

Research Update:

# Reed College, OR Series 2022A Taxable Fixed-Rate Bond Rating Affirmed At 'AA-'

May 21, 2026

## Overview

- S&P Global Ratings affirmed its 'AA-' long-term rating on [Reed College](#), Oregon's series 2022A taxable fixed-rate bonds.
- The outlook is stable.

## Rationale

### Security

Reed's debt consists entirely of the \$125.0 million series 2022A bonds, which are 30-year, fixed-rate, taxable bonds with a bullet maturity. To prepare for the bullet maturity, the college has a robust internal amortization program with annual reporting to the board for the life of the bonds. The bonds are a general obligation of the college. We view the college's debt burden as low compared with those of similarly rated peers, and we view the smoothed maximum annual debt service burden of 5.7% as average. Management does not expect to issue additional debt within the two-year outlook period.

### Credit highlights

We assessed Reed's enterprise risk profile as very strong, characterized by above-average student quality, and excellent geographic diversity, offset by declining enrollment and weak matriculation. We assessed Reed's financial risk profile as very strong, with a track record of healthy operations and robust financial resource ratios for the rating, offset by weaker operations and potential deficits projected by management starting in fiscal 2026. We believe these credit factors, combined, lead to an anchor of 'aa-' and a final rating of 'AA-'.

The rating reflects our view of Reed College's:

- Robust financial resource ratios, supported by historical operating surpluses and healthy market returns in recent years;

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- Lower reliance on student-derived income than many similarly sized liberal arts institutions, as tuition and auxiliary fees made up 67% of fiscal 2025 total adjusted operating revenues; and
- Skilled and stable management team that has maintained a consistent brand for the college's close-knit culture, with its current focus on a residential college model.

In our view, the preceding credit strengths are in part offset by:

- Management's expectation for negative operating performance in the next couple of years, despite a historical trend of positive margins; and
- Heightened competition among top liberal arts colleges, as demonstrated by continuous enrollment declines in last four years and a low matriculation rate of 12% in fall 2025.

Founded in 1908, Reed College is a coeducational, independent liberal arts and sciences college. Reed is known for its academic rigor, creative thinking, and engaged citizenship. The college offers 40 majors and programs on a partially wooded 116-acre campus five miles from downtown Portland, Oregon.

### Environmental, social, and governance

We analyzed the college's environmental, social, and governance factors relative to its market position, management and governance, and financial performance, and view them as neutral in our credit rating analysis.

## Outlook

The stable outlook reflects our expectation that Reed will maintain robust financial resources and a manageable debt burden and stabilize its enrollment and demand over time.

### Downside scenario

We could consider a negative rating action if the college fails to stabilize enrollment, which leads to persistent operating deficits and a material weakening of balance sheet resources. We could also consider a negative rating action if the college's demand metrics, particularly matriculation and selectivity, weaken significantly.

### Upside scenario

We could consider a positive rating action if the college improves its demand profile, particularly selectivity, graduation, and matriculation rates, while maintaining healthy operating margins and robust financial resources.

## Credit Opinion

### Enterprise Risk Profile--Very Strong

### Market position and demand

Historically, Reed's enrollment has been relatively stable and slightly above its target size of 1,440 full-time-equivalent (FTE) students. However, the college has experienced some variability in enrollment over the last few years. In fall 2024, enrollment declined by 6.4% to below budget at

1,332 FTE students due in part to the government's delays processing information from the Free Application for Federal Student Aid (FAFSA) and a one-time vendor communication error with some applicants. Enrollment declined similarly in fall 2025, which management attributes to a significant demographic shift in the prospective student pool, with weakened demand from the East Coast and West Coast but increased demand from Texas. For fall 2026, the college budgets for similar enrollment as the actual level in fall 2025. However, management reports that the year-to-date deposits are 46% higher compared to the same time last year; thus, it anticipates actual enrollment to exceed budget. Management attributes the improvement in demand to the college's commitment to maintaining a close-knit campus culture and a low student-faculty ratio, focus on a residential college model to be supported by its capital campaign, peer-to-peer mentoring, and faculty support with early advising.

Reed continues to compete for high-quality students both nationally and internationally. About 89% of students come from out of state. Selectivity weakened in fall 2025 but is still well above historical levels, as the college accepts only 29% of applicants. Matriculation also weakened to 12%, which management attributes to a shift in the quality of students it attracts and the competing institutions to which they apply. However, there are plans in place to increase yield, including more personalized outreach to admitted students. The freshman retention rate for fall 2025 strengthened to 90%, but remains below the rating category median.

## **Management and governance**

Audrey Bilger has served as Reed's president since July 2019. The rest of the management and board leadership has been stable, which we view positively. The college is governed by a self-perpetuating board of trustees that consists of at least 25 members.

Reed operates under a strategic plan with goals for growth and change in academic programs, supporting student development, welcoming diversity, and improving career preparation. We would view improvement in matriculation and graduation rates as a result of the college's strategic initiatives favorably. Reed College has formal policies for endowment, investments, debt, and its internal amortization program that addresses the series 2022A bullet maturity. Reed also has a formal endowment liquidity policy and meets standard annual disclosure requirements.

## **Financial Risk Profile--Very Strong**

### **Financial performance**

Reed has a track record of positive full accrual operations, and this continued in fiscal 2025 although the surplus is more modest (\$4.2 million, or 2.5% of adjusted operating expenses). Total operating revenue remained stable, with a decline in net tuition revenue (driven by enrollment declines) offset by increased endowment distribution. However, increases in operating expenditures reduced the positive margin. The college is less reliant on student-derived revenues than peers, which we view as a credit strength. Tuition and auxiliaries make up approximately 67% of total adjusted operating revenue. Reed's discount rate remained at 41% in fiscal 2025, which is line with those of peers. However, management estimates the discount rate is approximately 44.3% in fiscal 2026 compared with a budgeted 39.5%. The discount rate is expected to grow further in fiscal 2027, which will be above average and partially limit the college's flexibility in our view.

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Management projects a weaker operating result in fiscal 2026, driven by lower-than-expected enrollment and discounting over target. The college plans to implement a \$4 million expense reduction plan in fiscal years 2027 and 2028, with the anticipation that 80% of the reduction will be realized in fiscal 2027. Despite the reduction plan, we expect the operating performance will be weaker than fiscal 2025 levels. We believe a sustained trend of negative operations, driven by enrollment pressures, could pressure the rating.

### Financial resources

In our opinion, Reed's financial resource ratios continue to be robust for the rating, and are a key credit strength. The college saw solid growth in resources in fiscal years 2024 and 2025, supported by good market returns. Cash and investments grew by 7% to \$1 billion. The endowment grew by 9.2% to net assets of \$864 million. The endowment spend rate has been consistent at 5% of a rolling 13-quarter average, which we consider standard.

Reed has a history of strong fundraising. The college is in the silent phase of a large comprehensive campaign, and management reports solid progress toward its goal.

### Debt and contingent liabilities

In addition to a defined-contribution pension plan and a defined-contribution retiree health plan for employees hired after July 1, 2006, the college maintains a defined-benefit retiree medical insurance plan for certain employees hired before July 1, 2006, with a total \$28.2 million benefit obligation as of fiscal year-end 2025. The plan is funded as benefits are paid and annual benefit payments are included in the operating budget.

Reed's total debt burden is low compared with those of similarly rated peers. The college does not have any direct-placement debt and does not have plans for additional debt within the outlook period. Management plans to use recent operating surpluses and series 2022 bond proceeds to support facility projects. Recent and upcoming capital projects include the college's sports center, IT infrastructure, and boiler plant updates.

### Reed College, Oregon--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges and universities
	2026	2025	2024	2023	2022	2024
<b>Enrollment and demand</b>						
Full-time-equivalent enrollment	1,253	1,332	1,423	1,506	1,532	7,980
Undergraduates as a % of total enrollment	99.8	99.8	99.6	99.9	99.7	71.3
First-year acceptance rate (%)	29.1	23.7	27.2	30.8	43.8	13.9
First-year matriculation rate (%)	12.2	13.6	12.9	14.2	16.3	40.8
First-year retention rate (%)	90.0	87.0	86.0	86.0	87.0	95.0
Six-year graduation rate (%)	73.0	71.5	76.0	80.0	73.0	91.0
<b>Financial performance</b>						
Adjusted operating revenue (\$000s)	N.A.	170,114	171,154	158,269	159,546	MNR
Adjusted operating expense (\$000s)	N.A.	165,919	158,590	152,431	145,560	MNR
Net operating margin (%)	N.A.	2.5	7.9	3.8	9.6	1.4
Change in unrestricted net assets (\$000s)	N.A.	29,283	41,618	12,630	(13,118)	MNR
Tuition discount (%)	N.A.	41.0	40.6	38.1	39.8	40.1

Reed College, Oregon--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges and universities
	2026	2025	2024	2023	2022	2024
Student dependence (%)	N.A.	66.5	67.1	70.0	69.1	60.3
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	2.0	1.6	2.5	5.4	6.1
<b>Financial resources</b>						
Endowment market value (\$000s)	N.A.	863,946	790,961	720,867	696,435	2,339,507
Cash and investments (\$000s)	N.A.	1,009,092	939,963	859,974	835,132	2,893,418
Cash and investments to operations (%)	N.A.	608.2	592.7	564.2	573.7	369.6
Cash and investments to debt (%)	N.A.	807.3	752.0	688.0	668.1	436.0
Cash and investments to pro forma debt (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
<b>Debt</b>						
Outstanding debt (\$000s)	N.A.	125,000	125,000	125,000	125,000	619,619
Proposed debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	5.7	5.8	5.9	6.2	4.7
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	16.6	19.1	18.8	19.4	15.3

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100\*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

**Ratings List**

**Ratings Affirmed**

**Education**

Reed Coll, OR General Obligation AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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