

Florida International University

State of Florida Board of Governors

New Issue Report

Ratings

New Issue

\$47,300,000 State of Florida Board of Governors, Florida International University Parking Facility Revenue Bonds, Series 2013A A+

Outstanding Debt

\$49,000,000 State of Florida Board of Governors, Florida International University Parking Facility Revenue Bonds A+

Rating Outlook

Stable

New Issue Details

Sale Information: \$47,300,000 State of Florida Board of Governors, Florida International University Parking Facility Revenue Bonds, Series 2013A, expected to price via competition in mid August 2013.

Security: Pledged net revenues derived from the operation of Florida International University (FIU) parking system (the system) and a student transportation access fee assessed to all FIU students. As additional security, the issues features debt service reserves funded with surety policies for outstanding debt.

Purpose: The bonds will refund the outstanding series 1999 and 2002 bonds in the approximate amount of \$16 million, fund the construction of a 2,000-space parking facility, and pay costs of issuance.

Final Maturity: July 1, 2043.

Key Rating Drivers

Universal Fee: The system is self-supporting and funded primarily by decal sales and a mandatory student transportation fee assessed to all students.

Consistent Financial Performance: The parking system consistently generates a positive operating margin and adequate coverage of system related debt-carrying charges.

Enrollment Supports Parking Demand: Stable and consistent enrollment growth results in sustained demand and full utilization of parking system facilities.

High Debt Burden: The parking system's high pro forma debt burden (48.3% of operating revenues) is not atypical of auxiliary systems. This high debt burden is offset by prudent planning by the university that includes increasing parking rates to ensure coverage of debt incurred.

FIU's Credit Strength: FIU's sound credit profile is generally characterized by positive operating performance fueled by a diversity of revenue streams, healthy balance sheet resources, and a fairly low debt burden.

Rating Sensitivities

Project Completion: FIU's ability to complete and utilize the new parking facility in a timely fashion will enable the system to realize additional revenue and strengthen debt service coverage (DSC) that is just adequate for the rating level.

Debt Issuance: The incurrence of significant additional debt without a plan to increase corresponding resources to service such debt would pressure the rating.

Related Research

[Fitch Rates Florida International University's Parking Revs 'A+'; Outlook Stable \(July 2013\)](#)

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Rating History

Rating	Action	Outlook/ Watch	Date
A+	Assigned	Stable	7/19/13
A+	Affirmed	Stable	9/29/11
A+	Revised	Stable	4/30/10
A+	Assigned	Stable	10/16/09

Credit Profile

System Operations Produce Adequate Debt Service Coverage

System margins have consistently been double digits, averaging over 23.0% for the past five fiscal years but declining as the system grows larger and expenses have risen. Fiscal 2012 operations generated an 11.7% margin. System revenues are primarily derived from a mandatory student transportation fee assessed to all FIU students.

Florida International University Parking System Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2008	2009	2010	2011	2012
Operating Revenue					
Parking Decal and Fees	7,178	7,875	8,678	9,507	10,024
Visitor Parking	344	351	297	339	373
Traffic Fines and other operating revenues	1,183	2,344	2,189	2,274	2,653
Interest Income	249	0	519	79	128
Other Revenue	—	—	346	642	642
Total Operating Revenues	8,954	10,570	12,029	12,840	13,821
Operating Expenses					
Salaries and Wages	1,318	2,020	2,336	2,531	2,928
Other Operating Expenses	1,893	3,133	2,815	3,686	4,253
Interest Expense	1,301	1,237	2,188	2,976	2,883
Depreciation and Amortization Expenses	1,121	1,669	1,166	1,833	2,143
Total Operating Expenses	5,633	8,059	8,506	11,027	12,207
Change in Unrestricted Net Assets from Operations	3,321	2,512	3,523	1,814	1,614
Non-Operating Activities					
Transfers and other	(790)	394	195	138	(1,119)
Change in Unrestricted Net Assets	2,531	2,906	3,718	1,951	494
Change in Unrestricted Net Assets from Operations	3,321	2,512	3,523	1,814	1,614
Plus: Depreciation	1,121	1,669	1,166	1,833	2,143
Plus: Interest Expense	1,301	1,237	2,188	2,976	2,883
Income Available for Debt Service	5,743	5,418	6,878	6,623	6,640
Annual Debt Service	3,010	3,017	4,395	5,573	5,575
MADS	6,677	6,677	6,677	6,677	6,677
MADS Year	2015	2015	2015	2015	2015
Statement of Financial Position					
Cash and Cash Equivalents	77	834	1,415	352	251
Investments	10,697	12,120	19,596	8,680	11,236
Total Cash and Investments	10,774	12,954	21,011	9,032	11,487
Less Restricted Cash (Debt Service Reserve Fund and Rest and Relaxation Fund)	18	50	5,648	2,898	2,845
Available Funds	10,756	12,904	15,363	6,135	8,641
Property and Equipment, Net	40,557	39,755	67,346	75,903	71,844
Unrestricted Net Assets	11,503	13,463	13,438	6,735	8,682
Restricted Expendable	18	50	5,648	2,898	2,845
Invested in Capital Assets Net of Related Debt	13,515	14,428	12,573	23,977	22,577
Total Net Assets/(Deficit)	25,035	27,941	31,659	33,610	34,104
Total Long-Term Debt	27,156	25,376	55,181	52,584	49,893
Net New Issue	—	—	—	—	33,500
Total Pro Forma Debt	—	—	—	—	83,393

Related Criteria

[U.S. College and University Rating Criteria \(May 2013\)](#)
[Revenue-Supported Rating Criteria \(June 2013\)](#)

Parking System — Financial Ratios

	2008	2009	2010	2011	2012
Revenue Diversity Ratios					
Parking Decals as % of Revenues	80.2	74.5	72.1	74.0	72.5
State Program Rev as % of Revenues	3.8	3.3	2.5	2.6	2.7
Operating and Leverage Ratios					
Operating Margin (%)	37.1	23.8	29.3	14.1	11.7
Historical Debt Service Coverage (x)	1.91	1.80	1.56	1.19	1.19
Historical Debt Burden	33.6	28.5	36.5	43.4	40.3
Pro Forma MADS Coverage (x)	0.86	0.81	1.03	0.99	0.99
Pro Forma MADS Debt Burden	74.6	63.2	55.5	52.0	48.3
Liquidity Ratios					
Available Funds as % of Operating Expenses	190.9	160.1	180.6	55.6	70.8
Available Funds as % of Total Debt	39.6	50.9	27.8	11.7	17.3
Available Funds as % of Pro Forma Debt	—	—	—	—	10.4
Available Funds to MADS (x)	1.6	1.9	2.3	0.9	1.3

The transportation access fee (fee) supports the system’s operations and is typically increased ahead of approved capital projects to generate revenues sufficient to support pro forma debt service. The fee has been increased regularly and precedes the finalization of debt issuance, as the university has tended to do proactively, in anticipation of servicing new debt.

As a result of the system’s positive operating performance, net system revenues available for debt service (economic coverage) calculated by Fitch Ratings, provides coverage, albeit considered weak compared to similar auxiliary systems. Pledged revenues, which exclude certain expenses and thereby increase funds available for DSC, totaled \$7.5 million in fiscal 2012, covering pro forma MADS of \$6.7 million by 1.12x. Fitch notes that pledged revenues expected for fiscal 2013 are estimated to be \$8.7 million, providing stronger (1.31x) MADS coverage.

Debt Service Coverage Florida International University Parking System

(\$000, Audited Fiscal Years Ended June 30)

	Actual					Projected				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	8,429	9,561	9,997	10,838	11,432	12,659	13,044	13,351	13,543	13,823
Operating Expenses ^a	2,078	2,695	2,798	3,112	3,933	4,939	4,476	4,609	4,994	5,157
Net Income	6,351	6,866	7,199	7,726	7,499	7,720	8,568	8,742	8,549	8,666
Interest Income	147	66	13	10	3	2	19	12	12	15
Net Pledged Revenues	6,498	6,932	7,211	7,736	7,502	7,722	8,587	8,755	8,562	8,681
Annual Debt Service (ADS)	3,010	3,017	4,395	5,573	5,575	5,580	6,588	6,597	6,593	6,576
MADS	5,584	5,584	5,584	5,584	5,584	5,584	6,697	6,597	6,597	6,597
ADS Coverage (x)	2.16	2.30	1.64	1.39	1.35	1.38	1.30	1.33	1.30	1.32
MADS Coverage (x)	1.16	1.24	1.29	1.39	1.34	1.38	1.30	1.33	1.30	1.32

^aDoes not include depreciation.

Enrollment Growth Increases Parking Demand

Enrollment growth at FIU has remained positively sloped, driving a large mixed commuter and resident student population demand for parking. FIU's headcount increased to 50,394 students in fall of 2012 from just above 44,000 students in fall of 2010. FIU's strategic plan maintains a goal of achieving total enrollment of 53,000 by fall of 2016 supported by affordable in-state student tuition and popular undergraduate and graduate business programs. These sound demand characteristics support positive financial performance of the parking system.

Demand Summary

(Fall Semester)

	2008	2009	2010	2011	2012
Headcount					
Total Undergraduate Enrollment	31,893	32,535	35,595	39,227	41,694
Total Graduate	7,253	7,920	8,415	8,739	8,700
Total Headcount Enrollment	39,146	40,455	44,010	47,966	50,394
Total Undergraduate/Total Headcount Enrollment	81.5%	80.4%	80.9%	81.8%	82.7%
Fall Full-Time Enrollment (FTE)					
Total FTE Undergraduate Enrollment	23,265	23,533	25,543	27,621	28,898
Total FTE Graduate Enrollment	4,843	5,479	5,922	6,470	6,705
Total FTE Enrollment	28,108	29,013	31,465	34,091	35,603
Admissions					
Freshman Applications	13,528	15,978	15,061	16,626	15,863
Freshman Admissions	4,482	5,591	5,949	6,545	6,418
Acceptance Rate (%)	33.1	35.0	39.5	39.4	40.5
Freshman Matriculants	2,113	2,013	2,338	2,607	2,636
Matriculation Rate (%)	47.1	36.0	42.0	42.0	42.0
Graduate Applications	8,923	11,987	13,619	14,722	14,991
Graduate Admissions	3,626	3,932	4,273	4,500	5,039
Acceptance Rate (%)	40.6	32.8	31.4	30.6	33.6
Graduate Matriculants	1,958	2,210	2,382	2,609	2,784
Matriculation Rate (%)	54.0	56.2	55.7	58.0	55.2
In-State Student	90.7	90.5	90.8	91.1	91.1
Out-of-State Student	9.3	9.5	9.2	8.9	8.9
Annual Undergraduate Cost of Attendance per Semester(\$)					
Tuition	3,686	4,261	4,743	5,327	6,050
Room and Board	11,120	11,946	11,440	11,330	11,330
Other	321	321	361	361	377
Total	15,127	16,528	16,544	17,018	17,757

N.A. – Not available.

Debt and Balance Sheet Resources

As is typical of auxiliary enterprises, the parking system has limited liquidity. Available funds, defined as cash and investments not permanently restricted, totaled \$8.7 million in fiscal 2012 and comprised 70.8% of operating expenses and 14.1% of pro forma system debt. The debt burden is quite high at 40.3% of fiscal 2012 operating revenues. The debt burden will be further pressured by the bond issuance adding up to approximately \$33.5 million in parking debt equating to pro forma MADS (\$6.7 million) that constitutes a high 48.3% of operating revenue.

Economic pro forma MADS coverage, calculated by Fitch is just sufficient at 1.0x while pledged revenue of the system that excludes certain expense items provides 1.31x coverage. Fitch

positively notes FIU's practice of raising rates for parking and increasing the transportation access fee in anticipation of new debt issuance, which strengthens coverage levels. Given FIU's continuing growth, the universal nature of the fee and strong demand for parking, Fitch expects that any additional borrowing will be accompanied by a commensurate growth in resources sufficient for the increase in debt service.

Florida International University

FIU, with over 50,000 students, is one of 12 institutions of higher education in the State University System of Florida (rated 'AA' with a Stable Rating Outlook). FIU is the largest university in South Florida, operating out of two main campuses in southwest and northeast Miami-Dade County, with additional satellite campuses located in Broward County and downtown Miami.

FIU's annual operating margins, typically positive, declined in fiscal 2012 to negative 1.2%, primarily as a result of increased employee benefit and compensation expenses as well as declining state support. State funding levels are expected to stabilize for state institutions for fiscal 2014 and FIU's ability to curb expenses and leverage growing enrollment will enable a possible return to breakeven margins. Liquidity, defined as available funds (unrestricted cash and investments) equaled \$318 million in fiscal 2012, increasing from \$275 million in fiscal 2011. FIU's component debt, comprised of both FIU's housing and parking systems, also grew; total debt outstanding for the university inclusive of capital and non-cancellable operating leases and notes, post issuance is expected to be \$301 million. Available funds comprised 42.7% of operating expenses and 100.1% of pro forma long-term debt. FIU's credit profile, as detailed above, is sound and supportive of its auxiliary enterprises including the parking system.

Florida International University — Financial Summary

(\$'000, Audited Fiscal Year Ended June 30)

	2008	2009	2010	2011	2012
Unrestricted Operating Revenues					
Gross Tuition and Fees	165,013	180,724	214,551	253,780	287,781
Less: Student Aid	47,406	51,968	65,826	86,468	89,722
Net Tuition and Fees	117,607	128,756	148,725	167,312	198,058
Sales and Services of Auxiliary Enterprises	81,239	88,511	97,120	109,162	117,185
Federal Grants and Contracts	118,329	124,740	146,611	178,913	183,834
State/Local Grants and Contracts	10,028	7,197	24,298	26,422	7,084
Other Grants and Contracts	9,227	7,136	9,257	9,488	9,776
State Appropriations	239,179	227,082	203,133	214,081	195,098
Dividend and Interest Income	8,622	5,608	24,267	23,871	8,981
Other	11,090	14,116	10,789	9,875	15,219
Total Unrestricted Operating Revenues	599,349	603,505	664,638	739,288	735,515
Unrestricted Operating Expenses					
Instruction	128,828	154,475	175,673	195,113	229,017
Academic Support	75,585	80,975	85,622	93,745	79,193
Institutional Support	60,699	64,838	56,517	72,763	46,690
Student Services	21,146	22,381	21,529	29,505	49,795
Public Service	6,091	7,796	6,940	5,715	8,860
Research	68,052	74,208	56,888	49,495	77,925
Auxiliary Enterprises	101,542	78,537	78,443	65,996	52,299
Student Aid	29,880	34,112	69,099	85,233	89,194

Note: Numbers may not add due to rounding.

Florida International University — Financial Summary (continued)

(\$000, Audited Fiscal Year Ended June 30)

	2008	2009	2010	2011	2012
Unrestricted Operating Expenses (continued)					
Operation and Maintenance of Plant	36,058	36,385	37,751	59,299	66,423
Depreciation	35,760	36,088	36,681	38,771	38,658
Interest Expense	6,194	6,030	5,762	6,316	6,112
Other	90	32	3	21	13
Total Unrestricted Operating Expenses	569,925	595,857	630,906	701,972	744,179
Change in Unrestricted Net Assets from Operations	29,424	7,648	33,733	37,317	(8,664)
Unrestricted Non-Operating Revenues/(Expenses)					
Realized and Unrealized Gain/(Loss) on Investments	(2,388)	(13,247)	0	0	0
Capital Appropriations	21,216	44,618	45,840	31,842	34,320
Capital Grants and Gifts	5,604	7,815	2,917	1,176	4,666
Other Non-Operating Revenue	162	1,395	968	1,241	9,454
Other Non-Operating Expenses	(1,474)	(3,497)	(275)	(1,210)	(28,671)
Total Unrestricted Non-Operating Revenues (Expenses)	23,120	37,084	49,450	33,049	19,769
Change in Unrestricted Net Assets	52,544	44,732	83,183	70,365	11,105
Change in Unrestricted Net Assets from Operations:	29,424	7,648	33,733	37,317	(8,664)
Add Back: Depreciation, Amortization, and Other Noncash Items	35,760	36,088	36,681	38,771	38,658
Add Back: Interest Expense	6,194	6,030	5,762	6,316	6,112
Net Income Available for Debt Service	71,378	49,766	76,176	82,404	36,106
Annual Debt Service	14,292	13,851	12,725	13,599	12,377
Pro Forma MADS	31,700	31,700	31,700	31,700	31,700
MADS Fiscal Year	2,015	2,015	2015	2015	2015
Assets					
Cash and Cash Equivalents	263	16,649	8,001	10,035	3,183
Investments	220,586	189,443	262,841	280,303	342,962
Total Cash and Investments	220,849	206,092	270,841	290,338	346,144
% Total Investments Classified as Alternative Assets Per Audit	10.7	10.9	7.9	11.0	9.0
Net Property Plant & Equipment	606,229	656,958	720,182	757,019	751,424
Liabilities					
Total Bonds Payable	109,739	104,502	130,671	124,243	165,831
Notes Payable	14,295	11,805	9,775	9,075	12,030
Capital Leases	3,775	2,554	1,440	825	296
Noncancellable Operating Leases	17,640	16,380	15,120	28,322	74,659
Other	35,000	35,000	34,186	33,613	33,021
Total Other Obligations	70,710	65,739	60,521	71,835	120,006
Total Long-Term Debt	180,449	170,241	191,192	196,077	285,837
Total Pro Forma Debt	180,449	170,241	191,192	196,077	317,837
Net Assets					
Unrestricted Net Assets	140,867	145,647	178,538	198,141	182,762
Invested In Capital	476,111	534,581	588,153	633,220	633,863
Restricted – Nonexpendable (or Certain Expendable or Other Restricted)	12,671	1,062	21,214	14,347	28,143
Restricted – Expendable (Except that Reported above)	27,052	20,142	18,306	33,472	42,913
Total Net Assets	656,701	701,432	806,211	879,179	887,681
Available Funds	208,178	205,030	249,628	275,991	318,001

Note: Numbers may not add due to rounding.

Florida International University — Financial Ratios

	2008	2009	2010	2011	2012
Revenue Diversity (% Total Unrestricted Operating Revenues including Interest and Dividend Income)					
Tuition	19.6	21.3	22.4	22.6	26.9
Student Fees (Tuition and Auxiliary Revenues)	33.2	36.0	37.0	37.4	42.9
Federal Grants and Contracts	19.7	20.7	22.1	24.2	25.0
State/Local Grants and Contracts	1.7	1.2	3.7	3.6	1.0
Other Grants and Contracts	1.5	1.2	1.4	1.3	1.3
Total Grants and Contracts	23.0	23.0	27.1	29.1	27.3
State Appropriations	39.9	37.6	30.6	29.0	26.5
Interest and Dividend Income	1.4	0.9	3.7	3.2	1.2
Financial Aid Ratios					
Tuition Discounting (%)	28.7	28.8	30.7	34.1	31.2
Net Tuition and Fees	117,607	128,756	148,725	167,312	198,058
Change in Net Tuition and Fees (%)	0.5	9.5	15.5	12.5	18.4
Operating Performance Ratios (%)					
Operating Margin	4.9	1.3	5.1	5.0	(1.2)
Liquidity Ratios (%)					
Available Funds/Total Unrestricted Operating Expenses	36.5	34.4	39.6	39.3	42.7
Available Funds/Total Long-Term Debt	115.4	120.4	130.6	140.8	111.3
Available Funds/Total Pro Forma Long-Term Debt	115.4	120.4	130.6	140.8	100.1
Available Funds/MADS (x)	6.6	6.5	7.9	8.7	10.0
Leverage Ratios					
Historical Debt Service Coverage (x)	5.0	3.6	6.0	6.1	2.9
Historical Debt Burden (%)	2.4	2.3	1.9	1.8	1.7
Pro Forma MADS Coverage (x)	2.3	1.6	2.4	2.6	1.1
Pro Forma MADS Burden (%)	5.3	5.3	4.8	4.3	4.3
Pro Forma AADS Coverage (x)	7.8	5.4	8.3	9.0	3.9
Pro Forma AADS Burden (%)	1.5	1.5	1.4	1.2	1.2

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