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Ratings

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Syracuse University, New York; CP; Private Coll/Univ - General Obligation

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Long Term Rating	AA-/Stable	Affirmed
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Long Term Rating	AA-/Stable	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'AA-' long-term rating on Onondaga Civic Development Corp., N.Y.'s series 2020A tax-exempt and series 2020B taxable revenue bonds, issued for Syracuse University (the university).
- S&P Global Ratings affirmed its 'AA-' long-term rating on the series 2019 tax-exempt debt issued by the Onondaga County Trust for Cultural Resources, N.Y. for the university.
- S&P Global Ratings affirmed its 'A-1+' short-term rating on the university's $75 million taxable commercial paper (CP) notes program backed by self-liquidity.
- The outlook, where applicable, is stable.

Security

Total debt at the end of fiscal 2023 equaled $675.8 million, including $2.7 million of finance leases and $14 million of operating leases, which we believe does not have a significant impact on debt ratios. Securing the bonds is a general obligation of the university. The university also has a $75 million commercial paper program, although there was no balance outstanding at the end of fiscal 2023. The 'A-1+' short-term rating is based on our assessment of the university's liquidity. With close to $411.7 million in discounted assets as of March 31, 2024, that can be liquidated on the same day, we believe there would be sufficient coverage on any failed rollovers should there be a balance. We expect some use of internal reserves coupled with debt in the next few years for strategic initiatives, although timing and amount are uncertain.

Credit overview

We assessed Syracuse's enterprise risk profile as very strong, characterized by healthy enrollment with record applications. Retention and student quality also remain solid. We assessed Syracuse's financial risk profile as very strong, characterized by sound operating surpluses and moderate financial resource ratios as reflected by cash and investments. Combined, we believe these credit factors lead to an anchor of 'aa-' and a final rating of 'AA-'.

The 'AA-' rating reflects our assessment of Syracuse's following strengths:

- Comprehensive nature, with considerable program diversity and growing enrollment;
- History of solid operating surpluses driven by growth in net tuition revenue and auxiliary revenue; and

- Low maximum annual debt service (MADS) burden of 2.5% with conservative debt profile.

The rating reflects our assessment of Syracuse's following weaknesses:

- Somewhat weaker demand profile with a higher acceptance rate and lower matriculation rate relative to rating category medians and similarly rated peers;
- Modest cash and investment to operating expenses relative to similarly rated peers; and
- Relatively high student fee dependence, with tuition, fees, and auxiliary revenue accounting for 78.5% of fiscal 2023 revenue.

Founded in 1870, Syracuse University is a private, coeducational university that offers nearly 400 undergraduate, graduate, and professional degree programs through its 13 schools and colleges. It offers a number of highly competitive niche programs from, among others, the S.I. Newhouse School of Public Communications, Maxwell School of Citizenship and Public Affairs, and the School of Architecture.

Environmental, social, and governance

We analyzed Syracuse's environmental, social, and governance credit factors related to its market position and financial performance. We view all environmental, social, and governance credit factors as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the university will maintain enrollment and healthy operating surpluses. Financial resources are expected to remain in-line with current levels. Debt plans are possible but still uncertain at this time.

Downside scenario

We could consider a negative rating action within the two-year outlook period if financial resources decline substantially or significant debt is issued without commensurate growth in financial resources. Enrollment declines and weakened operations to deficit levels would also be viewed negatively.

Upside scenario

We could consider a positive rating action within the two-year outlook period if there was growth in financial resource ratios especially relative to operating expenses to levels consistent with a higher rating. Improvement in demand metrics such as selectivity and matriculation to levels consistent with higher rated peers along with the maintenance of operating surpluses would also be viewed favorably.

Enterprise Risk Profile--Very Strong

Market position and demand

For fall 2023, total full-time equivalent (FTE) enrollment remains very healthy at 21,209 with first year matriculants at 3,672, in line with the target of 3,700. Applications were also at a record high at 42,089 and the university remains test optional until spring 2026. Selectivity and matriculation continue to improve at 41.7% and 20.9%, although still somewhat weaker than similarly rated peers. Graduate FTEs have softened slightly compared with the record high in fall 2022, but remains healthy at 5,313. In fall 2023, graduate and professional FTEs accounted for about 27.7% of total FTEs. Syracuse remains geographically diverse with only about 32% of students coming from New York. International students were approximately 18.8% of total FTE enrollment, respectively, which is somewhat high compared with other universities. The university also continues to distinguish itself as the premier university for veterans, military connected students, and families. Enrollment for fall 2024 is expected to remain strong with record applications and matriculation slightly above the target. Currently, housing constraints limit the ability for substantial growth in undergraduate enrollment but growth in transfer, graduate, and on-line enrollment remains a focus.

Syracuse launched the public phase of a comprehensive campaign with a goal of $1.5 billion in November 2019 with half designated for current use, and the other half designated for endowment and facilities. Management expects the campaign will be complete by the end of the calendar 2024 year. We view the university's fundraising abilities positively as it has allowed for several strategic capital projects to be completed. However total endowment per FTE remains lower than rating category medians and similarly rated peers.

Management and governance

The university continues to benefit from management stability with the chancellor having been at the university since January 2014 and a contract that runs through fiscal 2026. An interim provost, who is already at the university, assumed the role in July 2024. A permanent head of development was named along with a chief digital officer, both internal candidates. The chief digital officer oversees AI and cybersecurity. There have been no cyber incidents to date. In addition, five new deans were appointed in fiscal 2023 and 2024. We believe all members of the senior leadership team are experienced in the higher education sector. The leadership team is governed by a 49-member voting board.

Key strategic initiatives remain centered around strengthening the academic and research aspects of the university while also improving the student experience. A strategic housing initiative is currently being implemented to house all first- and second-year students on the main campus. Recently the university converted the nearby Sheraton Hotel into a residential hall. The university is also looking to potentially build its own hotel to house guests and families during campus events. The university anticipates the use of some debt over the next few years but timing and amount are uncertain at this time. On the academic side, the university is looking to expand engineering and computer science programs with hopes of growing the college by 50% over five years. The university also continues to support the portfolio of online programs that are offered both in-house and by partnering with a third party provider. The university has historically operated with solid surpluses and we believe that the university has solid budgeting practices, with both cash and accrual budgets.

Financial Risk Profile--Very Strong

Financial performance

Operating performance remains very healthy with fiscal 2023 operations generating a record surplus of $100.9 million or 6.3% net operating margin. The improvement was driven by strong net tuition revenue and growth in auxiliary revenues as well as greater returns on working capital, which were much higher compared with fiscal 2022 results. There was also approximately $13 million remaining from HEERF funding that was included in the surplus. Management budgets both on a modified cash basis and a full-accrual basis. The conservative budgeting often lends to large full accrual surpluses. We expect that fiscal 2024 and fiscal 2025 operations will remain soundly positive despite higher operating expenses related to inflationary pressures as well as strategic investments. The university has been building its cash reserves in anticipation of some spend down over the next few years especially related to student housing. Management continues to be diligent about budgeting under different pricing models and stressed scenarios to better inform the ongoing strategies around enrollment, academics, and facilities.

The university is relatively dependent on student-generated revenues for most of its operating budget although research and endowment support are other sources of revenue. Tuition and auxiliary income accounted for 78.5% of revenues on a gross basis in fiscal 2023 and has been relatively consistent.

Financial resources

Syracuse saw solid growth in cash and investments in fiscal 2023, increasing to $2.54 billion from $2.37 billion in fiscal 2022. However, operating expenses remain relatively high hence the modest cash to operating expense ratio of 159.7%. The university has benefited from fundraising, with many funds being used to support capital, which has limited the need for debt. The cash and investments to debt ratio remained stable at about 376.0%. Management has been building cash reserves over time with plans for strategic investments over the next few years.

As of Jun 30, 2023, the managed endowment, which is the pooled main endowment at Syracuse had a market value of about $1.9 billion. The long-term investment portfolio is diversified with approximately 70% in liquid funds consisting of equities, fixed income, cash and other strategies; and 30% in illiquid funds primarily invested in private equity. Management reports that approximately 41% of the portfolio can be liquidated on a daily to monthly basis. Approximately 48% of the endowment is unrestricted, which we believe provides further operating flexibility. The university has a conservative endowment spending rate for operations from the main pooled endowment fund. In fiscal 2024, the distribution rate was 3.79%.

Debt and contingent liabilities

We view the debt structure as conservative with 100% fixed rate debt. As noted, the university has a $75 million commercial paper program backed by the university's own self liquidity, although there was no balance outstanding at the end of fiscal 2023. The debt service schedule is fairly level with MADS of about $40.4 million in fiscal 2043. MADS burden is a very manageable 2.5% of adjusted operating expenses in fiscal 2023.

In October 2019, the university signed a concession agreement with CenTrio (formally known as Enwave Energy Corporation) to manage its district energy facility, which serves the university's main campus and several third-party customers. Under the agreement, CenTrio would assume control of the operations of the district energy systems including its steam/heating and chilled water/cooling, while the university incurs a rate payable for utility usage, and CenTrio assumes responsibilities for existing third-party customers. Currently, modernization phase 1, primarily focused on updating the chilled water plant equipment and electrical, is scheduled to be complete and fully operational by April 2025. Phase 2 will replace the existing steam boilers and is set to be complete May 2026.

In the fiscal 2023 audit, there was a $133.9 million 'long-term liability to concessionaire' line and we expect this liability to be amortized over time. In our view, the university benefits from improved energy efficiency on the campus as well as the transfer of operating risks associated with the energy systems to a specialized operator. Given the university will be using approximately two-thirds of the steam and all of the chilled water produced, we believe the services provided by CenTrio to be essential and therefore view the termination of the concession agreement and likelihood that the liability would revert wholly onto the university as highly unlikely. As such, we have not viewed the liability as debt in our calculations.

Syracuse University, New York--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges and universities
	2024	2023	2022	2021	2020	2023
Enrollment and demand						
Full-time-equivalent enrollment	21,209	21,104	19,621	19,214	20,620	7,994
Undergraduates as a % of total enrollment	72.3	71.3	73.4	73.3	72.5	70.5
First-year acceptance rate (%)	41.7	51.8	59.2	68.7	44.4	14.4
First-year matriculation rate (%)	20.9	19.1	16.0	15.9	23.4	38.4
First-year retention rate (%)	91.0	91.0	91.0	89.0	92.0	95.0
Six-year graduation rate (%)	81.0	83.0	82.0	83.0	83.0	91.1
Income statement						
Adjusted operating revenue ($000s)	N.A.	1,692,749	1,559,060	1,354,675	1,448,948	MNR
Adjusted operating expense ($000s)	N.A.	1,591,829	1,485,069	1,341,804	1,403,947	MNR
Net operating margin (%)	N.A.	6.3	5.0	1.0	3.2	2.4
Change in unrestricted net assets ($000s)	N.A.	144,152	10,986	205,014	(3,610)	MNR
Tuition discount (%)	N.A.	36.1	36.9	36.3	34.2	39.3
Student dependence (%)	N.A.	78.5	78.3	81.6	79.4	60.8
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	6.6	6.7	6.9	5.4	3.3
Debt						
Outstanding debt ($000s)	N.A.	675,813	678,540	686,506	675,004	612,704
Proposed debt ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	675,813	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	2.4	2.3	2.5	1.8	MNR
Current MADS burden (%)	N.A.	2.5	2.7	3.0	2.9	4.9
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	17.3	17.2	16.6	16.2	14.7
Financial resource ratios						
Endowment market value ($000s)	N.A.	1,897,452	1,793,680	1,814,020	1,390,553	2,219,768
Cash and investments ($000s)	N.A.	2,541,310	2,369,987	2,367,973	1,941,165	2,821,640

Syracuse University, New York--enterprise and financial statistics (cont.)						
	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges and universities
	2024	**2023**	**2022**	**2021**	**2020**	**2023**
Cash and investments to operations (%)	N.A.	159.6	159.6	176.5	138.3	373.7
Cash and investments to debt (%)	N.A.	376.0	349.3	344.9	287.6	472.3
Cash and investments to pro forma debt (%)	N.A.	376.0	N.A.	N.A.	N.A.	MNR

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 MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

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 September 6, 2024)		
Syracuse Univ Taxable Commercial Paper ser CP due 06/05/2067		
Short Term Rating	A-1+	Affirmed
Onondaga County Trust for Cultural Resources, New York		
Syracuse University, New York		
Onondaga County Trust for Cultural Resources (Syracuse Univ)		
Long Term Rating	AA-/Stable	Affirmed