Illinois Educational Facilities Authority
Loyola University Of Chicago; Private Coll/Univ - General Obligation

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Illinois Educl Fac Auth, Illinois Loyola Univ of Chicago, Illinois		
Illinois Ed Fac Auth (Loyola Univ of Chicago) ser A medium term notes, 2003ABC, & 2007		
Long Term Rating	A/Positive	Outlook Revised

Rationale

S&P Global Ratings revised its outlook to positive from stable on Illinois Educational Facilities Authority's (now Illinois Finance Authority) revenue debt, issued for Loyola University of Chicago (LUC, or the University). At the same time, we affirmed our 'A' long-term rating on LUC's revenue debt.

The outlook revision reflects our view of LUC's growth in enrollment, which is expected to continue while maintaining strong student quality. LUC has also maintained robust operating performance with sustained operating surpluses that have led to growth in balance sheet resources while rapidly paying down debt. It is our view that strengthening of available resources along with surplus operating performance on a sustained basis could lead to an upgrade in the next two-years.

We assessed LUC's enterprise profile as strong, characterized by growing enrollment, strong student quality, and diverse professional and graduate program offerings. We assessed LUC's financial profile as strong, characterized by robust operating performance and solid balance sheet resources. We also recognize that although the university has certain bullet payments upcoming, it has been rapidly paying down debt and has sufficient reserves to offset the large debt burden that includes upcoming bullet payments.

The rating also reflects our opinion of LUC's:

- Current maximum annual debt services (MADS) burden of 12.2% in fiscal 2017 with a bullet payment in 2038--We, however, recognize that the university plans to address the 2038 bullet payments before the maturity date and that smoothed MADS burden is more manageable at approximately 5.4%; and
- High student dependency of about 83% in fiscal 2017.

Securing the bonds is a general obligation of the University.

LUC, founded in 1870 by the Jesuit order, is a private, nonprofit, Catholic institution of higher education. LUC offers 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, IL, the Cuneo mansion and gardens in Vernon Hills, IL, and the Rome Center in Italy.

Total outstanding debt as of fiscal year end 2017 is $440 million including $74 million outstanding in commercial paper that S&P does not have a rating on. During fiscal 2018, LUC refinanced its series 2007 bonds with 2017-term loan and repaid its entire 1997 medium term notes ($21.1 million) and the 2012 term note with PNC ($18.9 million). In addition, the university repaid the remainder of its series 2003C taxable direct obligation bonds, $11.5 million during fiscal 2019 (current fiscal year). We have accounted for the full repayment of these bonds for the purposes of this analysis given that management was able to provide sufficient evidence of payment in full. Total pro-forma debt outstanding as of year-to-date is approximately $388 million.

Outlook

The positive outlook reflects S&P Global Ratings' opinion that during the two-year outlook period, LUC will continue to grow enrollment and maintain its current demand metrics, generate full-accrual operating surpluses consistent with recent operating results that are sufficient to repay debt under the accelerated repayment plan, as well as grow available resources to levels commensurate with a higher rating. We do not expect any additional debt issuances during the outlook period.

Upside scenario

We could raise the rating during the two-year outlook period if LUC showed sustained enrollment growth while maintaining financial operations at current levels and increasing available resources ratios.

Downside scenario

We could revise the outlook to stable during the next two years if the university's enrollment growth was stagnated or if operating performance starts to weaken from current levels and if available resources do not improve further. We would also view additional debt issuance without commensurate increase in balance sheet resources negatively.

Enterprise Profile

Industry risk

Industry risk addresses the higher-education sector's overall cyclicality and competitive risk and growth by applying various stress scenarios and evaluating barriers to entry, levels and trends of profitability, substitution risk, and growth trends observed in the industry. We believe the higher-education sector represents a low credit risk compared with other industries and sectors.

Economic fundamentals

million.

Including bullet payments, the university has relatively high MADS at 12.2% of fiscal 2017; however, when we smooth the debt service, we believe MADS is more manageable at approximately 5.4%. The university has an internal bank to provide for strategic capital projects, as well as the repayment of upcoming bullet payments, which in our view mitigates the risk associated with large debt service burden. The plan calls for budgeted reserve deposits from the tuition budget, internal auxiliary operations (housing, etc.), and other designated funds into the internal bank. Management reports that the balance is currently $80 million and that funds are invested as both working capital and long-term investments. As part of the repayment plan, the university plan calls for using a portion of budgeted depreciation expenses for debt repayment, as well as other designated operating surpluses. LUC does not currently plan to issue additional debt, but it plans to pay down current debt rapidly.

Loyola University of Chicago, Illinois Enterprise And Financial Statistics					
	--Fiscal year ended June 30--				
	2018	2017	2016	2015	2014
Enrollment and demand					
Headcount	16,673	16,422	16,437	15,902	15,957
Full-time equivalent	15,446	15,185	14,845	14,613	14,649
Freshman acceptance rate (%)	70.6	72.6	71.3	63.3	85.0
Freshman matriculation rate (%)	16.0	15.9	14.3	17.7	19.1
Undergraduates as a % of total enrollment (%)	68.5	67.8	67.4	64.9	63.7
Freshman retention (%)	83.1	82.3	86.0	86.0	85.7
Graduation rates (six years) (%)	77.2	74.9	73.7	73.0	N.A.
Income statementIncome nBT 1 0 0 1 254.6 3402Tf 1 0 0 1 58.0 3-etey					

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

	--Fiscal year ended June 30--				
	2018	2017	2016	2015	2014
Pro forma MADS burden (%)	N.A.	5.45	N.A.	N.A.	N.A.
Financial resource ratios					
Endowment market value ($000s)	N.A.	593,450	533,614	541,667	538,523
Cash and investments ($000s)	N.A.	907,160	797,834	805,619	842,548
Unrestricted net assets ($000s)	N.A.	1,114,437	1,035,425	1,036,895	1,015,555
Expendable resources ($000s)	N.A.	631,454	534,224	572,995	666,777
Cash and investments to operations (%)	N.A.	125.1	115.4	119.8	129.9
Cash and investments to debt (%)	N.A.	206.4	167.9	157.8	154.2
Cash and investments to pro forma debt (%)	N.A.	233.8	N.A.	N.A.	N.A.
Expendable resources to operations (%)	N.A.	87.1	77.3	85.2	102.8
Expendable resources to debt (%)	N.A.	143.7	112.4	112.2	122.0
Expendable resources to pro forma debt (%)	N.A.	162.8	N.A.	N.A.	N.A.
Average age of plant (years)	N.A.	10.8	10.2	9.9	9.3

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Expendable resources = unrestricted net assets + temp. restricted net assets - (net PPE- outstanding debt). Average age of plant = accumulated depreciation/depreciation and amortization expense.

Ratings Detail (As Of July 12, 2018)

Loyola Univ of Chicago		
Long Term Rating	A/Positive	Outlook Revised
Illinois Finance Authority, Illinois		
Loyola Univ of Chicago, Illinois		
Illinois Finance Authority (Loyola University of Chicago)		
Long Term Rating	A/Positive	Outlook Revised