



Fitch Assigns Florida International University Housing Revs 'A+'; Outlook Stable

Ratings Endorsement Policy
28 Oct 2011 12:43 PM (EDT)

Fitch Ratings-New York-28 October 2011: Fitch Ratings assigns an 'A+' rating on approximately \$22.9 million of dormitory revenue refunding bonds 2011A to be issued by the State of Florida Board of Governors on behalf of Florida International University (FIU). These bonds are expected to price via competitive sale in early November. Proceeds will be used to refund FIU's existing series 1998 and 2000 dormitory revenue bonds and pay costs of issuance.

The Rating Outlook is Stable.

SECURITY:

Dormitory revenue bonds are secured by and payable from pledged net revenues derived from the operations of FIU's housing system (system).

KEY RATING DRIVERS:

Strong Operating Performance: The housing system's 'A+' rating reflects strong operating performance driven by strong occupancy of campus housing beds which provides over 1.4 times (x) coverage of dormitory revenue bond debt service (DS).

Enrollment Growth Drives Housing Demand: Demand from FIU's growing student population continues to exceed the supply of on-campus beds resulting in a wait list of approximately 600 students for fall of 2011.

High Debt Burden: The housing system's already high (27%) debt burden is expected to increase as FIU issues additional debt to meet growing demand for on campus student housing. A high debt burden is not unusual for self supporting auxiliary systems.

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

CREDIT PROFILE:

FIU housing system's operations are self supporting and have produced double digit margins for the past four consecutive years. Rental rates are competitive to off campus housing options and are reviewed by the University's Office of Finance and Administration. Rental rates and meal plan costs are increased regularly and collection rates are consistently above 99%. Net pledged revenues are derived primarily from rental income and totaled \$10.6 million in fiscal 2010 and estimated \$11.9 million for fiscal 2011. Coverage of DS from net revenues is nearly 1.5x and 1.7x for fiscal 2010 and 2011, respectively.

Strong enrollment trends drive high occupancy levels for the housing system. FIU expects to grow its headcount of about 45,000 students to 60,000 in 10 years. Occupancy levels for the system averaged 95% for the past decade; demand for beds estimated by fall applications was in excess of capacity by over 20%. FIU turned away 600 applications for fall student housing and maintains a wait list of 300 students that it uses to backfill vacancies on an ad hoc basis.

The housing system's balance sheet resources are modest but growing. Available funds defined as cash and investments not restricted increased to \$14.1 million in fiscal 2010, up from \$10.5 million in fiscal 2009. These funds comprise 73% of operating expenses and 19.7% of pro forma long-term debt. However, the system still carries a relatively high debt burden of 27%, which is typical for auxiliary housing systems. Long-term debt outstanding for the system totals \$71.3 million and will be reduced to \$71 million post the refunding issuance.

An expansion of housing facilities is necessary to meet student demand. Accordingly, FIU plans to construct a 620 bed unit with approximately \$48 million in new debt to be issued in spring 2012. While the debt load for the system will increase as a result of future issuance, FIU is expected to successfully integrate the new project into the system and raise resources sufficient to repay debt.

FIU's housing system consists of 2,999 beds in six on-campus facilities that cater to a rapidly growing student body. FIU has five housing complexes on the Modesto Maidique Campus (MMC) and one, its oldest student housing facility, on the Biscayne Bay Campus (BBC). FIU is one of 11 public universities in the State University System of Florida (revenue bonds rated 'AA' with a Stable Outlook by Fitch). FIU has generated positive margins for five consecutive years during which full time equivalents (FTE) increased from 24,637 to 32,492 and liquid resources (based on un-audited fiscal 2011 figures) grew to cover 41% of operating expenses and 176% of outstanding long-term debt.

Contact:

Primary Analyst
James George
Director
Fitch, Inc.
+1-212-908-0652
One State Street Plaza
New York, NY 10004

Secondary Analyst
Joanne Ferrigan
Director
+1-212-908-0723

Committee Chairperson
Douglas J. Kilcommons
Senior Director and Sector Head
+1-212-908-0740

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

--'U.S. College and University Rating Criteria' (July 14, 2011);
--'Revenue-Supported Rating Criteria' (June 20, 2011).

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Applicable Criteria and Related Research:

U.S. College and University Rating Criteria
Revenue-Supported Rating Criteria

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.