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## University of New Mexico Series 2016A, B Bonds Assigned 'AA' Rating

**Primary Credit Analyst:**

Ken Rodgers, New York (1) 212-438-2087; ken.rodgers@standardandpoors.com

**Secondary Contact:**

Luke J Gildner, Centennial (303) 721-4124; luke.gildner@standardandpoors.com

NEW YORK (Standard & Poor's) Feb. 2, 2016--Standard & Poor's Ratings Services assigned its 'AA' long-term rating to the University of New Mexico Board of Regents' \$152.9 million tax-exempt series 2016A and taxable series 2016B subordinate-lien system refunding and improvement revenue bonds issued for the University of New Mexico (UNM). In addition, we affirmed our 'AA' long-term rating and underlying rating (SPUR) on UNM's outstanding various senior- (closed) and subordinate-lien system revenue bonds. We also affirmed our 'AA/A-1+' rating on the university's existing series 2001, 2002B, and 2002C variable-rate demand bonds, with the long-term rating reflecting UNM's credit and the short-term rating based on bank liquidity support, in the event of an unremarketed tender, from U.S. Bank (scheduled to expire on Dec. 29, 2017). The outlook on all ratings is stable.

"The assigned and affirmed 'AA' ratings reflect our view that UNM's enterprise and financial profiles are both very strong, leading to an initial and final indicative stand-alone credit profile rating of 'aa' and final bond issue ratings of 'AA'," said Standard & Poor's credit analyst Ken Rodgers.

UNM's enterprise profile, in our view, is characterized by the university's role as the flagship higher educational institution of the state that has breadth and diversity, and includes a Health Science Center (HSC) with a major academic medical center.

"UNM's financial profile reflects our view of its excellent financial management policies and sound financial performance, marked financial resources and healthy, i.e., moderate, debt and contingent liabilities from

conservative debt issuance," said Mr. Rodgers.

"The ratings further reflect our view of UNM's general stable enrollment trend, excellent governance and management, and healthy available resource ratios for the rating category," he added. Continued financial support from the state is another supporting factor.

"The stable outlook reflects our expectation that UNM's stable enrollment and recently improved financial performance will continue over the next two years," said Mr. Rodgers. Also, we assume UNM will maintain its available resources ratios relative to debt consistent with medians for the rating category. In addition, our expectation is that the HSC's operations will continue to improve and its debt will continue to be supported by net hospital operations.

We believe consideration of a higher rating during the outlook period is unlikely owing to continuing enrollment pressure and generally constrained funding in both higher education and health care. However, factors that could lead to an upgrade could include a sustained and significant enrollment increase, consistently stronger university and HSC operating margins, growth in available resource ratios relative to medians for the rating category, or an unanticipated sharp reduction in outstanding debt.

We could consider a negative rating action during the outlook period if the university enrollment declines significantly, or if full accrual-based operating deficits occur unabated, HSC's operations become pressured, or if UNM's available resources decline significantly or a significant amount of additional debt is issued.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- General Criteria: Methodology: Not-For-Profit Public And Private Colleges And Universities, Jan. 6, 2016
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.



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