% of adjusted operating expenses and 198% of debt. We recognize that there has been solid historical growth in expendable resources and the university has sustained a strong balance sheet over the past few years.

As of June 30, 2020, the market value of the long-term investment pool was \$800.9 million, which includes \$98.3 million of institutional reserves with the remainder in the university endowment. The long-term portfolio asset allocation currently is about 77.1% equities, including public and private, strategies; 9.1% in credit strategies; 10.3% in investment-grade fixed-income; and 3.5% in real assets. We consider the portfolio diverse and comparable with LUC's peer institutions. The portfolio's liquidity is strong, in our view. Management reports it could convert about 65% of investments into cash in less than a month.

We consider LUC's formal endowment-spending rate fairly standard, which is capped at 5% of market value as of the previous June 30. Management reports it has spent less (between 2.5%-3%) than that recently. Management could take up to the full 5% draw for fiscal 2022. The university has adopted a two-factor formula that combines a market

value component and a spending-and-inflation component. The market value component is calculated by applying a spending rate that varies by type of fund to the market value as of June 30--12 months prior to the applicable fiscal period. The spending-and-inflation component is calculated by adjusting the prior year's spending budget by an inflation rate. The factors are weighted 50% each to arrive at the spending budget.

#### Debt and contingent liabilities

Total outstanding debt as of fiscal year-end 2020 is \$369 million. All of LUC's debt is fixed-rate debt. The university refinanced its \$74 million commercial paper program in fiscal 2020 via a bank loan at a fixed rate. As a result, there is no longer any variable-rate debt outstanding. The bank loan includes financial covenants of maintenance of 1.2x debt service coverage ratio as well as cross-default provisions that could lead to immediate acceleration, which we do not view favorably. However, in our view the liquidity position of the university with 65% of the investment portfolio , or

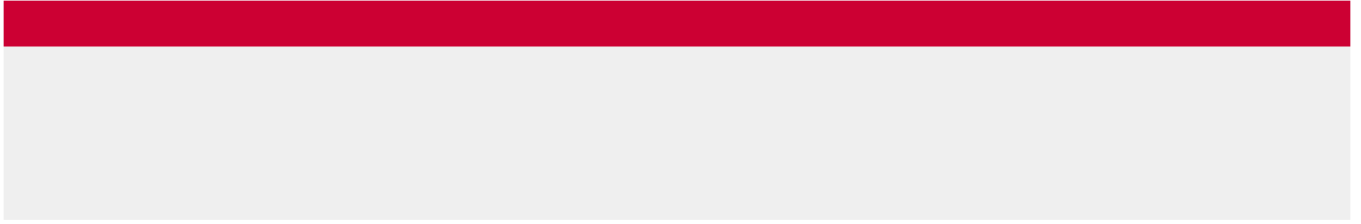


Loyola University Of Chicago, Illinois Enterprise And Financial Statistics (cont.)

--Fiscal year ended June 30--

	2021	2020	2019	2018	2017
Net operating income (\$000s)	N.A.	27,720	50,646	42,712	43,292
Net operating margin (%)	N.A.	3.34	6.41	5.63	5.97
Change in unrestricted net assets (\$000s)	N.A.	13,389	59,489	74,814	79,012
Tuition discount (%)	N.A.	37.0	35.9	34.9	32.8
Tuition dependence (%)	N.A.	77.3	74.9	74.0	73.9
Student dependence (%)	N.A.	84.0	83.5	83.0	83.0
Research dependence (%)	N.A.	5.3	5.4	5.6	5.8
Endowment and investment income dependence (%)	N.A.	2.2	1.8	1.4	1.4

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