STANDARD & POOR'S

Standard & Poor's Research

Huntingdon County General Authority, Pennsylvania
Juniata College; Private Coll/Univ - General Obligation

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Huntingdon Cnty Gen Auth, PA Series 2010A and Series 2010B		
Long Term Rating	A-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A-' rating, with a stable outlook, on Huntingdon County General Authority, Pa.'s series 2010A revenue bonds and series 2010B taxable revenue bonds, issued for Juniata College.

The rating reflects our assessment of Juniata's consistent enrollment; solid demand profile; and adequate cash and investments, which we believe somewhat offsets its low expendable resource ratios. We believe the college's increasing financial aid needs could further pressure operating performance and inhibit net tuition revenue growth in the future. Juniata plans to issue additional debt for the construction of a new residence hall, and we believe the college will likely absorb the new debt at the current rating level. In our opinion, the issuance of significant additional debt beyond the planned debt without a commensurate increase in cash and investments could pressure the rating and result in a negative rating action. We will continue to monitor Juniata's operating performance and the upcoming transitions in its senior management team.

The 'A-' long-term rating reflects our opinion of the college's general obligation (GO) pledge, supported by its:

- Adequate financial resources with cash and investments of $90,738 as of May 31, 2012, or 121% of adjusted operating expenses and 252% of debt outstanding;
- Consistent enrollment and solid demand profile over the past five years despite a highly competitive market for students; and
- Manageable maximum annual debt service (MADS) burden of 4.8% with roughly 1.1x MADS coverage in fiscal 2012.

We believe somewhat offsetting factors include Juniata's:

- Low expendable resource ratios relative to other 'A-' peer institutions;
- Historically balanced financial performance with a small full-accrual deficit in fiscal 2012;
- Moderately high tuition discount rate, which is indicative of financial aid pressure; and
- Low endowment relative to the rating category.

Founded in 1876, Juniata College has been an undergraduate coeducational liberal arts college since its inception. The college is on a large 800-acre campus in Huntingdon in south-central Pennsylvania. Juniata enrolled an estimated 1,565 students in fall 2012. The college is mainly residential with about 80% of students living on campus. Juniata draws about 60% of its students from Pennsylvania. According to management, most of the college's chief competitors are in Pennsylvania, including public universities and small, private liberal arts colleges, such as Pennsylvania State University, University of Pittsburgh, Gettysburg College, and Dickinson College.

As of May 31, 2012, Juniata had $36 million of total debt outstanding with, what we consider, a manageable MADS burden of 4.8% of fiscal 2012 adjusted operating expenses. According to management, it plans to construct an additional residence hall on campus by fall 2014. Project costs are estimated at $8.5 million. According to management, it expects to finance the project through a bank-qualified loan.

Outlook

The stable outlook reflects Standard & Poor's opinion that over the outlook's two-year period, Juniata will likely demonstrate continued balanced financial operations on a full-accrual basis, maintain cash and investment ratios at or near current levels, sustain steady enrollment, and continue to improve demand metrics. We could consider a negative rating action during the outlook's two-year period if cash and investments were to weaken further, if Juniata were to issue significant additional debt without parallel growth in cash and investments relative to the rating category, if the college were to generate significant full-accrual deficits, or if Juniata were to take additional draws on reserves. It is unlikely we would consider a positive rating action during the outlook period due to, what we consider, Juniata's low expendable resource ratios relative to the rating category.

Enterprise Profile

Enrollment and demand

Juniata's enrollment has remained consistently above 1,500 during the past five years. In our opinion, the college's demand profile remains solid with increasing applications, improved selectivity, good student quality, and good retention and graduation rates. Full-time equivalent enrollment was 1,519 in fall 2012, a minimal 2% decrease from 1,551 in fall 2011.

Freshman applications increased by 13% to 2,422 in fall 2012 from 2,144 in fall 2011; freshman applications, however, have been historically volatile. Management recognizes applications and the number of freshmen matriculants have been volatile over the past five years, and it is implementing several programs targeted at increasing applications and improving selectivity and yield. Management indicates fall 2013 applications are trending positively. Juniata is, in our view, moderately selective: The freshman acceptance rate was 66% in fall 2012, which strengthened from 71% in fall 2011. Although the college operates in a highly competitive market, the fall 2012 25% freshman matriculation rate remained, in our view, adequate relative to the rating category median of 25%. The freshman matriculation rate has averaged 26% over the past five years. The fall 2012 freshman-to-sophomore retention rate and the five-year graduation rate are, in our opinion, a good 90% and 74%, respectively. Student quality for the fall 2012 incoming freshman class remained above average with an average SAT score at 1182, which is consistent with peer institutions and above the national average.

Management

A 39-member self-perpetuating board of trustees governs Juniata College. In our opinion, the board is stable; only rotational changes have occurred recently. According to management, the board actively supports the university; the board contributed more than 40% in pledges for Juniata's last comprehensive campaign. The board of trustees reviews the college's written debt and investment policies annually. In addition, the board approved a 20-year campus master plan in October 2011.

Fiscal 2013 will likely be a year of transition at Juniata College with a few key members of the executive management team planning to retire. President Thomas R. Kepple Jr. plans to retire in May 2013 after leading Juniata College for 15 years. The provost and executive vice presidents for student development and enrollment are also expected to retire at the same time. Juniata hired a consulting firm to handle the presidential search, and it recently announced the appointment of a new president.

The senior management team is, in our view, one of the college's strengths. The senior management team uses, what we regard as, conservative and proactive budgeting practices and prepares the operating budget on a cash basis. Although management does not budget for depreciation, the budget includes principal and interest, which are equivalent to the depreciation expense.

Financial Profile

Operating performance

Historically, Juniata has balanced financial operations on a full-accrual basis with the exception of fiscal 2010 operations, which yielded a $3.6 million deficit. Fiscal 2012 operations were balanced with a small $562,000 full-accrual deficit; operating performance, however, was a bit weaker than the $6,000 full-accrual deficit in fiscal 2011. Management is projecting break-even fiscal 2013 operations.

Juniata faces financial aid pressure, which is reflected in a moderately high discount rate and slower net tuition revenue growth over the past two fiscal years. Net tuition revenue grew by 2% and 3% in fiscal years 2012 and 2011, respectively, which was much lower than the previous years' range of 6%-11%. The college's overall discount rate was, in our view, a moderately high 47% in fiscal 2012; management is projecting the discount rate to likely increase to 50% in fiscal 2013. In our opinion, Juniata is highly dependent on student-generated revenue; tuition and auxiliary enterprises accounted for 83% of fiscal 2012 adjusted operating revenue. Tuition and fees increased by 5% to $45,580 in fall 2012 from $43,430 in fall 2011; this was comparable to peer institutions.

Financial resources

In our opinion, financial resource ratios are low for the rating category; expendable resources were $27.5 million as of May 31, 2012, or 37% of adjusted operating expenses and 76% of debt. Cash and investments, which include restricted assets, were, in our view, much higher and adequate for the rating category at $90.7 million at fiscal year-end 2012, or 121% of adjusted operating expenses and 252% of debt.

Juniata's endowment market value was $78.7 million as of May 31, 2012; in our view, this remained low relative to the rating category median. The endowment was allocated in 63% equities; 22% short-term investments; 8% real estate, mortgage, and other investments; 4% fixed income; and 3% hedge funds. The endowment is largely restricted. Juniata employs a 5% endowment spending policy based on a five-year moving market value average. Management expects to draw 4.4% of its endowment in fiscal 2013.

The relative liquidity of the investment portfolio is an important factor in our analysis of an institution, and we believe audited classification levels provide a relative measure of long-term investment liquidity. Levels 1 and 2 are, in our view, the most liquid assets. As of May 31, 2012, Juniata's long-term investments of $63 million consisted of 93% level 1 assets and 7% level 2 assets. In our opinion, this distribution represents a highly liquid portfolio that offsets low expendable resources.

Fundraising

Juniata has a successful, but limited, fundraising history. Its largest campaign ended in 2005; this campaign raised $103.4 million. The college has focused on small targeted capital campaigns recently. Juniata raised approximately $1.1 million toward the annual fund in fiscal 2012. Management expects to raise a similar amount for fiscal 2013.

Debt

As of May 31, 2012, Juniata had $36 million of total debt outstanding that consisted of 67% fixed-rate revenue bonds and 33% variable-rate bank notes. All of Juniata's debt is a GO of the college. We consider the MADS burden a manageable 4.8% of fiscal 2012 adjusted operating expenses. According to management, Juniata plans to construct an additional residence hall on campus by fall 2014. College estimates have project costs at $8.5 million, and management intends to finance the project through a bank-qualified loan. Juniata maintains a $3 million line of credit; this did not have a balance as of fiscal year-end 2012.

Juniata College

					Medians
					'A' Private Colleges
	-- Fiscal year-end May 31 --				& Universities
	2012	2011	2010	2009	2011
Enrollment And Demand					
Headcount (HC)	1,619	1,593	1,532	1,585	MNR
Full-time equivalent (FTE)	1,551	1,545	1,507	1,537	3,834
Freshman acceptance rate (%)	71.3	72.2	71.0	67.9	62.0
Freshman matriculation rate (%)	23.8	26.8	25.3	27.8	25.0
Undergraduates as a % of total enrollment (%)	100.0	100.0	100.0	100.0	77.0
Freshman retention (%)	85.0	83.6	85.0	84.0	85.5
Graduation rates (five years) (%)	74.3	75.5	71.0	78.0	72.0
Income Statement					
Adjusted operating revenue ($000s)	74,667	72,200	61,430	64,925	MNR
Adjusted operating expense ($000s)	75,229	72,206	65,058	64,796	MNR
Net operating income ($000s)	(562)	(6)	(3,628)	129	MNR
Net operating margin (%)	(0.7)	0.0	(5.6)	0.2	3.1

Juniata College (cont.)					
Change in unrestricted net assets ($000s)	(1,719)	2,106	(8,717)	(3,359)	MNR
Tuition discount (%)	46.8	45.8	43.2	42.5	33.9
Tuition dependence (%)	68.5	68.3	74.4	68.9	70.2
Debt					
Outstanding debt ($000s)	35,995	36,272	35,813	36,993	93,958
Current debt service burden (%)	2.3	2.9	4.9	4.0	4.1
Current MADS burden (%)	4.9	5.1	5.6	5.3	MNR
Financial Resource Ratios					
Endowment market value ($000s)	77,365	78,245	64,087	57,487	180,190
Cash and investments ($000s)	90,738	92,057	77,395	72,431	MNR
Unrestricted net assets ($000s)	42,318	44,037	41,931	50,648	MNR
Expendable resources ($000s)	27,495	30,259	21,076	24,222	MNR
Cash and investments to operations (%)	120.6	127.5	119.0	111.8	136.6
Cash and investments to debt (%)	252.1	253.8	216.1	195.8	235.3
Expendable resources to operations (%)	36.5	41.9	32.4	37.4	92.9
Expendable resources to debt (%)	76.4	83.4	58.9	65.5	160.3
Average age of plant (years)	17.5	16.7	16.4	15.7	12.6

MNR -- Median not reported. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100* (net adjusted operating income/adjusted operating expense). Tuition dependence = 100* (gross tuition revenue/adjusted operating revenue). Current debt service burden = 100* (current debt service expense/adjusted operating expenses). Current MADS burden = 100* (maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short- and long-term investments. Expendable resources = unrestricted net assets + temporary restricted net assets - (net PPE- outstanding debt). Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Criteria And Research

USPF Criteria: Higher Education, June 19, 2007

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