Research Update:

Syracuse University, NY Bond Rating Outlook Revised To Negative From Stable On Higher Debt, Weaker Financial Resources

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Primary contact

Stephanie Wang
Harrisburg
1-212-438-3841
stephanie.wang
@spglobal.com

Secondary contact

Beth Bishop
Chicago
1-3122337141
beth.bishop
@spglobal.com

Overview

- S&P Global Ratings revised its outlook to negative from stable on Onondaga Civic Development Corp.'s bonds issued for Syracuse University (SU).
- At the same time, S&P Global Ratings assigned its ‘AA-’ long-term rating to Onondaga Civic Development Corp., N.Y.'s series 2025 revenue bonds, issued for Syracuse University.
- S&P Global Ratings also affirmed its 'AA-' long-term rating on Onondaga Civic Development Corp., N.Y.'s series 2020A tax-exempt and series 2020B taxable revenue bonds, and Onondaga County Trust for Cultural Resource’s series 2019 tax-exempt debt, all issued 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 revision to negative outlook reflects the sizable growth in debt and weaker financial resource ratios especially relative to pro forma debt. Further deterioration of resources may result in a lower rating. The revision also reflects our view of the weaker demand metrics when compared with rating category medians and similarly rated peers.

Rationale

Security

Securing all bonds is a general obligation of the university. Total debt at the end of fiscal 2024 equaled approximately $697 million, including $2.3 million of finance leases, $33.6 million of operating leases, and a $4 million note. Total pro forma debt following the series 2025 issuance of approximately $392 million in par is expected to be about $1.09 billion. The majority of the proceeds will be spent toward various capital projects including the demolition and construction of new residence halls and the Engineering and Computer Science (ECS) expansion project and costs of issuance. There will also be capitalized interest through the projects' completion anticipated for an opening in fall 2027. Since the bond proceeds will be drawn over time based on a construction schedule, investment earnings from unspent bond proceeds will also be used toward the projects and related costs. The pro forma debt service schedule is fairly level with maximum annual debt service (MADS) expected to be $65.5 million in fiscal 2047, which equates to a MADS burden somewhat higher but still manageable at 3.8%.

The 'A-1+' short-term rating is based on our assessment of the university's liquidity to cover the $75 million commercial paper program. At the end of fiscal 2024, there were no draws on the program. With close to $433.3 million in discounted assets as of Dec. 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. Management has established clear and detailed procedures, in our opinion, to ensure the ongoing maintenance of sufficient asset coverage and to meet liquidity demands on a timely basis.

Credit highlights

We assessed Syracuse's enterprise risk profile as very strong, characterized by relatively stable total 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 modest 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 stable leadership;
- History of solid operating surpluses driven by growth in net tuition revenue and auxiliary revenue. The endowment draw for operations has also been slightly lower than the industry standard of 5%; and
- Relatively low pro forma MADS burden with a conservative 100% fixed rate debt profile.

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

- Low cash and investments to operating expenses and pro forma debt;
- Weaker demand profile with a higher acceptance rate and lower matriculation rate relative to rating category medians and similarly rated peers; and
- Relatively high student fee dependence, with tuition, fees, and auxiliary revenue accounting for 76.8% of fiscal 2024 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 several highly competitive niche programs from, among others, the S.I. Newhouse School of Public Communications, Maxwell School of Citizenship and Public Affairs, the School of Information Studies and the School of Architecture. While Syracuse is an R1 research institution, total grants and contract revenue in fiscal 2024 comprised only 7.6% of total revenue, with federal grants accounting for even less. We believe the financial impact from federal research cuts will be fairly limited for the university although it may impact graduate and doctoral enrollment.

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 negative outlook reflects the sizable debt issuance and weak financial resources, especially relative to pro forma debt when compared with rating category medians and similarly rated peers. While strong operating margins have somewhat offset the modest balance sheet, we expect that margins may be compressed, albeit still positive, over the next few years as expenses rise. Enrollment and demand may face some headwinds given evolving federal policies and orders around research and international students.

Downside scenario

We could consider a lower rating within the two-year outlook period if financial resources weaken further from current pro forma levels and operations decline toward break-even results on a full accrual basis. Enrollment declines or weaker demand metrics would also be viewed negatively. Additional debt without commensurate growth in resources would likely result in a lower rating.

Upside scenario

We could consider a revision to stable within the two-year outlook period if there was growth in financial resource ratios from current levels and maintenance of positive full accrual operating margins. Stable enrollment and improved demand metrics would be viewed favorably.

Credit Opinion

Enterprise Risk Profile--Very Strong

Market position and demand

For fall 2024, total full-time equivalent (FTE) enrollment remained stable at 21,083. Applications remain at all-time highs with fall 2024 close to 45,000 and fall 2025 expected to be about 47,000. The university will remain test optional through spring 2027. Selectivity and matriculation remain moderate at 45.9% and 18.8%, respectively, although still weaker than similarly rated peers. Graduate FTEs continue to face some pressure, with declines of 9.6% to 4,803, largely due to a decline in international students. In fall 2024, graduate and professional FTEs accounted for about 26.2% of total FTEs. Pell eligible students enrolled were about 18%. Syracuse remains geographically diverse with only about 32% of students coming from New York. International student enrollment has declined slightly to 15.4% of total FTE enrollment but remains a risk especially with graduate enrollment. Management is hopeful to offset some of the international headwinds with greater emphasis on domestic, undergraduate students and online programs. Enrollment for fall 2025 is expected to remain strong. The construction plans for the new residence halls will help fulfill the residency requirements for first- and second-year students. Additional beds may be considered in the future to further grow the undergraduate population.

On the fundraising front, Syracuse surpassed its $1.5 billion goal, raising almost $1.6 billion on the closing of its Forever Orange campaign at the end of calendar year 2024. The campaign was comprehensive with support for the endowment, scholarships and programming, especially for veterans and the military connected community, which is a priority for the university We view the university's fundraising abilities positively. However, due to the large size of the university, 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. Senior leadership has been stable. A new general manager and chief revenue officer of Syracuse athletics was hired in February 2025, consistent with many other universities who have large athletic programs. 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. With this debt issuance, the university will achieve its housing goals as well as expand the engineering and computer science programs by modernizing existing facilities. The university has forged strategic partnerships with various technology companies including Micron Technology, who have plans to invest over $100 billion in Central New York over the next two decades for advanced memory chip manufacturing. The university also continues to support the portfolio of online programs. 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 2024 operations generating a surplus of $98.9 million or 5.8% net operating margin. Net tuition revenue growth and auxiliary growth remain the largest contributors in addition to increased gifts and pledges. While the conservative budgeting often lends to large full accrual surpluses, we anticipate that the surpluses may be lower in future years given the various investments in strategic priorities, potential changes in graduate enrollments, new labor contracts, restructuring of athletics and continued uncertainty from the presidential administration’s evolving executive orders.

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 76.8% of revenues on a gross basis in fiscal 2024 and has been relatively consistent.

Financial resources

Syracuse saw solid growth in cash and investments in fiscal 2024, increasing to $2.8 billion from $2.5 billion in fiscal 2023. However, operating expenses remain relatively high hence the fairly low cash to operating expense ratio of 164.6%. With this debt issuance, cash to pro forma debt will also decrease to 260.1%. Both these ratios are weak for the rating category and relative to peers. Further deterioration of resources from current levels or any additional debt without significant growth of resources would likely result in a lower rating. However, given the fundraising capabilities and the potential investment growth of the university, resources may grow to levels sufficient to withstand the debt.

As of Dec 31, 2024, the managed endowment, which is the pooled main endowment at Syracuse had a market value of about $2.1 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 52% 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%. This lower rate compared to the industry standard of 5% does provide the university some operational flexibility.

Contingent liabilities

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.

In the fiscal 2024 audit, there was a $163.2 million long-term liability to concessionaire line, and we expect this liability to be amortized over time. 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
	2025	2024	2023	2022	2021	2023
Enrollment and demand						
Full-time-equivalent enrollment	21,083	21,209	21,104	19,621	19,214	7,994
Undergraduates as a % of total enrollment	73.8	72.3	71.3	73.4	73.3	70.5
First-year acceptance rate (%)	45.9	41.7	51.8	59.2	68.7	14.4
First-year matriculation rate (%)	18.8	20.9	19.1	16.0	15.9	38.4
First-year retention rate (%)	90.0	91.0	91.0	91.0	89.0	95.0
Six-year graduation rate (%)	84.0	81.0	83.0	82.0	83.0	91.1
Financial performance						
Adjusted operating revenue ($000s)	N.A.	1,819,702	1,692,749	1,559,060	1,354,675	MNR
Adjusted operating expense ($000s)	N.A.	1,720,798	1,591,829	1,485,069	1,341,804	MNR
Net operating margin (%)	N.A.	5.7	6.3	5.0	1.0	2.4
Change in unrestricted net assets ($000s)	N.A.	177,597	144,152	10,986	205,014	MNR

Syracuse University, New York--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges and universities
	2025	2024	2023	2022	2021	2023
Enrollment and demand						
Tuition discount (%)	N.A.	36.3	36.1	36.9	36.3	39.3
Student dependence (%)	N.A.	76.8	78.5	78.3	81.6	60.8
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	5.8	6.6	6.7	6.9	3.3
Financial resources						
Endowment market value ($000s)	N.A.	2,097,426	1,897,452	1,793,680	1,814,020	2,219,768
Cash and investments ($000s)	N.A.	2,831,997	2,541,310	2,369,987	2,367,973	2,821,640
Cash and investments to operations (%)	N.A.	164.6	159.6	159.6	176.5	373.7
Cash and investments to debt (%)	N.A.	406.3	376.0	349.3	344.9	472.3
Cash and investments to pro forma debt (%)	N.A.	260.1	N.A.	N.A.	N.A.	MNR
Debt						
Outstanding debt ($000s)	N.A.	696,962	675,813	678,540	686,506	612,704
Proposed debt ($000s)	N.A.	391,825	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	1,088,787	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	2.3	2.5	2.7	3.0	4.9
Pro forma MADS burden (%)	N.A.	3.8	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	18.1	17.3	17.2	16.6	14.7

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

Ratings List		
New Issue Ratings		
US$391.825 mil rev bnds (Syracuse University) ser 2025 due 12/01/2056		
Long Term Rating	AA-/Negative	
Outlook Action		
	To	**From**
Education		
Syracuse Univ, NY General Obligation	AA-/Negative	AA-/Stable
Ratings Affirmed		
Education		

Ratings List	
Syracuse Univ, NY General Obligation	A-1+

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.