

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: MOODY'S ASSIGNS Aa3 RATING TO FLORIDA INTERNATIONAL UNIVERSITY'S \$23 MILLION SERIES 2011A DORMITORY REVENUE REFUNDING BONDS AND AFFIRMS Aa3 RATING ON PARKING REVENUE BONDS; OUTLOOK IS STABLE**

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Global Credit Research - 31 Oct 2011

#### **THE UNIVERSITY HAS APPROXIMATELY \$123 MILLION OF RATED DEBT OUTSTANDING INCLUDING THE CURRENT OFFERING**

New York, October 31, 2011 --

#### Moody's Rating

Issue: Dormitory Revenue Refunding Bonds, Series 2011A; Rating: Aa3; Sale Amount: \$22,875,000; Expected Sale Date: 11/07/2011; Rating Description: Public Higher Education Revenue

#### Opinion

Moody's Investors Service has assigned a Aa3 rating to Florida International University's ("FIU") \$22.9 million of fixed-rated Series 2011A Dormitory Revenue Refunding Bonds and has affirmed the University's Aa3 rating on the parking revenue bonds. Please refer to the RATED DEBT section of this report for a detail of the rated debt outstanding. The rating outlook is stable.

#### SUMMARY RATING RATIONALE

The Aa3 rating reflects FIU's healthy market position, which contributes to strong demand for the auxiliary systems, as well as favorable operating performance, growing expendable financial resources, and relatively low leverage to a large operating base. Offsetting factors include significant dependence on the state, which has historically provided both operating and capital support that is not expected to continue due to state funding pressures. The Aa3 rating also reflects security pledges of specific revenue streams for the University's dormitory and parking auxiliary systems, which also have adequate debt service coverage from the pledged revenues, as well as solid reserves, rather than a broader general obligation pledge of the University's revenues.

#### STRENGTHS

Strong student demand and healthy market position for this large, comprehensive, public university with multiple campuses enrolling 33,155 FTE students in fall 2011 across campuses in and around Miami, Florida. FIU aims to grow its graduate student population, while keeping undergraduate enrollment relatively stable.

Notable growth in financial reserves with expendable financial resources of \$221 million, providing an adequate cushion to pro-forma debt at 0.9 times and for operations at 0.4 times in FY 2010 with healthy growth based on unaudited FY 2011 financials.

Healthy operating performance with a three-year average operating margin of 4.0% and pledged revenues providing adequate debt service coverage and strong performance at the auxiliary facilities, securing the debt.

#### CHALLENGES

Heavy reliance on state funding with appropriations comprising 37% of Moody's adjusted operating revenue, in addition to healthy levels of capital support which is not expected to reach prior levels, which leaves the University vulnerable to state funding cuts.

Additional borrowing plans for another dormitory and parking garage scheduled for calendar year 2012 with the University expecting to issue approximately \$81 million.

#### Outlook

The stable outlook is based on Moody's expectations that the University will maintain positive operating performance, continue to grow financial resources, and maintain manageable debt plans. The stable outlook also reflects the University's strong market position, growth of net tuition revenue, and that pledged net revenues will provide adequate debt service coverage.

#### WHAT COULD MAKE THE RATING GO UP

Significant growth of financial resources that provides a healthier cushion to debt; diversification of revenue sources and enhanced fundraising; substantial increase in operating revenue coupled with improved credit profile of the state

#### WHAT COULD MAKE THE RATING GO DOWN

Significant additional borrowing absent growth of financial resources and pledged net revenues; downgrade of State's credit rating or further significant reductions in state support that adversely impacts University operations; deterioration of market position

#### PRINCIPAL RATING METHODOLOGY

The principal methodology used in this rating was U.S. Not-for-Profit Private and Public Higher Education published in August 2011. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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