

**CREDIT OPINION**

19 December 2024



**Contacts**

Meredith Moore +1.212.553.4850  
VP-Senior Analyst  
meredith.moore@moodys.com

Mary Kay Cooney +1.212.553.7815  
VP-Senior Analyst  
marykay.cooney@moodys.com

Emily Raimes +1.212.553.7203  
Associate Managing Director  
emily.raimes@moodys.com

**CLIENT SERVICES**

Americas 1-212-553-1653  
Asia Pacific 852-3551-3077  
Japan 81-3-5408-4100  
EMEA 44-20-7772-5454

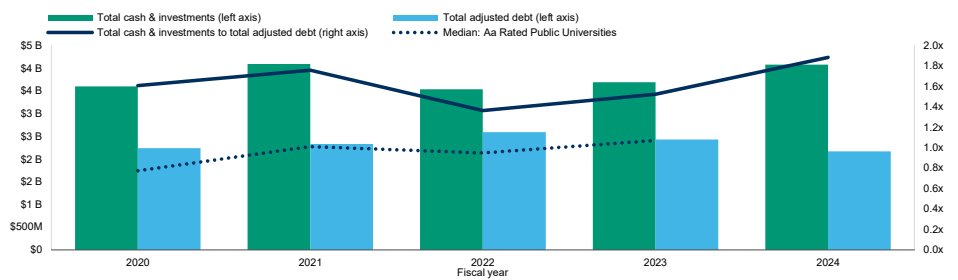
# Virginia Commonwealth University, VA

## Update to credit analysis

### Summary

[Virginia Commonwealth University's](#) (VCU, Aa3 stable) excellent strategic positioning translating to continued enrollment growth prospects. The university will continue to benefit from its location within the state capital of Richmond, VA and strong academic medical center affiliation with the [Virginia Commonwealth University Health System Authority](#) (VCUHSA, Aa3 stable). Its large size and scale of operations at nearly \$5 billion on a consolidated basis combined with stable and ongoing operating and capital support from the [Commonwealth of Virginia](#) (Aaa stable) further contributes to maintenance of sustainable operations. A low average age of plant, along with sound wealth and liquidity levels support prospects for ongoing favorable coverage to debt. Offsetting factors include a sizeable pension obligation, elevated competition for research awards and potential increases in direct debt to funding upcoming capital projects.

Exhibit 1  
**Total Cash and Investments gains and manageable leverage expected to continue**



Source: Moody's Ratings

## Credit strengths

- » Strong market profile as a public urban research university and academic medical center with nearly \$5 billion of operating revenue
- » Ongoing support for operations and capital from the Aaa-rated Commonwealth of Virginia, including active state oversight
- » Sound consolidated total cash and investment to adjusted debt and operating expenses, at 1.9x and 0.9x, respectively

## Credit challenges

- » Modest EBIDA margins on both a consolidated and university only basis, 11.5% and 8.3% respectively
- » Tuition revenue growth constrained by very competitive student market and high reliance on in-state students
- » Debt service coverage on a university-only basis at 2.5x is narrow compared to peers

## Rating outlook

The stable outlook incorporates maintenance of EBIDA margins in the low double digits coupled with continued growth of wealth and liquidity. Further, the university's favorable academic and health care brands will continue to support the core strength of the university's credit profile.

## Factors that could lead to an upgrade

- » Marked increase in liquidity and other flexible reserves, including heightened donor support
- » Sustained improvement in operating performance at both the university and the health system
- » Strengthening of the student market profile, in part reflected in increased geographic diversification of the student population and associated improvement in tuition revenue flexibility
- » Commercial Paper: Not applicable

## Factors that could lead to a downgrade

- » Downturn in operating performance, reflected in a sustained move to deficit operations
- » Material erosion of unrestricted liquidity
- » A decline in VCUHSA' credit quality given significant consolidated exposure to the health system authority
- » Commercial Paper: Material adverse changes to VCU's access to capital markets or significant reduction in liquidity

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Virginia Commonwealth University - Consolidated results of VCU, VCUHS, and component units

	2020	2021	2022	2023	2024	Median: Aa Rated Public Universities
Total FTE Enrollment	25,943	25,538	25,121	25,438	25,675	31,582
Operating Revenue (\$000)	5,010,291	3,863,136	4,170,271	4,423,381	4,984,895	1,560,341
Annual Change in Operating Revenue (%)	-1.4	-22.9	8.0	6.1	12.7	4.9
Total Cash & Investments (\$000)	3,602,299	4,098,099	3,535,680	3,694,658	4,083,922	2,146,033
Total Adjusted Debt (\$000)	2,241,688	2,330,673	2,590,316	2,427,658	2,166,989	1,760,397
Total Cash & Investments to Total Adjusted Debt (x)	1.6	1.8	1.4	1.5	1.9	1.1
Total Cash & Investments to Operating Expenses (x)	0.7	1.1	0.9	0.8	0.9	1.2
Monthly Days Cash on Hand (x)	185	263	203	189	194	189
EBIDA Margin (%)	7.2	12.0	9.3	6.3	11.5	11.7
Total Debt to EBIDA (x)	3.1	2.3	3.4	4.6	2.2	4.4
Annual Debt Service Coverage (x)	4.4	7.4	5.3	3.4	6.5	3.2

Source: Moody's Ratings

Exhibit 3

### Virginia Commonwealth University - University only

	2020	2021	2022	2023	2024	Median: Aa Rated Public Universities
Total FTE Enrollment	25,943	25,538	25,121	25,438	25,675	31,582
Operating Revenue (\$000)	1,133,751	1,182,053	1,287,729	1,278,174	1,401,209	1,560,341
EBIDA Margin (%)	7.7	11.8	14.3	4.8	8.3	11.7
Annual Debt Service Coverage (x)	1.9	4.1	4.6	1.6	2.7	3.2

Source: Moody's Ratings

## Profile

Virginia Commonwealth University is a comprehensive public university and academic medical center, established from the merger of two organizations in 1968. The university is a component of a larger system that includes a Health System Authority (VCUHSA) and multiple foundations. VCU is located in Virginia's state capital of Richmond.

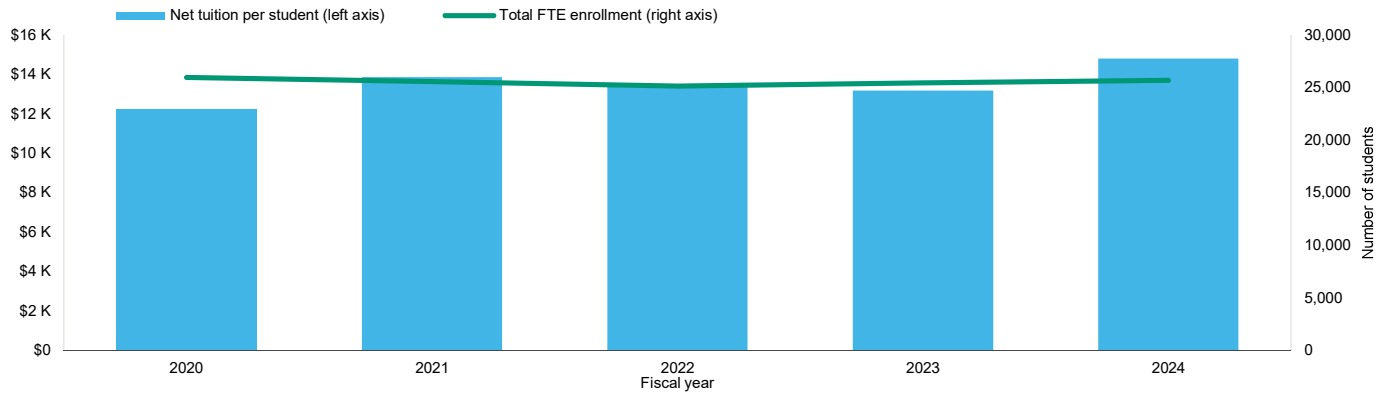
## Detailed credit considerations

### Market position:

VCU continues to be positioned as a significant, urban-centered public university with a strong emphasis on health science through its affiliations, particularly VCUHSA (VCU Health System Authority). The university has demonstrated enrollment stability, with a balanced offering of undergraduate and graduate/professional programs. The predominance of in-state students and the demographic trends in Virginia will continue to contribute to VCU's enrollment stability. Furthermore, the VCU Health System continues to solidify its market presence and commitment to serving a broad patient base, including significant Medicaid and indigent care, bolstered by favorable reimbursement dynamics. Longer term prospects for growth include programmatic expansion, online learning capabilities, and strengthening of its offerings in the School of Medicine, Nursing, Pharmacy, and College of Health Professions. Further, VCU's commitment to increasing its nonresident student mix reflects a strategic move to diversify its enrollment and enhance its national profile.

Exhibit 4

**Competitive tuition pricing will continue support the university's enrollment management efforts despite competition**



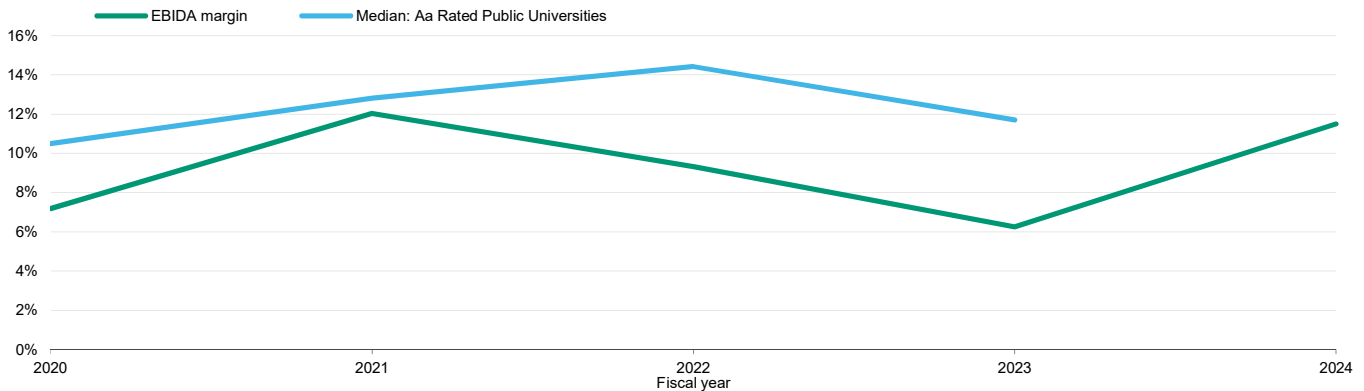
Source: Moody's Ratings

**Operating performance**

EBIDA margins will continue to be in the high single digit to low teens over the near term. Enrollment growth prospects, growing research enterprise and programmatic expansion will contribute to operational results. Further, ongoing stable state support for both capital and operations provides stability to margins. The university will continue to remain economically important to the Richmond region with nearly \$5 billion in operating revenue on a consolidated basis. Exposures to patient care will continue to impact operational performance with approximately 72% of revenue coming from patient care versus 11% for student charges and 8% for state appropriations.

Exhibit 5

**EBIDA margins will continue to be suppressed compared to peers**



Source: Moody's Ratings

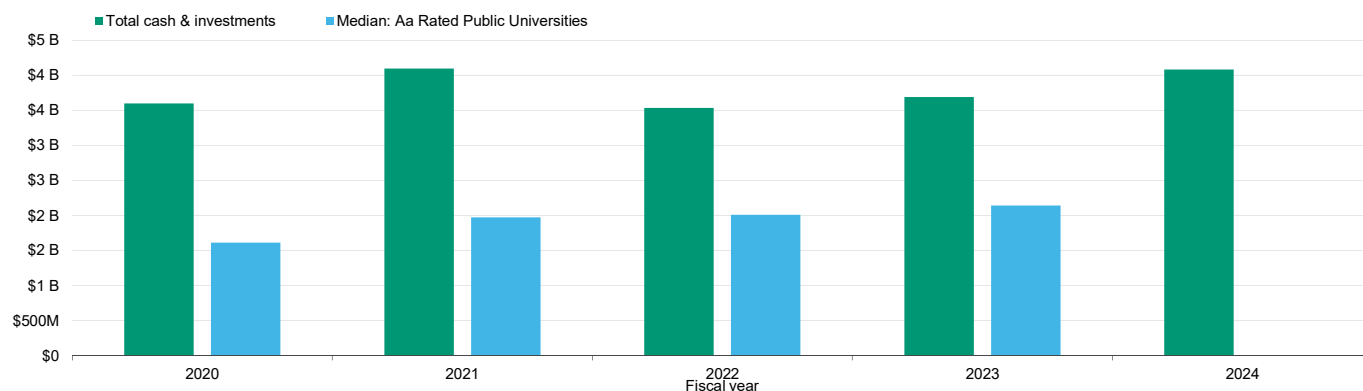
**Wealth and liquidity**

Gift support will continue to underpin growing cash and investments. Recent growth of wealth and liquidity will continue to be driven by retained surpluses, particularly from the health system, favorable investment market returns, and the success of the university's comprehensive capital campaign, with just over \$200 million raised in fiscal 2024. VCU's approach to managing its cash and investments, with clear delineation between short-term and long-term tiers, positions it to navigate the complexities of its liquidity needs and the investment landscape. The short-term pool, managed through operating bank accounts and short-term investment managers, alongside the long-term funds managed by VCIMCO, reflects a strategic approach to liquidity and investment returns. The outcomes of VCU's financial strategies, including its philanthropic endeavors, investment management, and resource allocation, will be integral to its capacity to fund capital investments, support programmatic expansion, and grow its endowment.

Moderate university-only liquidity will continue to be somewhat mitigated by the university's largely fixed rate debt portfolio and limited calls on liquidity, in addition to a bank line for the \$75 million commercial paper program. The university uses its own liquidity to provide support its commercial paper program. Daily self-liquidity coverage is strong with and excluding the \$75 million dedicated bank facility from JPMorgan Chase Bank.

Exhibit 6

### Total Cash and investments compared to peers provides strength to offset modest margins



Source: Moody's Ratings

### Leverage and Coverage

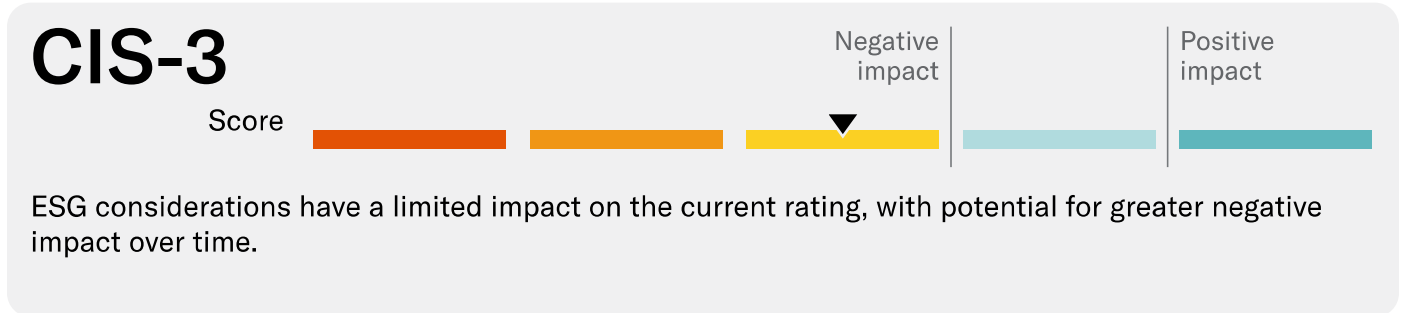
While the university is currently contemplating some near term debt, an internal policy to keep debt service on general revenue debt below 6% of operating expenses aids in maintaining manageable leverage, a policy we expect to continue. With its liquidity VCU is well-equipped to navigate financial challenges and seize strategic opportunities without undue reliance on additional debt. The partnership with American Campus Communities (ACC) for student housing reflects VCU's multiple source approach to infrastructure development and student services. VCU has a robust multi-year strategic capital plan of which a largest housing project that is currently in the planning stages and may require debt. The university is currently still in the RFP design process for the housing project and expects to make funding decision in the late summer or early fall. VCU's all-fixed-rate debt structure provides predictability in debt service budgeting, contributing to financial stability.

VCU's all-fixed-rate debt structure provides predictability in debt service budgeting, contributing to financial stability. The distinction between university and VCU Health System Authority debt, with separate security pledges, underscores a strategic approach to debt management that aligns with the specific financial dynamics and risks of each entity. This separation ensures that the financial health of one does not unduly impact the other, allowing each to pursue its objectives. Total consolidated outstanding direct debt as of FYE 2024 was \$1.2 billion while VCU only debt was approximately \$506 million. Additionally, total cash and investments favorably covered adjusted debt by 1.9x.

## ESG considerations

Virginia Commonwealth University, VA's ESG credit impact score is CIS-3

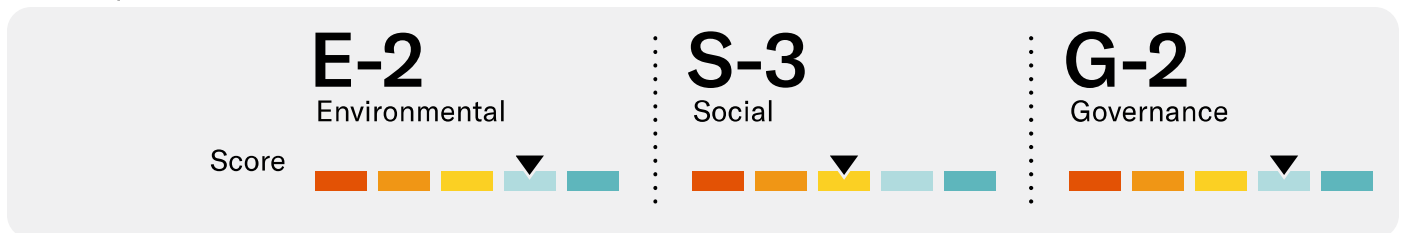
Exhibit 7  
ESG credit impact score



Source: Moody's Ratings

Virginia Commonwealth University's (CIS-3) indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. The university's sizable scale and scope of operations combine with steady operating and capital support help mitigate exposure to ESG risks.

Exhibit 8  
ESG issuer profile scores



Source: Moody's Ratings

### Environmental

VCU's environmental risks (E-2), encompass VCU's location in the City of Richmond, Virginia reflective of medium to high exposure to water stress, hurricane effects and wildfire hazards. Regarding carbon transition and sustainability, VCU is currently preparing a roadmap to meet impactful goals.

### Social

VCU's social risks (S-3) the university's important role in Virginia's capital city, as a comprehensive university and academic medical center, with established ties to the Virginia Commonwealth University Health System Authority that provides tertiary and quaternary care in the Richmond region. The risk profile further incorporates consistent operating and capital support and alignment with State of Virginia education priorities, and risks associated with customer relations at the related health system. In-state and regional demographic pressures and tuition affordability commitments introduce credit risks impacting enrollment and net tuition growth over the longer-term since the university continues to draw the bulk of students from in-state. Human capital risks are informed by rising wage pressures and a large unfunded pension liability.

### Governance

VCU's governance risk (G-2), reflects the close coordination and strategic alignment of the health system and university, as well as the long-standing operating and capital support from the Commonwealth of Virginia. Moderately negative risk around organizational structure is informed by the presence of multiple support foundations, as well as the need for close coordination with the Health System Authority. Favorably, governance of the university and healthcare entities remains aligned. A Virginia statutory requirement holds that the president of the university and vice president for the health sciences of the university, as well as five non-legislative

members of the university's board of visitors, serve as voting members of the board of directors for the health system. In addition, the president of the university serves as chairman of the health system board. However, similar to many public universities, board structure risks at the university are introduced by the selection process, with the 16 members of the board of visitors appointed by the Virginia governor. This structure adds exposure to potential political considerations which could create misalignment to institutional priorities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

### Rating methodology and scorecard factors

The [Higher Education Methodology](#) includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess strategic positioning on a qualitative basis, as described in the methodology.

Exhibit 9

#### Virginia Commonwealth University

Scorecard Factors and Sub-factors	Value	Score
<b>Factor 1: Scale (15%)</b>		
Adjusted Operating Revenue (USD Million)	4,985	Aaa
<b>Factor 2: Market Profile (20%)</b>		
Brand and Strategic Positioning	A	A
Operating Environment	Aa	Aa
<b>Factor 3: Operating Performance (10%)</b>		
EBIDA Margin	12%	A
<b>Factor 4: Financial Resources and Liquidity (25%)</b>		
Total Cash and Investments (USD Million)	4,084	Aaa
Total Cash and Investments to Operating Expenses	0.9	Aa
<b>Factor 5: Leverage and coverage (20%)</b>		
Total Cash and Investments to Total Adjusted Debt	1.9	Aa
Annual Debt Service Coverage	6.5	Aaa
<b>Factor 6: Financial Policy and Strategy (10%)</b>		
Financial Policy and Strategy	Aa	Aa
Scorecard-Indicated Outcome		Aa2
Assigned Rating		Aa3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

VCU university, VCUHS and component organizations unless noted otherwise.

Source: Moody's Ratings

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.



CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454