Summary:
New Jersey Educational Facilities Authority
College Of New Jersey; Public Coll/Univ - Unlimited Student Fees

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Credit Profile

US$150.0 mil rev rfg bnds (College of New Jersey) ser 2015G
Long Term Rating A/Stable New

New Jersey Educl Facs Auth, New Jersey
College of New Jersey, New Jersey

Coll of NJ series 2008D
Unenhanced Rating A(SPUR)/Stable Affirmed
Ser 2010 B, 2012 A & 2013 A
Long Term Rating A/Stable Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating to New Jersey Educational Facilities Authority's (NJEFA) series 2015G revenue refunding bonds issued for College of New Jersey (TCNJ or the college). Standard & Poor's also affirmed its 'A' long-term and underlying ratings (SPURs) on the NJEFA's series 2008D, 2010A, 2010B, 2012A, and 2013A revenue bonds, also issued for the college. The outlook is stable on all bonds.

The rating reflects our view of the college's strong enterprise profile, steady enrollment, and healthy operations. It also reflects management's conservative budgeting practices with dedicated revenue streams earmarked for debt service payments and repayments not tied to the college's educational and general operating budget. These strengths are countered by a high debt load relative to the size of college financial resources and a high debt burden.

We currently rate New Jersey 'A' with a stable outlook. Our rating on TCNJ remains the same as that on the state. Since TCNJ receives less than one third of its operating revenues from New Jersey, we believe the rating on TCNJ reflects a relatively limited dependency on ongoing funding for its operations from the state. In our view, TCNJ has sufficiently demonstrated its capacity to operate as a fairly independent enterprise in a competitive market, while maintaining favorable reserves and operating surpluses despite fairly flat state operating appropriations in recent years. However, any negative rating action on the state within the outlook period could have an effect on the rating on TCNJ.

The rating reflects our assessment of TCNJ's:

- Healthy operating results on a full accrual basis;
- Stable enrollment and a strong admissions profile for a public college, as demonstrated by good student quality
metrics and solid retention and graduation rates;
• Stable and proactive senior management team; and
• Above-average adjusted unrestricted net assets (UNA) as a percentage of adjusted operating expenses at 57.8% as of June 30, 2014.

Offsetting factors, in our view, include TCNJ’s:

• Relatively low adjusted UNA relative to debt (32.1%) compared with rating category medians albeit adequate compared with the ratios of other New Jersey public colleges and universities;
• High pro forma maximum annual debt service burden at 14.8% of fiscal 2014 adjusted operating expenses. A high debt burden is characteristic of many New Jersey state colleges and universities due primarily to the lack of historical state capital support; and
• Modest fundraising history and relatively small size of the college endowment.

We understand the college will issue about $109.3 million (par amount) of the series 2015G revenue bonds to advance refund a portion of its outstanding series 2008D revenue bonds, and pay issuance costs. We understand this transaction is being undertaken for debt service savings with no extension of bond maturities. We understand the series 2015G bonds will produce a level annual savings structure. The series 2015G bonds are on parity with the college’s outstanding revenue bonds.

As of June 30, 2014, total pro forma debt equaled roughly $377 million, which includes $368.9 million of bonds issued by the NJEFA, and $8.1 million of equipment leases and capital leases. The long-term debt structure of the college is all fixed-rate and the college has no swaps. Management indicates the college does not plan to issue new debt within the next two years. However, beyond two years, management has identified capital and facilities needs that could entail issuance of additional debt. In our view, given TCNJ’s high debt load relative to the size of its financial resources, issuance of additional debt must be accompanied by maintenance of financial resource ratios to preserve the rating. The overall debt repayment schedule is fairly rapid, in our view, with roughly 46% of debt to be repaid over the next 10 years. The college plans to repay $33.8 million of bonds and other long-term debt principal through fiscal 2017, which we believe could moderate its debt burden.

Similar to many other public colleges and universities in New Jersey, the revenue bonds are a general obligation of the college payable from any legally available funds available to the college. Legally available funds are defined by the college as including all funds of the college, including state appropriations to the college that are not designated for a specific purpose. Although state appropriations are not specifically pledged to the bondholders, they are part of the pool of resources available for payment of debt service on the bonds.

**Outlook**

The stable outlook reflects our expectation that over the outlook period, TCNJ’s enrollment will remain stable, financial operations will be positive on a full-accrual basis, and financial resource ratios will either be stable or grow relative to current levels.

In our view, the rating could come under pressure if there are large enrollment declines, persistent full-accrual operating losses and deterioration in financial resource ratios. Moreover, a negative rating action on the state within
the outlook period could have an effect on the rating on TCNJ.

We believe the probability of our raising the rating during the next two years is unlikely due to financial resource ratios remaining below category medians.

For more information on the college, please see our report on College Of New Jersey published on April 17, 2015, on RatingsDirect.

Related Criteria And Research

Related Criteria
- Standard & Poor's Reclassifies 157 U.S. Public Universities; They Are No Longer Government-Related Entities, Dec. 5, 2014

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.