

# Case Western Reserve University, Ohio; Private Coll/Univ - General Obligation

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## Credit Profile

Case Western Reserve Univ taxable bnds ser 2022C

Long Term Rating

AA-/Stable

Affirmed

Ohio Higher Educational Facility Commission, Ohio

Case Western Reserve University, Ohio

focus.

### Downside scenario

We could consider a negative rating action if certain factors weaken such that enrollment, positive margins, or fundraising are no longer consistent with our expectations or sufficient to offset the debt load. We could also lower the rating if there is a weakening in the financial resources relative to operations or debt.

### Upside scenario

A higher rating is not likely during the two-year outlook period given potential increases in debt, some margin compression, and some demand weakening. However, we could consider a positive rating action over the long term if the university's financial resources improve such that its metrics are in line with a higher rating while it maintains robust full-accrual surpluses as well as improvement in enterprise profile characteristics, such as matriculation, that are more in line with those of a higher rating.

## Credit Profile

## Enterprise Risk Profile--Very Strong

## Financial Risk Profile--Strong

### Financial performance

CWRU typically produces operating surpluses on a full-accrual basis, with margins ranging from 2%-6% in recent years. The consistent surpluses reflect increasing research revenues, net tuition revenue, and auxiliary revenues, along with focused expense-management efforts. For fiscal 2024, the margin compressed some, as expected given new projects coming online. Fiscal 2025 budgets show continued surpluses.

Beginning in fiscal 2019, CWRU adopted a new endowment payout policy that compares the 10-year average of actual endowment activity and adjusts the annual distribution based on the comparison. We do not anticipate any unusual draws in the near term and the spend that management expects for fiscal 2025 should be about 4.7%.

Operating revenue streams are relatively diverse compared with those of peers, although CWRU is primarily dependent on student-related charges to fund operations. In fiscal 2024 (audited), gross tuition and student fees represented 47% of total revenue. The next-largest component of revenue is research. While the university receives a concentration of National Institutes of Health funding, we understand that management has focused on remaining competitive for federal grants and is exploring efforts to bolster foundation and industry awards. In our opinion, management is positioned to adjust its research enterprise, which should remain a significant focus and revenue diversifier.

### Financial resources

On an absolute basis, CWRU maintains a significant pool of funds, with \$2.8 billion at fiscal 2024 year-end (audited); however, in our opinion, the cash and investments relative to operating expenses and relative to debt remain sufficient for the 'AA' category, though light compared with medians and some peers. The cash and investments amount excludes funds held by trusts, which the university does not manage, but are shown as assets on the financial statements.

The university's private equity, real assets, and private credit investments have mandatory capital calls related to

as the total debt service averaged over 30 years (including the century bond), resulting in a smoothed MADS of about \$98.7 million. The majority of the debt is public, fixed-rate debt, though the series 2021B bonds are floating-rate notes and the series 2022A and 2022B are privately placed issuances with New York Life. Management notes that the variable-rate exposure is offset by CWRU's interest-rate swaps, resulting in a synthetic fixed rate. The university has three bank lines of credit, totaling \$150 million, available for working capital. There was \$45 million outstanding as of June 30, 2024 and currently \$26 million on the lines. The series 2022C bonds are century bonds, with a bullet due at maturity in 2122.

There was no new debt issued during 2024. The new second-year student dormitories, a 600-bed, \$110 million capital project, were completed in the first quarter of fiscal 2025. The ISEB, a \$300 million project with a 2026 completion date, was started in fiscal 2024. The potential additional debt plans mentioned above relate to providing bridge financing for campaign pledges for the ISEB project and the Maltz Performing Arts Center, phase II. The ISEB project is funded by \$150 million from the previously issued century bond proceeds and the remainder from philanthropy. The Maltz project (phase II) is a \$45 million project funded by philanthropy. The university may issue up to \$100 million in debt as bridge financing to cover the uncollected pledges.

About \$172 million from the 2022 issuance is maintained as an "internal bank," which allows the university flexibility over time to fund future capital projects, provide a bridge as fundraising funds are collected, or to provide support for interest payments and the balloon payment at maturity; this should in part offset the additional debt.

The direct purchase agreements with New York Life have events of default that trigger acceleration (though no financial covenants). However, CWRU has sufficient liquidity, in our opinion, to mitigate risk related to these non-public debt transactions, with over \$350 million with same-day liquidity as of June 30, 2024.

The university has one interest-rate swap contract remaining with a total notional amount of \$35 million with expiration in 2034. The contract is floating-to-fixed rate and Morgan Stanley is counterparty. The mark-to-market value was negative \$3 million as of the end of fiscal 2024. The university reports that its collateral threshold is \$20 million.

The university offers both a defined-contribution retirement plan to employees (which, by definition, is fully funded) and a defined-benefit plan. The latter is closed to new entrants. It had a funded status of negative \$26 million at the end of fiscal 2024 (audited). Defined-benefit contributions are made annually according to actuarial valuations. The

Case Western Reserve University, Ohio--Enterprise and financial statistics (cont.)

	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges & universities
	2025	2024	2023	2022	2021	2023
First-year acceptance rate (%)	36.5	28.7	25.9	30.2	30.3	14.4
First-year matriculation rate (%)	11.9					

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