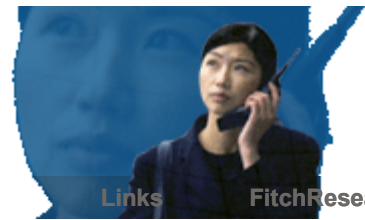




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Fitch Rts Colorado Public Radio `BBB+'; First Rtg for Pub Broadcaster

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Fitch-NY-January 4, 2002: Fitch assigns its `BBB+' rating to the Colorado Educational and Cultural Facilities Authority (CECFA) approximately \$6,500,000 revenue bonds, series 2002 (Colorado Public Radio (CPR)). The Rating Outlook is Stable. The bonds are expected to sell via negotiation with George K. Baum & Company on or about Jan. 15. The bonds will refinance \$4 million of outstanding CPR debt and reimburse CPR for station acquisition costs incurred while it developed a two-channel statewide radio network. The debt is secured by CPR's general obligation under a loan agreement with CECFA, a mortgage on facilities defined in bond documents, a security interest in proceeds of sale or transfers of CPR's broadcast licenses issued by the Federal Communications Commission (FCC), and a debt service reserve.

This is Fitch's first rating of a non-profit U.S. public broadcasting organization. The rating assignment concludes a review of public radio business and market trends in both Colorado and the nation over the past two decades.

CPR may be unique among participants in the investment- grade debt markets in terms of the large percentage of its revenues generated by purely philanthropic annual giving - specifically, membership contributions by listeners. While this revenue stream may seem vulnerable, actually it has proven to be durable for the Colorado network and for public radio stations in general over the past two decades. CPR and other stations now have broad expertise in both fundraising and research into the preferences of local audiences. This expertise also helps stations secure revenue from corporations and other private entities that seek exposure among public radio's educated, affluent, and growing audience base via on-air acknowledgements.

CPR benefits from the statewide reach of its two broadcast networks, which air information and classical music programming, respectively. In the Denver-Boulder metropolitan area, public radio has captured more than 7% of market share in the past, putting the proportion of radio listeners tuning to all such stations among the very highest of major metropolitan markets. In spring 2001, CPR's two Denver stations captured a 6.0% market share, up nearly 50% from the year before, representing nearly 300,000 listeners. CPR's listener contribution base now numbers approximately 25,000.

While CPR's expenses have grown as it has built the two- channel network in recent years, it has still achieved annual operating surpluses equal to at least 13.1% of revenues in each of the last five years, although contributions for capital projects helped expand the most recent year's margin. Of \$6.6 million in fiscal 2001 revenues, \$2.6 million (39% of revenues) was derived from listener contributions, and \$2.6 million (39% of revenues) was derived from corporate underwriting. Federal grants paid through the Corporation for Public Broadcasting (CPB) were under 7% of revenues. Debt service after this financing will consume under 10% of expenses, and coverage of maximum annual debt service (MADS) has ranged from 1.3x- 2.0x over the last five years. Budgeting and investments appear conservative. Cash and investments at the end of fiscal 2001 equaled 48% of annual operating expenses and 41% of pro forma debt; the loan agreement requires CPR to keep liquid assets at no less than 20% of outstanding debt principal and prohibits additional debt that would cause a rating downgrade. Continuation of CPR's programming expansion efforts should limit expenditure flexibility over the next few years due to increased personnel and other costs and the fact that audience and revenue growth tends to lag the addition of expanded programming by several years.

Fitch expects that public radio stations, including CPR, will continue to face little meaningful competition in providing uniquely detailed and in-depth news and information programming, which generates significant listener loyalty and growing annual giving by a small, but consistent, proportion of the growing audience base - 8% to 10% of listeners in CPR's case. The FCC's regulation of a limited part of the radio spectrum for noncommercial purposes, and the public radio industry's dominance on in- depth news, information, and classical music programming create high barriers of market entry for potential competitors. Federal grants to stations, paid through CPB, are now a small proportion of these stations' revenues and are distributed largely as matching funds that vary depending on how well the stations raise moneys from listeners and local businesses.

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