University of Missouri Debt Rating Outlook Revised To Stable From Negative On Strong Operations; All Ratings Affirmed

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CHICAGO (S&P Global Ratings) March 1, 2017--S&P Global Ratings revised its outlook on the debt issued by the University of Missouri (UM) to stable from negative. At the same time, we affirmed our 'AA+' long-term rating on the UM’s system facilities revenue bonds and our 'A-1+' short-term rating on UM's series A and B commercial paper (CP) notes. Finally, we affirmed our 'AA+/A-1' rating on the university's existing variable-rate demand bonds (VRDBs).

"The revised outlook reflects the system's recent and expected ongoing strong operating performance, fundraising, and financial profile compared with peers," said S&P Global Ratings credit analyst Ashley Ramchandani, "despite some softening of enrollment at its Columbia campus, presidential turnover, and prolonged negative media coverage." We believe the system will experience a return to modest enrollment growth in the future and a steady financial profile, and will develop a focused strategic plan under the guidance of its incoming president that will strengthen its position over time. While the university has communicated it has some capital needs, some of which may include the issuance of additional debt, the size and timing of such debt is uncertain and has not been included in this analysis. We will continue to evaluate the effect of new debt on the rating when plans are more fully finalized.

The short-term rating on the CP notes and VRDBs reflects UM's provision of self-liquidity in the event of an investor redemption or put or CP rollovers.
Cash and investments with same-day liquidity as of Dec. 31, 2016, totaled approximately $734.3 million (cash and equivalents plus U.S. agencies), providing 2.5x coverage of CP ($187.2 million) and variable-rate bonds outstanding ($96.3 million) and 1.3x coverage of authorized CP and variable-rate bonds.

Established in 1839, the University of Missouri System has 45 colleges, schools, and divisions and approximately 76,000 students in fall 2016 on four campuses in Columbia (MU, its largest and oldest campus), St. Louis, Kansas City, and Rolla. MU is the state’s flagship campus and UM is the state’s research and land-grant university system.

"The stable outlook reflects our expectation that during the next two years, the university system (including the university medical alliance) will continue to produce positive operating results on a full-acrual basis and maintain unrestricted net assets relative to debt at or near current levels even with expected debt issuance," added Ms. Ramchandani. In addition, we expect applications and enrollment to return to previous levels and the system to develop detailed strategic plans under the leadership of incoming president, Dr. Mun Choi.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.