S&P Global
Ratings

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Florida International University Florida Board Of Governors; Public Coll/Univ - Unlimited Student Fees

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Table Of Contents

Credit Highlight

Outlook

Credit Opinion

Enterprise Profile

Financial Profile

Related Research

Florida International University
Florida Board Of Governors; Public Coll/Univ - Unlimited Student Fees

Credit Profile		
US$24.3 mil rev rfdg bnds ser 2023A dtd 04/04/2023 due 07/01/2043		
Long Term Rating	AA-/Stable	New
Florida Intl Univ Dormitory (BAM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Florida Board of Governors, Florida		
Florida Intl Univ, Florida		
Florida Brd of Governors (Florida Intl Univ) PCU_USF		
Long Term Rating	AA-/Stable	Affirmed
Florida Brd of Governors (Florida Intl Univ) PCU_USF		
Long Term Rating	AA-/Stable	Affirmed
Florida Brd of Governors (Florida Intl Univ) PCU_USF		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Florida Brd of Governors (Florida Intl Univ) PCU_USF		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Credit Highlight

- S&P Global Ratings assigned its 'AA-' long term rating to Florida Board of Governors' (BOG) $24.3 million series 2023A parking facility revenue refunding bonds, issued for Florida International University (FIU).
- S&P Global Ratings also affirmed its 'AA-' long term rating on FIU's parking facility debt outstanding.
- At the same time, we affirmed our 'A' long-term rating on BOG's dormitory bonds outstanding, issued for FIU.
- The outlook is stable.

Security

The parking facility bonds are secured by a pledge of parking facility revenues, which we view as equivalent to an unlimited student fee pledge.

The dormitory revenue bonds are secured by a pledge of net housing revenues. The 'A' long-term rating on FIU's dormitory revenue bonds is differentiated from the 'AA-' long-term rating on the university's parking facility bonds due to a pledge of housing system net revenue that we view as narrower than the pledge supporting the parking facility bonds and only adequate debt service coverage (DSC).

As of fiscal year-end 2021, total debt outstanding was $254.4 million, including parking facility revenue bonds, dormitory revenue bonds, and $25.4 million in component unit debt and $23.4 million in operating leases. As of unaudited fiscal 2022, total debt outstanding was $255.3 million, including parking facility bonds, dormitory revenue bonds, component unit debt, and lease obligations. Pro forma debt following the refunding is $252.4 million for unaudited fiscal 2022.

FIU's debt structure is conservative, in our opinion, and we consider the pro forma maximum annual debt service (MADS) burden to be low at approximately 1.5%.

Credit overview

We have assessed FIU's enterprise profile as very strong, reflecting the university's solid demand and selectivity and retention rates. We have assessed FIU's financial profile as very strong, with solid available resource ratios relative to the university's debt load, low MADS burden, and prudent fiscal management. When we combine the enterprise and financial profiles, this leads to an indicative stand-alone rating of 'aa-' and a final rating of 'AA-'.

The 'AA-' rating on the parking facility bonds, which we view as equivalent to an unlimited student fee pledge, reflects our assessment of:

- FIU's requirement of all on-campus students to pay a transportation access fee as a part of registration for classes, and a pledge of parking system revenue, which is a broad pledge that we consider to be equivalent to an unlimited student fee pledge;
- Stable enrollment at the university and the parking system's robust demand;
- FIU's history of surplus operations; and
- The university's solid available resources.

The 'A' rating on the dormitory revenue bonds reflects the university's credit strengths, as well as:

- A large housing system of 3,800 beds in fall 2022 following the recent completion of the 700-bed Tamiami Hall;
- The housing system's adequate DSC for the rating of 1.5x in unaudited fiscal 2022; and
- The current strong demand for on-campus housing, as illustrated by an average occupancy rate of 99% over the past five years, although occupancy fell in fall 2020 to 51% due to the academic delivery mode (primarily online and remote) as a result of the pandemic.

Our view of the following offsetting credit factors constrains the ratings:

- Continued capital pressures, and
- Tuition and fee restraints imposed by the state for all Florida public universities, which constrain a key revenue stream.

FIU is a public university composed of two campuses, offering about 200 degrees across undergraduate, graduate, and professional programs. FIU's main campus is the 342-acre Modesto A. Maidique (MMC) campus in western Miami-Dade County; there is also the 200-acre Biscayne Bay campus in northeast Miami-Dade County. Additionally, FIU has academic centers in downtown Miami, South Beach, and Miramar Florida.

Environmental, social, and governance

We analyzed the university's environmental, social, and governance credit factors pertaining to its market position, management and governance, and financial performance. Health and safety risks, which we consider a social risk factor, have largely abated and are neutral in our credit rating analysis. Given FIU's location in coastal Florida, the environmental risk is elevated, in our opinion, when compared with the sector given the potential for severe weather events and sea-level rise. FIU's governance risk is neutral in our credit rating analysis.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the university will continue to experience stable demand and enrollment trends and maintain available resource ratios. The outlook also reflects S&P Global Ratings' expectation that FIU's housing system will continue to experience high levels of demand and adequate DSC levels.

Downside scenario

Credit factors that could lead to a negative rating action on the university's unlimited student fee-equivalent debt during the outlook period include a trend of negative operating performance and a weakening of the university's available resources relative to the rating category, as well as declining enrollment.

Credit factors that could lead to a negative rating action on the university's housing system debt during the outlook period could include sustained significant decreases in DSC.

Upside scenario

We could take a positive rating action on the university's unlimited student fee-equivalent debt in the outlook period if demand remains stable or grows, operating performance strengthens on a full-accrual basis, and the university increases its available resources while meeting its future capital needs.

We could take a positive rating action on the university's housing system debt if the housing system achieves consistently stronger DSC while maintaining consistently robust occupancy levels.

Credit Opinion

Enterprise Profile

Market position and demand

Although enrollment is down for fall 2022 and fall 2021, we believe FIU continues to demonstrate solid demand and good student quality. Fall 2022 demand data is largely unavailable as of this report; however, we understand total headcount in fall 2022 declined by 1.8% to 55,582. As of fall 2021, total enrollment was 56,592, down 4.0% from the peak enrollment of 58,928 in fall 2020. About 90% of students are from Florida, and about 82% are undergraduates. Prior to fall 2021, enrollment had generally increased moderately on a year-over-year basis over the past several years, after very strong growth earlier in the decade. The number of transfer students is rebounding to levels of more than 5,000 following a dip in fall 2020, supported by strong articulation agreements across Florida higher education institutions. Graduate enrollment has increased over time and was up 3.7% in fall 2021, with enrollment at 9,675 full-time-equivalents (including professional students). Management is expecting stable overall enrollment through fall 2026. Selectivity was about 52% in fall 2021, and the graduation rate has improved to 67% from 54% in fall 2014.

Management and governance

The university's board of trustees is composed of 13 members: five appointed by the state BOG, six appointed by Florida's governor, and student and faculty representation by the university's faculty senate chair and student government president. In October 2022, Dr. Kenneth A. Jessell was named FIU's sixth president. Dr. Jessell had served as the interim president since January 2022 and prior to that was FIU's senior vice president for finance and administration and chief financial officer for 13 years. Dr. Elizabeth M. Bejar, who had been serving as the interim, was named to the position of provost, executive vice president, and chief operating officer. Dr. Bejar has been with FIU since 2003. In our view, FIU's financial management practices are prudent. We also regard the university's conservative debt issuance practices favorably given that almost all of FIU's debt is self-supporting in nature.

Financial Profile

Financial operations

We view favorably FIU's success in producing positive operating results on a full-accrual basis in the past five fiscal years (including unaudited fiscal 2022). Despite the challenges presented by the pandemic, FIU achieved an operating surplus in fiscal 2020 and fiscal 2021, which equated to $21.8 million, or a margin of 1.7%, as calculated by S&P Global Ratings. Fiscal 2021 positive results were based on a $15 million decrease in expenses compared with fiscal 2020 primarily due to travel restrictions tied to the pandemic and an $81.7 million increase in net nonoperating revenue compared with fiscal 2020 due to Higher Education Emergency Relief Fund grants, state noncapital appropriation increases, and higher investment returns related to very favorable market activity. Unaudited fiscal 2022 indicates a modest positive operating margin, and fiscal 2023 is budgeted for another surplus.

In our view, Florida has traditionally provided strong support for higher education. State operating appropriations have increased in the past six years. FIU received $343.0 million in state appropriations in fiscal 2021, a 6.1% increase from $323.3 million in fiscal 2020. Appropriations in unaudited fiscal 2022 increased to $346.5 million, or about 1.0% from fiscal 2021.

Overall, we consider university revenue to be relatively diverse; in unaudited fiscal 2022, 41.5% of total operating revenue came from student and auxiliary sources and 24.5% from state appropriations. We believe that the composition of the university's revenue stream will remain stable.

FIU parking system

The Office of Parking and Transportation, a subdivision of the Office of the Vice President for Operations & Safety and Chief of Staff, operates the FIU parking system. The parking system is a self-supporting auxiliary operation that does not receive state funding. The FIU parking system has more than 17,000 vehicle spaces on the university's campuses. A student transportation access fee and faculty and staff decal sales generate the majority of parking system revenue. All students are required to pay the parking and transportation access fee as a part of registration for classes, with the exception of distance-learning students. Furthermore, faculty and staff are required to have a parking decal to park on campus. Parking citation fines and visitor parking generate the remaining revenue.

The FIU housing system

The university operates seven residence halls located on the MMC, with a combined capacity of 3,831 beds as of fall 2022. In fall 2019, prior to the pandemic, approximately 9% of full-time students resided on campus. Management set a goal to increase that percentage, and to that end, it completed constructing Tamiami Hall, which opened in fall 2022. With the additional beds from this project, management estimates capacity for 11% of full-time students to live on campus. Occupancy has ranged from 98% to 100% since fall 2018, with the exception of fall 2020. With the move to offering classes primarily through remote and online learning in fall 2020, occupancy was only 51%. For fall 2021, occupancy increased closer to historical levels at approximately 96%. With the opening of Tamiami Hall, occupancy reached 98% in fall 2022.

Historically, the housing system has performed well financially, with consistent generation of pledged revenue. The housing system had net pledged revenue of $14.6 million for fiscal 2019 and $10.5 million for fiscal 2020. It provided DSC at a solid 2.0x in fiscal 2019 and an adequate 1.4x in fiscal 2020. Fiscal 2021 annual DSC was materially lower than previous years at 1.05x because of a decline in net revenues to $7.6 million; however, when including CARES Act and Coronavirus Response and Relief Supplemental Appropriations Act funding for lost revenues, which is not pledged revenue, DSC improved to over 2.5x in fiscal 2021. Since pledged revenue did generate at least 1x annual DSC, the housing system remained in compliance with bond covenants. Unaudited fiscal 2022 coverage is 1.54x.

Available resources

We believe FIU has a good balance sheet for the rating, with solid available resource ratios relative to its current debt load. In our opinion, FIU has a low MADS burden, at 1.6% in fiscal 2021, and a pro forma MADS burden of 1.5% relative to unaudited fiscal 2022. Adjusted unrestricted net assets (UNA), including debt service reserve funds, UNA of the foundation, and pension and other postemployment benefit [OPEB] liability adjustments, was approximately $534.6 million in fiscal 2021 and represented 41.8% of operations and 210.2% of debt. Cash and investments totaled $547.6 million in fiscal 2021, which equated to 43.0% of operations and 215.3% of debt. In unaudited fiscal 2022, adjusted UNA was $474.6 million, or 33.8% of operations and 188.0% of pro forma debt; cash and investments were $527.6 million, or 37.6% of operations and 209.0% of pro forma debt.

The university's endowment, held by the Florida International University Foundation Inc., was $276.4 million as of fiscal 2021, and $284.3 million as of fiscal 2022.

Debt and contingent liabilities

FIU offers retirement benefits to its employees through both defined-contribution and defined-benefit plans. The defined-benefit plans are offered through two state plans: the Florida Retirement System (FRS) and the Health Insurance Subsidy defined-benefit plan. The fiscal 2021 FRS three-year funded ratio was a solid 96%. Management reports FIU has been making required employer contributions to plans, and as per state statute, should FIU not be able to make the required contributions, the state is ultimately responsible. FIU offers other OPEBs, which it funds on a pay-as-you-go basis. Pension and OPEB costs to adjusted operating expense was modest and remains manageable, in our view.

Florida International University, Fla.--Enterprise And Financial Statistics

	--Fiscal year ended June 30--					--Medians reported for 'AA' rated public colleges and universities--
	2022	**2021**	**2020**	**2019**	**2018**	**2021**
Enrollment and demand						
Headcount	56,592	58,928	58,787	58,063	56,866	43,953
Full-time equivalent	48,668	50,370	49,653	48,433	47,076	37,225
Freshman acceptance rate (%)	52.0	48.4	45.1	43.6	51.1	70.6
Freshman matriculation rate (%)	34.4	33.3	31.6	35.0	38.1	28.0
Undergraduates as a % of total enrollment (%)	81.9	83.3	84.0	84.2	84.0	80.6
Freshman retention (%)	91.0	92.0	91.0	92.0	90.0	86.4
Graduation rates (six years) (%)	67.0	66.0	62.0	58.0	56.0	70.0
Income statement						
Adjusted operating revenue ($000s)	N.A.	1,295,934	1,287,490	1,253,851	1,167,269	MNR
Adjusted operating expense ($000s)	N.A.	1,274,147	1,276,606	1,224,027	1,153,407	MNR
Net adjusted operating income ($000s)	N.A.	21,787	10,884	29,824	13,862	MNR
Net adjusted operating margin (%)	N.A.	1.71	0.85	2.44	1.20	3.50
Estimated operating gain/loss before depreciation ($000s)	N.A.	68,145	57,469	78,619	62,199	MNR
Change in unrestricted net assets (UNA; $000s)	N.A.	41,949	(64,128)	492	(217,743)	MNR
State operating appropriations ($000s)	N.A.	343,011	323,327	322,360	294,596	MNR
State appropriations to revenue (%)	N.A.	26.5	25.1	25.7	25.2	16.5
Student dependence (%)	N.A.	42.5	44.3	45.6	47.2	36.3
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	11.2	10.3	10.1	9.7	12.9
Endowment and investment income dependence (%)	N.A.	0.8	0.7	0.7	0.7	1.2
Debt						
Outstanding debt ($000s)	N.A.	254,384	156,851	172,060	182,264	862,015
Proposed debt ($000s)	N.A.	24,300	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	251,466	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	1.13	1.23	1.21	1.24	MNR
Current MADS burden (%)	N.A.	1.61	1.19	1.04	1.24	3.40
Pro forma MADS burden (%)	N.A.	1.50	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value ($000s)	N.A.	276,410	218,684	216,382	209,237	1,204,034

Florida International University, Fla.--Enterprise And Financial Statistics (cont.)						
	--Fiscal year ended June 30--					--Medians reported for 'AA' rated public colleges and universities--
	2022	**2021**	**2020**	**2019**	**2018**	**2021**
Related foundation market value ($000s)	N.A.	201,514	195,147	187,875	181,034	826,239
Cash and investments ($000s)	N.A.	547,591	451,530	412,072	373,018	MNR
UNA ($000s)	N.A.	(148,578)	(190,527)	(126,399)	(126,891)	MNR
Adjusted UNA ($000s)	N.A.	532,100	362,744	349,077	317,441	MNR
Cash and investments to operations (%)	N.A.	43.0	35.4	33.7	32.3	59.6
Cash and investments to debt (%)	N.A.	215.3	287.9	239.5	204.7	185.2
Cash and investments to pro forma debt (%)	N.A.	217.8	N.A.	N.A.	N.A.	MNR
Adjusted UNA to operations (%)	N.A.	41.8	28.4	28.5	27.5	43.3
Adjusted UNA plus debt service reserve to debt (%)	N.A.	210.2	231.3	204.6	175.7	132.0
Adjusted UNA plus debt service reserve to pro forma debt (%)	N.A.	212.6	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	15.8	14.9	13.3	12.6	13.7
OPEB liability to total liabilities (%)	N.A.	28.2	37.6	30.3	32.9	MNR

MADS--Maximum annual debt service. 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 debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(MADS expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022