



New Issue: [Villanova University, PA](#)

MOODY'S ASSIGNS A2 UNDERLYING RATING TO VILLANOVA UNIVERSITY'S \$28.3 MILLION REVENUE REFUNDING BONDS, SERIES OF 2005; OUTLOOK IS STABLE

UNIVERSITY HAS A TOTAL OF \$184 MILLION RATED DEBT OUTSTANDING

Delaware County Authority, PA
Higher Education
PA

Moody's Rating

Moody's Outlook Stable

Opinion

NEW YORK, Mar 4, 2005 -- Moody's has assigned an A2 underlying rating to Villanova University's Revenue Refunding Bonds, Series of 2005. The outlook is stable. Bond repayment is secured by the University's Unrestricted Revenues. Bond proceeds will be used to refund the University's outstanding Series 1995 bonds.

The bonds are expected to be sold with municipal bond insurance. Subject to Moody's review of the insurance policy and other relevant documents, the bonds are expected to carry the insurer's current financial strength rating of Aaa. Moody's will nonetheless maintain the A2 underlying rating.

At this time, Moody's has also affirmed the A2 underlying rating on the University's outstanding Series 1998A, 1998B, and 2003 bonds. The Series 1998A and 1998B bonds also carry Aaa ratings based on municipal bond insurance provided by MBIA, while the Series 1995 bonds carry a Aaa rating based on municipal bond insurance provided by AMBAC. In addition, the University has approximately \$25 million of Series 2001 and 2002 bonds, which are rated Aa3/VMIG1 ratings based on bank letters of credit.

The A2 rating is based on the University's financial strength rating of A2. The outlook is stable. The bonds are expected to be sold with municipal bond insurance. Subject to Moody's review of the insurance policy and other relevant documents, the bonds are expected to carry the insurer's current financial strength rating of Aaa. Moody's will nonetheless maintain the A2 underlying rating.

-- Highly competitive student market, although the University has improved selectivity and yield on students to maintain healthy enrollment;

-- Leveraged balance sheet within the A2 rating category.

CURRENT FUNDRAISING EFFORT SHOULD HELP TO BUILD RESOURCES, BUT BALANCE SHEET REMAINS LEVERAGED IN THE A2 RATING CATEGORY

Moody's believes that Villanova will remain relatively highly leveraged within its rating category, although current efforts to build financial resources through endowment fundraising and planned contributions from operating surpluses should help to build resources over time. Financial resources have maintained solid growth, such that the University held \$268 million in cash and investments as of the end of FY2004, up 32% from 2000 levels of \$203 million. This is noteworthy growth, particularly considering the volatility of financial markets over this period. For FY2004, the University reported a 16% investment return.

Also, the University is in the public phase of a \$300 million campaign, \$200 million of which is targeted for endowment. Fundraising has not historically been a strength at Villanova, but we believe that the University will continue to improve in this area. Many of the University's alumni are just reaching the age when they may consider making significant gifts to the institution, and the positive developments at the University over theyere0vd,uar5.2()-6sh1.4()-uch

Deterioration of financial resources, a sharp increase

