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University Radiation Safety Office

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U.S. Nuclear Regulatory Commission  
Region I  
Division of Nuclear Materials Safety  
2100 Renaissance Blvd  
King of Prussia, PA 19406-2713

Re: Financial Assurance Requirements

NRC License No. 47-05972-02  
Docket No. 030-01142

October 16, 2017

Dear Sir/Madam:

Marshall University uses a self-guarantee as the financial instrument to assure the NRC that we have the resources to cover the costs of decommissioning. The following documents were submitted previously: *Self-Guarantee Agreement Certificate* (signed August 11, 2015), *Certificate of Financial Assurance* (signed August 11, 2015) and a copy of our *Standby Trust Agreement* (Dated August 28, 2012). The documentation enclosed with this letter is submitted to comply with the requirement that we pass the financial test for self-guarantee annually. The Self Guarantee Financial Test using the most recent Moody's rating and a more recent rating by Fitch are included.

Sincerely,

*William D. McCumbee*

William D. McCumbee, Ph.D.  
Radiation Safety Officer  
Marshall University  
Radiation Safety Office, 301J BBSC  
One John Marshall Drive  
Huntington, WV 25755-2505

Enclosures:

- Letter from the Chief Executive Officer supporting the use of the self-guarantee financial test to demonstrate financial assurance
- Model Self-Guarantee Financial Test for Nonprofit Colleges and Universities That Issue Bonds (using Moody Ratings and Fitch Ratings)
- Link to Marshall University's financial statement and independent auditors report for fiscal year ending June 30, 2017:

Direct link: <http://www.marshall.edu/finance/files/Final-Marshall-0617-FS.pdf>

Page link: <http://www.marshall.edu/finance/financial-audits/>

**WE ARE... MARSHALL.**

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NUREG/REGISTRATION MATERIALS-002



Office of the President

U.S. Nuclear Regulatory Commission  
Region I  
Division of Nuclear Materials Safety  
2100 Renaissance Blvd  
King of Prussia, PA 19406-2713

To Whom It May Concern:

I am the chief executive officer of Marshall University, One John Marshall Drive, Huntington WV 25755, a non-profit state university. This letter is in support of this firm's use of the self-guarantee financial test to demonstrate financial assurance, as specified in 10 CFR Part 30. This firm has no parent company holding majority control of its voting stock.

This firm guarantees, through the self-guarantee submitted to demonstrate compliance under 10 CFR Part 30, the decommissioning of the following facilities owned or operated by this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for each facility:

<u>Name of Facility</u>	<u>License Number</u>	<u>Location of Facility</u>	<u>Certified Amounts or Current Cost Estimates</u>
Marshall University	47-05972-02	Huntington, WV	\$ 1,125,000

The fiscal year of this firm ends on June 30. The figures for the following items are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended June 30, 2017. A link to the University's most recent financial statements is enclosed.

I hereby certify that Marshall University is currently a going concern, and that it possesses positive tangible net worth in the amount of \$424,897,512. The net worth can be categorized as follows:

Invested in Capital Assets	\$	317,840,351
Restricted Net Assets		32,685,519
Unrestricted Net Assets		<u>74,371,642</u>
Total Net Assets	\$	424,897,512

This firm is not required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year.

This firm satisfies the following self-guarantee test:

Marshall University's current rating for its most recent uninsured, uncollateralized and unencumbered bond issuance as issued by Fitch Ratings is AA-.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Jerome A. Gilbert, Ph.D.  
President  
October 12, 2017

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**Self-Guarantee Financial Test for Nonprofit Colleges and Universities  
that Issue Bonds (10 CFR Part 30, Appendix E)**

1. Current bond rating of most recent uninsured, uncollateralized, and unencumbered issuance of this institution

Rating A1

Name of rating service Moody's Investor Services

2. Date of issuance of bond November 15, 2011  
3. Date of maturity of bond May 1, 2041

Yes    No

4. Is the current rating specified on line 1 AAA, AA, or A (including adjustments of + and -), if issued by Standard & Poor's, or Aaa, Aa, or A (including adjustments of 1, 2, or 3), if issued by Moody's?

X

**A.9.6 Model Self-Guarantee Financial Test for Nonprofit Colleges and Universities that Issue Bonds (10 CFR Part 30, Appendix E)**

1. Current bond rating of most recent uninsured, uncollateralized, and unencumbered issuance of this institution

Rating: AA-

Name of rating service: Fitch Ratings

2. Date of issuance of bond: 2011

3. Date of maturity of bond: 2041

Yes    No

4. Is the current rating specified on line 1 AAA, AA, or A (including adjustments of + and -), if issued by Standard & Poor's, or Aaa, Aa, or A (including adjustments of 1, 2, or 3), if issued by Moody's?

X

## **FITCH AFFIRMS BOARD OF GOVERNORS OF MARSHALL UNIVERSITY, WV REVS AT 'AA-'; OUTLOOK STABLE**

Fitch Ratings-New York-08 September 2017: Fitch Ratings has affirmed the 'AA-' rating on the following Board of Governors of Marshall University (the university) revenue bonds:

- \$50.7 million university revenue bonds series 2011;
- \$28.8 million university refunding revenue bonds series 2010.

The Rating Outlook is Stable.

### **SECURITY**

The bonds are secured by a pledge of special revenues, consisting primarily of net auxiliary revenue from the university's housing, dining and parking facilities, combined with a portion of educational and general capital fees, various rental income, and athletic facility fees, as well as legally available funds. The legally available funds portion of the pledge is principally auxiliary system reserves held by the state treasurer.

### **KEY RATING DRIVERS**

**SOUND FINANCIAL OPERATIONS:** The university has maintained generally positive operating results and balance sheet strength consistent with the rating category, despite declining appropriations from the state of West Virginia (AA/Negative). A modest deficit in fiscal 2016 resulted from state revenue cuts and investment losses. Management projects fiscal 2017 operations to be positive.

**STABLE ENROLLMENT:** Stable enrollment remains a strength, with graduate growth balancing modest declines in undergraduate enrollment. Enrollment has remained essentially flat since fall 2012, despite challenging state demographics. A significant tuition increases in fiscal 2018 negatively affected undergraduate enrollment, but management expects higher net tuition revenue.

**MANAGEABLE DEBT:** The university's debt burden is low relative to public university peers. The university has limited future borrowing plans and a front-loaded fixed rate amortization schedule.

**STABLE AUXILIARY COVERAGE:** The 'AA-' rating reflects historically stable demand for auxiliary facilities for the state's second-largest public university. Pledged auxiliary revenues in fiscal 2016 provided approximately 1.7x maximum annual debt service (MADS) coverage, and 3.8x MADS coverage including legally available funds.

### **RATING SENSITIVITIES**

**STABLE DEBT SERVICE COVERAGE:** A significant weakening in pledged debt service coverage could result in negative rating pressure for Marshall University. The rating assumes that net auxiliary revenues will continue to cover debt service without using the legally available funds pledge.

**POSITIVE OVERALL UNIVERSITY OPERATIONS:** Fitch's rating and Outlook assume that overall university operating performance will continue to be positive on a full accrual basis, despite

cuts in state operating appropriations. Continued negative operating margins could result in rating pressure.

## CREDIT PROFILE

Marshall University is the second largest public university in West Virginia with a wide set of undergraduate, graduate, and professional academic programs. Its primary campus is located in Huntington, part of a metropolitan area on the state's western border adjacent to both Ohio and Kentucky. Fall 2016 and preliminary fall 2017 full time enrollment exceed 11,000, of which more than three quarters are undergraduates. Over three-quarters of students come from West Virginia.

## STABLE AUXILIARY COVERAGE

Pledged revenues are primarily auxiliary facility revenues (about 75%) generated from Marshall's housing, dining and parking enterprises. The largest component of the university's auxiliary facility is its housing system, which consists of 1,778 beds, with an occupancy rate of about 83% in fall 2017. The remaining pledged revenues are education and general capital fees (net of debt service on the university's proportion of state bonds); medical center rental income; a specified amount of athletic facility enhancement fee revenues (currently \$500,000 per year); and other legally available funds. Legally available funds are essentially enterprise system fund balances held by the state treasurer. Fitch understands that these balances may be periodically spent on auxiliary renewal and replacement projects.

Debt service coverage from pledged revenues (excluding legally available funds) was 1.7x in fiscal 2016, which remains significantly stronger than coverage levels in prior years that did not include additional security pledges associated with bonds issued during fiscal 2011 and fiscal 2012. When other legally available funds are included, the coverage calculation increases to a solid 3.8x in fiscal 2016.

## SOUND FINANCIAL OPERATIONS

The university historically maintains positive operating margins, but a combination of lower state appropriations and poor investment returns resulted in a -2.3% margin in fiscal 2016. It also benefits from a diverse revenue base, including net student fees and auxiliary revenues (43%), state operating appropriations (24%), and 39% grants and contracts (which includes scholarships). Management reports that fiscal 2017 GAAP-based results are expected to be positive, reflecting stronger investment performance and higher student revenues to offset state aid cuts.

West Virginia's substantial energy based economy, which can be cyclical, results in appropriation fluctuations for Marshall and other public universities. State operating appropriations declined substantially since the fiscal 2013 peak, and state budgets indicate declines will continue through at least fiscal 2018. Fitch expects the university to manage expenses effectively through these declines. A substantial 9% tuition increase for fiscal 2018 was approved to help balance appropriation cuts.

## STRONG BALANCE SHEET

Marshall's balance sheet is consistent with peer public institutions in the 'AA' category. Available funds (AF), defined as cash and investments less certain restricted net assets, was about \$133 million, equal to 47% of operating expenses and 121% of outstanding debt as of June 30, 2016.

## MANAGEABLE DEBT

Outstanding debt at June 30, 2017 was \$109 million, including the series 2011 and 2010 revenue bonds, capital leases, notes, and debt obligations to the State Higher Education Policy Commission. MADS debt service of about \$9 million resulted in a moderately low 3.4% debt burden relative to peers and adequate MADS coverage of about 1.5x. The university's debt is all fixed rate with a conservative declining debt service structure. The university reports no new debt plans at this time.

Excluded from the university's direct debt amount is about \$89 million of privatized housing bonds (Marshall Properties L.L.C.), which are variable-rate demand bonds swapped to fixed-rate. A portion of gross project revenues (about 50%) comes from mandatory student fees, as the project includes a three-story wellness and recreation center.

Fitch believes that this privatized housing and recreation center project has strong connectivity to the university, but because the project security is currently self-supporting, the related project debt is not included in Marshall's debt and leverage ratio calculations. If included, the AF ratio relative to debt would decline to 68% from 118% in fiscal 2016.

#### STABLE STUDENT DEMAND

Preliminary fall 2017 headcount enrollment dipped to about 12,300, down from 13,654 in fall 2016, and from historical levels of above 13,000 students since fall 2012. Preliminary fall 2017 headcount does not reflect approximately 1,100 late enrollment students that management expects within the next month, yielding projections closer to historical trends. FTE enrollment has also remained relatively stable at around 11,000, in part due to increased graduate enrollment related to computer science, engineering, physical therapy, and pharmacy, programs.

Despite some enrollment declines, undergraduate demand metrics remain solid in terms of freshman application growth, selectivity, and matriculation. Freshman selectivity is solid at 56% in fall 2017 (projected), consistent with prior years. The freshman matriculation rate weakened modestly in fall 2017, in part because the university increased tuition by 9%; however, Fitch does not view this as materially different from historical performance. Marshall's freshman-to-sophomore retention rate, which remains a focus of university management, was rather weak at 72% in fall 2017. Student academic quality has remained stable with performance remaining in line with national averages and modestly above the state.

#### Contact:

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#### Applicable Criteria

Rating Criteria for Public Sector Revenue-Supported Debt (pub. 05 Jun 2017)

<https://www.fitchratings.com/site/re/898969>

U.S. Public Finance College and University Rating Criteria (pub. 26 Apr 2017)

<https://www.fitchratings.com/site/re/897285>

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ACKNOWLEDGEMENT - RECEIPT OF CORRESPONDENCE

<b>Name and Address of Applicant and/or Licensee</b>  Marshall University ATTN: Jerome A. Gilbert, Ph.D., President BBSC 301J One John Marshall Drive Huntington, WV 25755-2505	<b>Date</b> October 25, 2017
	<b>License Number(s)</b> 47-05972-02
	<b>Mail Control Number(s)</b> 601468
	<b>Licensing and/or Technical Reviewer or Branch</b> Commercial, Industrial, R&D, & Academic Branch (Branch 2)

This is to acknowledge receipt of your:  Letter and/or  Application Dated: 10/16/2017

The initial processing, which included an administrative review, has been performed.  *Financial Assurance*  
 Amendment  Termination  New License  Renewal

There were no administrative omissions identified during our initial review.

This is to acknowledge receipt of your application for renewal of the material(s) license identified above. Your application is deemed timely filed, and accordingly, the license will not expire until final action has been taken by this office.

Your application for a new NRC license did not include your taxpayer identification number. Please complete and submit NRC Form 531, Request for Taxpayer Identification Number, located at the following link: <http://www.nrc.gov/reading-rm/doc-collections/forms/nrc531.pdf>  
Follow the instructions on the form for submission.

The following administrative omissions have been identified:

Your application has been assigned the above listed MAIL CONTROL NUMBER. When calling to inquire about this action, please refer to this control number. Your application has been forwarded to a technical reviewer. Please note that the technical review, which is normally completed within 180 days for a renewal application (90 days for all other requests), may identify additional omissions or require additional information. If you have any questions concerning the processing of your application, our contact information is listed below:

**Region I**  
**U. S. Nuclear Regulatory Commission**  
**Division of Nuclear Materials Safety**  
**2100 Renaissance Boulevard, Suite 100**  
**King of Prussia, PA 19406-2713**  
**(610) 337-5260, (610) 337-5313,**  
**(610) 337-5398, or (610) 337-5239**