New York, March 01, 2021 -- Moody's Investors Service has revised Roosevelt University's (IL) outlook to stable from negative and affirmed the B1 on approximately $35 million of Series 2007 revenue bonds. The bonds were issued through the Illinois Finance Authority.

RATINGS RATIONALE

The revision of the outlook to stable reflects the low likelihood of deterioration of Roosevelt's wealth and liquidity over the next year as operating deficits are holding steady despite the impact of the coronavirus pandemic and federal relief funding provides near term support. The acquisition of certain assets and liabilities of Robert Morris University Illinois (RMUI) is complete and hasn't consumed a material amount of Roosevelt's financial resources.

The affirmation of the B1 reflects Roosevelt's very high financial leverage and associated fixed costs that continue to remain unaffordable at its current scale, resulting in fundamental financial imbalance and an unsustainable operating model absent material changes. Management continues to seek revenue growth through acquisition opportunities and expanded offerings. At the same time, expenses are being rationalized through structural changes to the faculty and staff ranks, a recent debt restructuring and other budget relieving measures. The recent integration with RMUI impacted a portion of fiscal 2020 results and enables Roosevelt to offer additional programs and other opportunities to its students, but does not eliminate longer term fundamental challenges in student recruitment.

Roosevelt retains highly valuable and marketable real estate that secures the Series 2018A, 2018B, 2019A, 2020A and 2020B bonds, while the rated Series 2007 bonds do not have the same secured interest in collateral.

RATING OUTLOOK

The stable outlook reflects our expectations that wealth and liquidity will remain relatively flat over the next year and that operating performance in fiscal 2021 will not deviate significantly from the deficit generated in fiscal 2020. It also acknowledges that management will continue to work on expense management while pursuing topline revenue growth opportunities.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Substantial and sustained improvement in operating performance that provides over 1.0x debt service coverage
- Significant strengthening of student market evidenced by sustained growth of net tuition revenue and enrollment stability
- Material growth of cash and investments and liquidity relative to debt and operations
- Substantial deleveraging so that fixed costs become more affordable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline of unrestricted liquidity
- Inability to show improvement in operating performance by fiscal 2022 or deeper than expected deficit in fiscal 2021
- Failure to stabilize enrollment and grow net tuition revenue

LEGAL SECURITY
All bonds are a general obligation, secured by the university's gross revenues. The unrated Series 2018A, 2018B, 2019A, 2020A and 2020B bonds have a cash-funded debt service reserve fund (DSRF) and a mortgage pledge on the university's Schaumburg campus and most of the university's Chicago campus. There is an additional bonds test. The Series 2007 bonds do not have a DSRF or a mortgage pledge.

The Series 2018A, 2018B, 2019A, 2020A and 2020B bonds contain an unrestricted cash and investments to MADS covenant that is tested twice annually. Roosevelt must maintain coverage of no less than 150% through fiscal 2022, no less than 175% in fiscal years 2023 and 2024, and no less than 200% in fiscal 2025 and beyond. Failure to do so would require consultative review with a cure period that extends several years. As of the last reporting date, Roosevelt reported over 2.0x coverage.

PROFILE

Founded in 1945, Roosevelt University is a moderate sized private university offering undergraduate, graduate, and professional degree programs at its campuses in downtown Chicago and in Schaumburg, a northwest suburb of Chicago, and online. The university enrolled 4,306 full-time equivalent students in Fall 2020, and increase of 20% and reflecting the integration with Robert Morris University Illinois.

METHODOLOGY


REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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