

## CREDIT OPINION

6 March 2023



### Contacts

Susan E Shaffer +1.212.553.4132  
 VP-Sr Credit Officer  
 susan.shaffer@moodys.com

Dennis M. Gephardt +1.212.553.7209  
 VP-Sr Credit Officer  
 dennis.gephardt@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653  
 Asia Pacific 852-3551-3077  
 Japan 81-3-5408-4100  
 EMEA 44-20-7772-5454

# Florida International University, FL

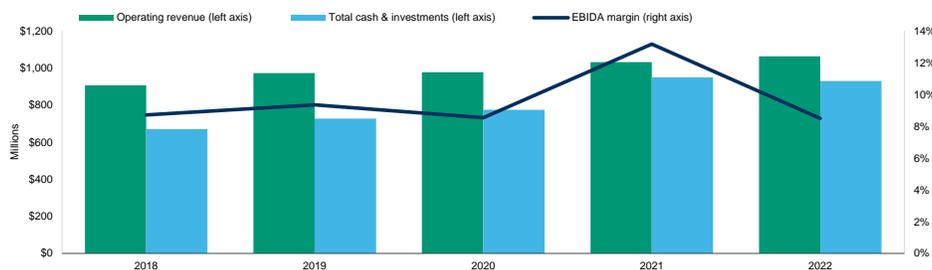
## Update to credit analysis

### Summary

[Florida International University](#) (Aa2 stable issuer rating) will continue to demonstrate sound student demand as a large comprehensive public university, enhanced by its designation as an Hispanic-serving institution and the favorable demographics of its location in greater [Miami](#) (Aa2 stable). Credit quality is further supported by healthy financial reserves and manageable financial leverage, with sound pledged revenue coverage of debt service. Challenges include relatively thin operating margins, impacted by the [State of Florida's](#) (Aaa stable) cap on student charges and a high reliance on potentially volatile state funding. While total revenue and cash and investment growth trends should remain favorable, financial reserves are somewhat weaker than peers relative to FIU's large operating scale.

Exhibit 1

### Large and growing scale and financial reserves support credit quality and provide some offset to thin margins



Unaudited fiscal 2022 data

Source: Moody's Investors Service

### Credit strengths

- » Large, growing comprehensive university in demographically strong [Miami-Dade County](#) (Aa2 stable)
- » Manageable debt, with total adjusted debt to EBIDA of 2.8x and debt to revenue of 0.2x, well below the peer median of 4x and 0.7x
- » Historically strong support from the State of Florida
- » Healthy performance of dormitory and parking facilities, with 1.5x and 1.5x debt service coverage, respectively, for fiscal 2022 (preliminary)

## Credit challenges

- » State tuition control limits pricing flexibility and pressures revenue growth, contributing to thin operating margins
- » Relatively high reliance on potentially volatile state funding
- » Modest financial reserves relative to large operating scale, with total cash and investment coverage of operating expense of 0.9x relative to a peer median of 1.3x
- » Legal security on revenue bonds based on limited revenue pledges

## Rating outlook

The stable outlook reflects expectations that operations will remain generally balanced and that auxiliary systems will remain profitable with adequate debt service coverage from pledged revenues. The outlook is also predicated on sound student demand and FIU's ability to adjust expenses and other revenues to potential fluctuations in state operating support, with limited use of reserves.

## Factors that could lead to an upgrade

- » Material growth in financial reserves
- » Increased liquidity and strengthened operating performance

## Factors that could lead to a downgrade

- » Sustained weakening of debt service coverage from pledged revenues
- » Decline in unrestricted liquidity
- » Material weakening of operating performance

## Key indicators

Exhibit 2

FLORIDA INTERNATIONAL UNIVERSITY, FL

	2018	2019	2020	2021	2022	Median: Aa Rated Public Universities
Total FTE Enrollment	40,659	41,089	41,190	39,785	39,308	32,387
Operating Revenue (\$000)	906,202	972,900	977,166	1,031,841	1,062,633	1,374,020
Annual Change in Operating Revenue (%)	5.4	7.4	0.4	5.6	3.0	1.5
Total Cash & Investments (\$000)	670,193	726,603	774,245	948,968	930,041	1,970,591
Total Debt (\$000)	184,450	173,948	161,268	230,753	255,328	733,584
Total Cash & Investments to Total Adjusted Debt (x)	0.7	0.7	0.7	0.8	0.7	1.0
Total Cash & Investments to Operating Expenses (x)	0.8	0.8	0.8	1.0	0.9	1.3
Monthly Days Cash on Hand (x)	136	143	158	174	157	203
EBIDA Margin (%)	8.7	9.3	8.5	13.2	8.5	13.1
Total Debt to EBIDA (x)	2.3	1.9	1.9	1.7	2.8	3.9
Annual Debt Service Coverage (x)	5.4	6.3	5.4	10.1	5.9	3.7

Unaudited fiscal 2022 data

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

## Profile

Florida International University is a comprehensive public research university, designated as an Hispanic-serving institution, located in Greater Miami, Florida. FIU's main campus is located in west Miami-Dade County (Aa2 stable), with additional locations throughout the area. The university enrolled almost 40,000 full-time equivalent students in fall 2022 and generated operating revenue of almost \$1.1 billion in fiscal 2022 (unaudited).

## Detailed credit considerations

### Market position: large and growing comprehensive university benefiting from favorable demographics and appealing location

Student demand will remain strong, benefitting from FIU's favorable pricing and reputation as a comprehensive research university and from the Miami area's growing population. The university serves a large student population with generally steady enrollment as it focuses on student quality and success along with growth of its research enterprise.

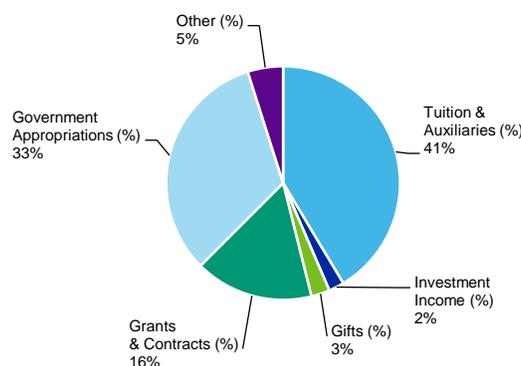
To manage growth of the student population, the university has created a variety of pathways to admission. Freshmen fall enrollment will continue to show improved student quality though it will shrink slightly, and more students will enroll through summer entry. Freshmen to sophomore retention is strong, at over 90%. Furthermore, four- and six-year graduation rates have made meaningful strides from 2018 to 2021, jumping to 59% from 38% and to 67% from 58%, respectively. FIU also has healthy transfer student population, more than double freshmen enrollment.

### Operating performance: thin margins with heavy reliance on state funding and constrained tuition pricing

Operating performance will remain generally breakeven, though operating margins are thin relative to peers. Despite growing enrollment, state caps on tuition and auxiliary charges limit pricing flexibility and pressure revenue growth, contributing to FIU's thin operating margins. FIU is vulnerable to fluctuations in state operating support, which has been a key driver of revenue growth in recent years, particularly through performance-based funding. State support grew a strong 18% from fiscal 2018 to 2022. Measured growth in revenue diversity also benefits from expansion of the university's research profile. Research expense grew by over one-third over the same period.

Exhibit 3

### Favorable revenue source diversity, though high reliance on potentially volatile state support



Unaudited fiscal 2022 data

Source: Moody's Investors Service

### Wealth and liquidity: growing reserves though thin relative to expense base

Financial reserves will continue to grow, benefitting from strengthened fundraising and investment returns. Total cash and investments of \$930 million (fiscal 2022 unaudited) have grown almost 40% over the past five years. Total cash and investments provide a strengthening though thin cushion to the university's large expense base, at 0.9x compared to a peer median of 1.3x. Support organizations comprise \$404 million of campus-wide wealth including donor-restricted funds.

**Liquidity**

Liquidity is adequate relative to other public universities, with estimated fiscal 2022 monthly liquidity providing 157 days cash on hand, generally in line with peers. The university itself does not have significant unexpected demands on liquidity, given an all fixed rate, conservative debt structure. The Athletics Finance Corporation has \$23 million in bank debt, of which approximately \$16 million is variable rate that is synthetically fixed with a swap.

**Leverage: moderate financial leverage**

Leverage will remain moderate, with \$255 million of direct debt, including debt of a direct support organization. Debt to EBIDA is stronger than peers, at 2.8x (unaudited fiscal 2022) compared to a median of 2.9x. However, total adjusted debt, which includes a [P3 student housing project](#) and Moody's three-year adjusted net pension liability, is materially higher, at \$1.3 billion. Financial reserve coverage of debt is somewhat thin, with total cash and investments covering total adjusted debt by 0.7x compared to a peer median of 1x.

Favorably, most debt-funded projects are for housing or parking and are revenue generating, with solid debt service coverage from related revenue. Housing occupancy is near 100% even with the opening of a new residence hall in fall 2022.

**Legal security**

Parking system bonds are secured by and payable from the pledged revenues of the Parking System, which are the net revenues of the Parking System, including mandatory student parking and transportation access fees, a flat fee assessed to all students at the Modesto Maidique, Biscayne Bay, and Engineering Center campuses. For fiscal 2022, debt service (and MADS) coverage (unaudited) from pledged revenues was 1.5x, slightly improved from pre-pandemic coverage. Coverage is expected to increase to over 2.2x in fiscal 2023 and thereafter due to declining debt service on existing debt and savings from the planned refunding. No rate increases are planned at this time. Other security features include an additional bonds test and a sum sufficient rate maintenance covenant..

Dormitory facility revenue bonds are secured by and payable from pledged of the Housing System, which includes all fees, rentals or other charges and income from the Housing System facilities, net of Current and Administrative Expenses. For fiscal 2022, pledged revenues provided debt service coverage of 1.5x. Fiscal 2023 coverage is expected to be 1.6x. Other security features include an additional bonds test and a sum sufficient rate maintenance covenant.

**Debt structure**

The university's bonded debt is fixed rate and amortizing, but it has exposure to variable rate debt through the FIU Athletics Finance Corporation. Variable rate debt comprises less than 10% FIU's total direct debt.

**Debt-related derivatives**

The FIU Athletics Finance Corporation has entered into a swap agreement to hedge interest rate risks related to variable rate debt. The agreement does not have collateral posting requirement or a rating trigger.

**Pensions and OPEB**

Pension and OPEB costs, including costs for both defined benefit (DB) and defined contribution (DC) plans, are typically somewhat elevated, comprising 5% of annual expenses. Most university employees participate in the Florida Retirement System (FRS), consisting of two multi-employer, DB cost-sharing plans. The State University System also provides a DC plan for eligible university instructors and administrators. The three-year average Moody's adjusted net pension liability (ANPL) for the university is \$985 million for fiscal 2022 (unaudited).

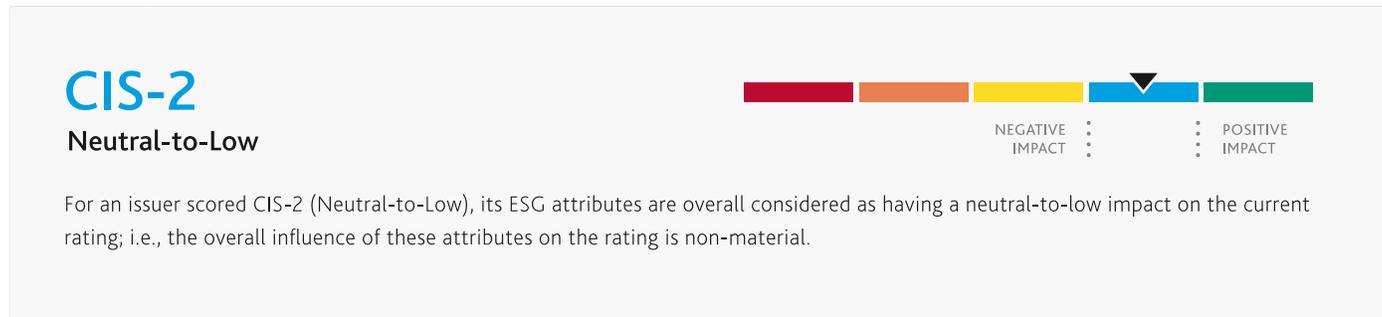
Like most other public entities, OPEB is paid on a pay-as-you-go basis. FIU's OPEB liability is large, at \$358 million in fiscal 2022 (unaudited).

## ESG considerations

### Florida International University, FL's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 4

#### ESG Credit Impact Score



Source: Moody's Investors Service

Florida International University's (FIU) neutral-to-low (**CIS-2**) credit impact score reflects ESG attributes that have limited impact on the current rating. This incorporates moderately negative exposure to environmental and governance risks, partially mitigated by strong financial reserves, favorable student demand and its important role in serving the Miami area.

Exhibit 5

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

Environmental risks are moderately negative (**E-3**). With higher than typical exposure to hurricanes and extreme rainfall, physical climate risks are moderately negative. FIU partially mitigates these risks through thorough preparation and emergency preparedness plans. Furthermore, FIU's research and educational profile capitalizes on its unique geographic location. Areas of expertise include the Extreme Events Institute, the Institute for Resilient and Sustainable Coastal Infrastructure, and the Institute of Environment as well as a new program in Environmental Finance and Risk Management. A proposed Program of Distinction in Environmental Resilience will further support FIU's work to enhance local, regional, and national resilience to environmental change, including preparing the workforce needed to address these challenges.

### Social

Social risks are moderately negative (**S-3**) with strong regional growth and designation as an Hispanic Serving Institution mitigating limited student revenue raising ability and revenue diversity. Gains in the expected number of high school graduates and young adults in the Miami area support favorable demographic prospects. Excellent state funding underscores the importance of the relationship with the state. Favorably, low tuition pricing contributes to the university's value proposition, with notable strengthening in student outcomes in recent years. The university's strong and growing sponsored research enterprise supports its customer relations acumen with federal agencies and other key grantors. Substantial state control of tuition and fee pricing, fringe benefit programs, faculty tenure exposure and demand for specialized labor introduce human capital risks. Customer relations elements with the state as customer include performance funding and legislative power to set tuition pricing, which could lead to variability in funding.

## Governance

Governance risks are moderately negative (**G-3**). Financial stewardship and strategic planning are expected to remain sound, with an experienced FIU leader named as president. FIU's strengthening academic profile is enhanced by a boost in state funding supporting low tuition pricing and capital investment. Public universities typically have some board structure and governance risks given their lack of full independence from the state. Board structure risks include the board selection process, with six members appointed by the governor and five appointed by the Florida Board of Governors, joining the faculty senate chair and student body president. Considerations also include multiple layers of governance as a state agency subject to oversight from the state and its legislature, the Board of Governors and Board of Trustees and multiple discretely presented support organizations that assist in executing FIU's strategies. Legislation has tended to increase centralization of control at the state level relative to other states, with increased standards around accreditation, tenure review processes, and posting of course materials, potentially limiting institutional autonomy.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The [Higher Education](#) rating methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 6

### Florida International University

Scorecard Factors and Sub-factors	Value	Score
<b>Factor 1: Scale (15%)</b>		
Adjusted Operating Revenue (USD Million)	1,063	Aa
<b>Factor 2: Market Profile (20%)</b>		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	Aa	Aa
<b>Factor 3: Operating Performance (10%)</b>		
EBIDA Margin	8%	A
<b>Factor 4: Financial Resources and Liquidity (25%)</b>		
Total Cash and Investments (USD Million)	930	Aa
Total Cash and Investments to Operating Expenses	0.9	Aa
<b>Factor 5: Leverage and coverage (20%)</b>		
Total Cash and Investments to Total Adjusted Debt	0.7	A
Annual Debt Service Coverage	5.9	Aaa
<b>Factor 6: Financial Policy and Strategy (10%)</b>		
Financial Policy and Strategy	Aa	Aa
Scorecard-Indicated Outcome		Aa3
Assigned Rating		Aa2

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Unaudited fiscal 2022 data

Source: Moody's Investors Service

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1359600

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454