

The College of New Jersey

New Issue Report

Ratings

New Issues

\$83,775,000 New Jersey Educational Facilities Authority Revenue Refunding Bonds, Series 2016F	AA-
\$105,064,000 New Jersey Educational Facilities Authority Revenue Refunding Bonds, Series 2016G (Federally Taxable)	AA-

Outstanding Debt

Approximately \$350,000,000 New Jersey Educational Facilities Authority Revenue Bonds	AA-
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Rating Outlook

Stable

Related Research

[Fitch Rates The College of New Jersey's Revenue Refunding Bonds 'AA-'; Outlook Stable \(August 2016\)](#)

[Fitch Downgrades The College of New Jersey's Revs to 'AA-'; Outlook Stable \(November 2015\)](#)

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New Issue Details

Sale Information: \$83,775,000 New Jersey Educational Facilities Authority Revenue Refunding Bonds, Series 2016F, and \$105,064,000 New Jersey Educational Facilities Authority Revenue Refunding Bonds, Series 2016G (Federally Taxable), scheduled to be sold on Aug. 23 via negotiation.

Security: Unsecured general obligation of The College of New Jersey (TCNJ, or the college), payable from all legally available funds.

Purpose: To refund all or part of outstanding series 2008D revenue refunding bonds and series 2010B Build America Bonds revenue bonds, and to pay costs of issuance. (The refunding of the 2010B bonds is a crossover, with a crossover date of July 1, 2019, and will have a crossover escrow. Prior to the crossover date, the 2010B bonds will be a general obligation of the college, and not secured by an escrow.)

Final Maturity: Series 2016F: 2040; series 2016G: 2031.

Key Rating Drivers

Strong Student Demand Statistics: TCNJ's student quality, as measured by standardized testing, is strong. The college also has a very high student retention rate (freshmen to sophomore) and a very healthy six-year graduation rate.

Demand-Driven Financial Flexibility: Student-generated revenues are the primary revenue driver. TCNJ's headcount enrollment has remained relatively stable and has served to offset some volatility in state appropriations. TCNJ will need to sustain stable enrollment trends to continue to support operations.

High Debt Burden: TCNJ's debt burden remains high, although historically the college has been able to generate sufficient net income available for debt service. Concern over the high leverage is somewhat mitigated by the college's fairly rapid debt amortization schedule, which should lead to improved leverage over time.

Rating Sensitivities

Increasing Leverage: The issuance of additional debt by TCNJ without a commensurate increase in financial resources available to support repayment will likely trigger negative rating action.

Operational Stability: TCNJ's rating could be negatively affected by an inability to grow student-generated revenues in an amount sufficient to offset decreasing state support and generate positive operations.

Rating History

Rating	Action	Outlook/ Watch	Date
AA-	Affirmed	Stable	8/16/16
AA-	Downgraded	Stable	11/12/15
AA	Affirmed	Stable	11/15/13
AA	Affirmed	Stable	4/8/13
AA	Affirmed	Stable	2/21/12
AA	Affirmed	Stable	12/14/11
AA	Revised	Stable	4/30/10
AA-	Assigned	Stable	12/29/09

Credit Profile

TCNJ is a public college founded in 1855. Located in the suburb of Ewing, NJ, the college offers over 50 majors offered throughout its seven schools. Enrollment has been stable, and for fall 2016, full-time equivalent enrollment is projected at 6,987, reflecting a 0.43% increase over the fall 2015 level. The college has residential facilities and houses approximately 60% of students.

Steady Demand

The college's demand profile is strong. Freshman applications have seen steady growth, reaching 11,827 for fall 2016, up approximately 15% since fall 2012. Student quality, based on standardized test scores, remains strong, with an average combined SAT of 1220 for fall 2015. TCNJ enjoys fairly high selectivity; over the past couple years, 49% of applicants were accepted for admission. At the same time, the matriculation rate has been about 26%, indicative of the competitive environment in which the college operates.

Demand Summary

(Fall Semester of Fiscal Years Ended June 30)

	2011	2012	2013	2014	2015	2016
Headcount						
Undergraduate Enrollment – Full-Time	6,460	6,504	6,545	6,653	6,743	6,758
Total Undergraduate Enrollment	6,460	6,504	6,545	6,653	6,743	6,758
Total Graduate	655	648	725	687	666	648
Total Headcount Enrollment	7,115	7,152	7,270	7,340	7,409	7,406
Total Undergraduate/Total Headcount Enrollment (%)	90.8	90.9	90.0	90.6	91.0	91.3
Full-Time Equivalent (FTE)						
Total FTE Undergraduate Enrollment	6,360	6,402	6,416	6,533	6,580	6,589
Total FTE Graduate Enrollment	367	377	383	368	364	368
Total FTE Enrollment	6,727	6,779	6,799	6,901	6,944	6,957
Admissions						
Freshman Applications	9,956	10,150	10,295	11,146	10,935	11,290
Freshman Admissions	4,708	4,710	4,750	4,806	5,335	5,495
Acceptance Rate (%)	47.3	46.4	46.1	43.1	48.8	48.7
Freshman Matriculants	1,421	1,371	1,363	1,406	1,422	1,452
Matriculation Rate (%)	30.2	29.1	28.7	29.3	26.7	26.4
Transfer Applications	1,023	917	1,045	993	989	1,059
Transfer Admissions	589	483	458	485	507	453
Acceptance Rate (%)	57.6	52.7	43.8	48.8	51.3	42.8
Transfer Matriculants	341	263	258	257	287	249
Matriculation Rate (%)	57.9	54.5	56.3	53.0	56.6	55.0
Graduate Applications	919	838	669	789	687	690
Graduate Admissions	518	593	471	519	551	545
Acceptance Rate (%)	56.4	70.8	70.4	65.8	80.2	79.0
Graduate Matriculants	371	511	411	459	489	496
Matriculation Rate (%)	71.6	86.2	87.3	88.4	88.8	91.0
In-State Undergraduate Student (%)	94.4	94.0	93.0	93.0	92.0	94.0
Out-of-State Undergraduate Student (%)	5.6	6.0	7.0	7.0	8.0	6.0
Average SAT						
Freshmen	1243	1227	1226	1235	1216	1220
State Average	1015	1011	1012	1021	1024	1021
Freshmen to Sophomore Year Retention Rate (%)	94.0	95.0	94.0	94.0	94.0	95.0
Six-Year Graduation Rate (%)		87.0	86.0	86.0	85.0	87.0
Annual Undergraduate Cost of Attendance (\$)						
Tuition	13,293	13,887	14,378	14,730	15,004	15,446
Room and Board	10,358	10,676	10,998	11,342	12,227	12,570
Total	23,651	24,563	25,376	26,072	27,231	28,016

Source: The College of New Jersey and Fitch.

Related Criteria

[U.S. College and University Rating Criteria \(May 2014\)](#)

[Revenue-Supported Rating Criteria \(June 2014\)](#)

The freshmen to sophomore retention rate was very high at about 94% over the past five years, while the six-year graduation rate of 87% ranks in the top 10 among public colleges and universities in the country. In-state students make up the majority of the student population (about 92%), as the college seeks to keep the state's most talented students in-state, but also attract talented out-of-state students.

Strength in student demand and enrollment is critical to maintaining the rating, as tuition/fee revenue is the largest source of operating revenue.

Adequate Operations, Slim Financial Cushion

TCNJ's revenue base is concentrated, with tuition and fees accounting for the largest share of operating revenues at approximately 64%, followed by state appropriations (operating and fringe) at about 25%. Tuition and fee revenues have grown annually, due to tuition and fee increases and increased enrollment, while operating appropriations have been essentially flat.

Operations have narrowed in recent years from a 4.3% margin in fiscal 2011 to 0.4% in fiscal 2014. The margin in fiscal 2015 was a negative 2.2%, as reported in the financial statements. However, this result incorporates the recent GASB pension reporting changes. If not for these changes, Fitch estimates that TCNJ's fiscal 2015 would have ended in a similar position to fiscal 2014, with an approximately 0.5% margin. Management anticipates that net position will increase in fiscal 2016, excluding GASB 68 and based on unaudited numbers.

Although the operating margin has shrunk, the available funds (AF) level has been maintained. In fiscal 2015, AF (defined as cash and investments less non-expendable restricted net assets) reached approximately \$114.0 million, equal to 51.1% of operating expenses and 30.3% of debt. The expense ratio compares well to the median level of other public colleges and universities in Fitch's 'AA' rating category. However, the debt ratio is below the median due to the fairly limited amount of capital support historically provided by the state. The AF level does not include approximately \$40.9 million of The College of New Jersey Foundation's assets.

Given that TCNJ is nearing enrollment capacity, enrollment growth is expected to be more limited than in the past. Therefore, the resource base is expected to grow only modestly as operating surpluses are expected to remain thin. Favorably, the college has publicly launched its first comprehensive campaign in 2015, with a \$40 million goal through June 2017. As of June 30, 2016, TCNJ is at approximately 90% of this goal, and the proceeds will fund various college initiatives, many of which would otherwise have had to be funded internally.

TCNJ's new strategic plan runs through 2021 and includes numerous goals and associated benchmarks. In addition, TCNJ has an in-depth enterprise risk management plan, and Fitch views the management team's overall planning processes favorably. The college is currently reviewing its debt capacity. The outcome of this process will determine future debt plans.

High Leverage

Maximum annual debt service (MADS), which does not include non-recourse debt, consumes a high 13.9% of fiscal 2015 operating revenues. Fitch does not include any Campus Town debt in its calculation of debt burden given the state legislation prohibiting the college from financing any portion of Campus Town, or being financially obligated.

TCNJ's MADS burden is the highest among public colleges and universities rated by Fitch in the 'AA' rating category. However, MADS coverage from net income available for debt service is acceptable at 1.3x in fiscal 2015, counterbalancing some concern.

Further, rapid principal amortization should help moderate this high debt burden over time. However, management is currently reviewing its debt capacity and could potentially issue additional debt in the next few years. This potential issuance is not incorporated into Fitch's analysis, as neither the timing nor the size of the financing has been determined.

Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2011	2012	2013	2014	2015
Unrestricted Operating Revenues					
Gross Tuition and Fees	99,470	104,693	109,455	112,141	115,813
Less: Student Aid	19,121	20,076	21,129	21,228	20,862
Net Tuition and Fees	80,349	84,617	88,326	90,913	94,951
Sales and Services of Auxiliary Enterprises	41,064	41,709	40,678	46,083	44,986
Federal Grants and Contracts	8,009	8,704	9,479	8,813	10,041
State/Local Grants and Contracts	8,949	9,491	10,071	8,823	8,795
State Appropriations	55,812	54,408	53,311	53,079	53,847
Dividend and Interest Income	273	131	148	143	144
All Other Operating Revenues	3,429	3,349	4,531	2,485	5,315
Total Operating Revenue	197,885	202,409	206,544	210,339	218,079
Unrestricted Operating Expenses					
Instruction	53,397	55,616	57,493	56,335	60,048
Academic Support	12,174	13,351	14,161	14,972	15,132
Institutional Support	10,844	11,289	12,296	13,228	17,498
Student Services	13,008	14,488	14,516	15,558	17,407
Public Service	5,585	5,582	6,138	5,511	6,080
Research	8,942	8,759	9,020	10,514	10,693
Auxiliary Enterprises	29,261	28,692	29,864	31,494	31,084
Student Aid	865	902	1,024	1,039	1,293
Operation and Maintenance of Plant	21,806	22,508	21,216	23,811	26,390
Depreciation	17,713	17,594	18,117	20,337	20,703
Interest Expense	15,697	14,815	16,386	16,730	16,592
Total Operating Expense	189,292	193,596	200,231	209,529	222,920
Change in Net Assets from Operations	8,593	8,813	6,313	810	(4,841)
Unrestricted Non-Operating Revenues/(Expenses)					
Realized and Unrealized Gain on Investments	269	509	1,388	4,447	1,727
Capital Grants and Gifts	—	—	—	8,616	15,728
Other Non-Operating Expenses	(1,328)	(1,057)	(292)	(7,387)	(783)
Other Non-Operating Revenues	1,506	1,583	850	1,768	1,980
Total Non-Operating Revenue	447	1,035	1,946	7,444	18,652
Change in Net Assets	9,040	9,848	8,259	8,254	13,811
Adjusted Change in Net Assets from Operations	8,593	8,813	6,313	810	(4,841)
Add Back: Depreciation, Amortization, and Other Non-Cash Items	17,713	17,594	18,117	20,337	26,677
Add Back: Interest Expense	15,697	14,815	16,386	16,730	16,592
Adjusted Net Income Available for Debt Service	42,003	41,222	40,816	37,877	38,428
Current Debt Service	16,785	19,657	19,657	20,917	29,097
Pro Forma Maximum Annual Debt Service (MADS)	—	—	—	—	30,295
MADS Fiscal Year	—	—	—	—	2024

Note: Fitch may have reclassified certain financial statement items for analytical purposes.

Source: The College of New Jersey and Fitch.

Financial Summary (continued)

(\$000, Audited Fiscal Years Ended June 30)

	2011	2012	2013	2014	2015
Balance Sheet					
Assets					
Cash and Cash Equivalents	60,915	58,802	64,984	50,026	39,817
Investments	36,148	36,602	37,990	57,435	74,161
Total Cash and Investments	97,063	95,404	102,974	107,461	113,978
Property, Plant and Equipment, Net	564,959	582,627	592,234	587,655	601,473
Liabilities					
Total Bonds Payable	363,360	354,730	352,890	368,925	359,250
Notes Payable	7,899	7,356	6,907	8,097	7,475
All Other Obligations	9,730	12,391	11,050	10,435	9,169
Total Long-Term Debt	380,989	374,477	370,847	387,457	375,894
Total Pro Forma Debt	—	—	—	—	375,894
Net Assets					
Unrestricted Net Assets	123,567	116,386	118,592	118,140	12
Invested In Capital	212,893	224,346	229,996	229,359	251,027
Restricted Net Assets – Expendable (Fitch-Adjusted)	4,581	1,895	2,298	11,641	11,383
Total Net Assets	341,041	342,627	350,886	359,140	262,422
Balance Sheet Resources and Liquidity					
Total Resources					
Available Funds	97,063	95,404	102,974	107,461	113,978

Note: Fitch may have reclassified certain financial statement items for analytical purposes.

Source: The College of New Jersey and Fitch.

Financial Ratios

(Audited Fiscal Years Ended June 30)

	2011	2012	2013	2014	2015
Revenue Diversity (% Adjusted Total Unrestricted Operating Revenues)					
Tuition	40.6	41.8	42.8	43.2	43.5
Student Fees (Tuition and Auxiliary Revenues)	61.4	62.4	62.5	65.1	64.2
Federal Grants and Contracts	4.1	4.3	4.6	4.2	4.6
State/Local Grants and Contracts	4.5	4.7	4.9	4.2	4.0
Total Grants and Contracts	8.6	9.0	9.5	8.4	8.6
State Appropriations	28.2	26.9	25.8	25.2	24.7
Total Investment Return	0.1	0.1	0.1	0.1	0.1
Expense Ratios (% Total Unrestricted Operating Expenses)					
Instruction	28.2	28.7	28.7	26.9	26.9
Research	4.7	4.5	4.5	5.0	4.8
Operation and Maintenance of Plant	11.5	11.6	10.6	11.4	11.8
Depreciation	9.4	9.1	9.1	9.7	9.3
Interest	8.3	7.7	8.2	8.0	7.4
Financial Aid Ratios					
Tuition Discounting (%)	19.2	19.2	19.3	18.9	18.0
Net Tuition and Fees (\$000)	80,349	84,617	88,326	90,913	94,951
Change in Net Tuition and Fees (%)	8.9	5.3	4.4	2.9	4.4
Operating Performance Ratios (%)					
Operating Margin	4.3	4.4	3.1	0.4	(2.2)
Balance Sheet Ratios					
Available Funds/Total Operating Expense	51.3	49.3	51.4	51.3	51.1
Available Funds/Total Long-Term Debt	25.5	25.5	27.8	27.7	30.3
Available Funds/Total Pro Forma Long-Term Debt	25.5	25.5	26.0	27.7	30.3
Available Funds/MADS (x)	3.2	3.2	3.4	3.6	3.8
Leverage Ratios					
Current Debt Service Coverage (x)	2.50	2.10	2.08	1.81	1.32
Current Debt Burden (%)	8.48	9.71	9.52	9.94	13.34
Pro Forma MADS Coverage (x)	1.39	1.36	1.35	1.25	1.27
Pro Forma MADS Burden (%)	15.31	14.97	14.67	14.40	13.89

Note: Fitch may have reclassified certain financial statement items for analytical purposes.

Source: The College of New Jersey and Fitch.

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