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University of California: Fitch New Issue Report

Revenue Defensibility: 'aa'; Leading Statewide Public Research System; Strong State Support: The 'aa' assessment reflects UC's very strong demand characteristics, as well as a sizable and accretive clinical enterprise and good state operating support. Despite a meaningful decline in summer 2022 enrollment yoy, overall yoy enrollment was steady. The enrollment pipeline remains healthy; freshman applications for fall 2022 were up a sizable 3.5%, though transfer activity was softer due largely to community college enrollment pressures. Selectivity, matriculation and retention levels have remained solid and are reflective of UC's role as the state's land-grant research institution system. Operating Risk: 'a'; Solid Cash Flow at System and Healthcare Enterprise, and Meaningful but Manageable Capital Plans: Solid cost flexibility and consistent cash flow margins are reflected in the 'a' assessment, based on systemwide performance indicators. Through 2022, UC generated sufficient cash flow and coverage (adjusted for pension/other post-employment benefits [OPEB]). Margins remain susceptible to growth in compensation and inflation, reflecting UC's significant pension obligation and union presence. However, systemwide efforts on operating efficiency, collaboration across campuses and medical centers, and continued growth in revenue have preserved operating performance through the worst of the pandemic and have been sufficient to partially support a sizable capital investment program. Financial Profile: 'aa'; Sizable and Resilient Financial Profile: UC maintains a strong financial position, with generally improving available funds relative to expenses and adjusted debt over time.

ACCESS REPORT

Wed 08 Feb, 2023