

# THE BOND BUYER

## Purdue to bring gilt-edged student fee-backed bonds

By

**Nora Colomer**

Published

August 22, 2018, 3:10pm EDT

Indiana's Purdue University will price \$104 million of student fee bonds at the beginning of September to finance projects on multiple campuses.

Proceeds will pay for the costs of the renovation of the school's Agricultural and Biological Engineering Building and the school's new Bioscience Innovation Building on the Hammond campus of Purdue Northwest.

Goldman Sachs is lead underwriter. Wells Fargo Securities and Ramirez & Co., Inc. are co-managers and Ice Miller LLP is bond counsel. The preliminary offering statement will be available Aug. 27 and the bonds are expected to price on Sept. 6.

The student fee bonds are payable from and secured by a pledge and first lien on student fees, which include nearly all academic fees, including tuition, and certain other pledged revenues. There is no debt service reserve fund. Bond covenants require a ratio of at least 1 times annual debt service on the student fee bonds.

The West Lafayette-based university has held a Aaa rating from Moody's Investors Service's Aaa since 2010 and the rating agency affirmed the rating this week. The outlook is stable. S&P Global Ratings rates the school AAA. The rating agency is expected to issue a new report soon, according to Denise Laussade, director of Purdue's office of treasury.

"Purdue's rating reflects its excellent strategic position as the second largest public university for the Aaa-rated state of Indiana, with a broad scale of operations and national demand for its science, technology, and engineering oriented programs," said Moody's. "The university's very strong balance sheet reserves and liquidity, along with still strong operations, also support the rating."

About 20% of university revenue is from state appropriations, including fee replacement for debt service to reimburse Purdue for approved capital projects. State funding increased slightly in the current fiscal 2018-2019 biennium including support of fee replacement funds.

The school reported total cash and investments of \$4.3 billion in fiscal 2017. Purdue has also raised nearly \$2 billion under its “Ever True” campaign launched in 2015. Fiscal 2017 audited gift revenue was \$124 million and Purdue reported a record total new gifts and pledges of \$352 million for the year.

The school’s West Lafayette campus has benefited from steady enrollment over the last five years, although total fall 2017 enrollment was 55,000, down from over 57,000 in fall 2013. Purdue attributes the decline to a decrease in part-time students and an increase in dual credit offerings accepted for students.

The school’s revenue growth is limited by a tuition freeze for all students, including non-resident students, that is in place from fiscal 2014 until fiscal 2020.

“Recent significant expense growth in excess of revenue growth as the university has invested in strategic initiatives will drive thinner operating performance over the next several years,” said Moody’s. “An additional challenge is the launch and operation of Purdue Global University as Purdue looks to successfully grow the university without impacting its own brand and strategic position.”

Purdue Global University was launched in March following the school’s acquisition of Kaplan University, a major provider of online education.

Purdue Global will operate primarily online but currently has 14 locations across the U.S., expanding its access to non-traditional students. It is controlled and supervised by Purdue University and Purdue's board of trustees and has a long-term support agreement with Kaplan Higher Education to continue providing back office support functions for a fee.

Purdue University has roughly \$928 million of outstanding debt.