Rating Action: Moody's assigns Aaa to Pomona College's (CA) Series 2020A; outlook stable

New York, October 13, 2020 -- Moody's Investors Service has assigned a Aaa rating to Pomona College's (CA) proposed approximately $209 million of Taxable Bonds, Series 2020A, with final maturity in fiscal 2051. We also maintain Aaa ratings on approximately $159 million of revenue bonds outstanding. The outlook is stable.

RATINGS RATIONALE

The assignment and maintenance of the Aaa reflects Pomona's extraordinary wealth and liquidity relative to its debt and operating expenses which provides ample financial flexibility. Pomona's excellent strategic positioning incorporates its national reputation and exceptional student draw as a highly selective liberal arts college with strong fundraising. Management's budgetary discipline supports strategic investments in programming and capital while also consistently generating strongly favorable operating performance. Credit challenges include Pomona's high reliance on its endowment to support its need-blind admissions policy and for broader operating support. This reliance may lead to a continued slower pace of revenue growth. Expenses routinely outpaced revenue growth over the past five years as the college focuses on student affordability and access.

The impacts of the coronavirus pandemic have been manageable for Pomona. Consistent with other colleges, Pomona moved to a fully online curriculum in March. Through good expense management, the college was able to offset its revenue loss in fiscal 2020, resulting in operating performance that is close to the original budget. Fiscal 2021 operating performance will soften as the college remains fully online with a decline in enrollment and no students on campus, essentially eliminating auxiliary revenue. Expense reductions will offset a significant portion of the revenue loss, leading to a manageable deficit in fiscal 2021. Given the college's brand strength, enrollment should rebound to normal levels once students are back on campus.

RATING OUTLOOK

The stable outlook reflects expectations of continued excellent liquidity, strong donor support and disciplined financial management.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

-Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

-Substantial increase in financial leverage

-Material decline in liquidity or overall wealth

-Sustained and significant deterioration in operating performance or student demand

LEGAL SECURITY

All debt, included the proposed Series 2020A bonds, are unsecured obligations of the college.

USE OF PROCEEDS

Proceeds will be used to refund the Series 2014 and 2016 loans, refund the Series 2017 bonds and pay the costs of issuance.

PROFILE

Pomona College is an elite liberal arts college with 1,464 full time equivalent students in Fall 2020 and approximately $204 million of operating revenue in fiscal 2019. The college is located in southern California,
outside of Los Angeles and is one of The Claremont Colleges, a consortium of five colleges, two graduate institutions, and a central coordinating entity that provides services to all members.

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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