

FITCH AFFIRMS FLORIDA INTERNATIONAL UNIVERSITY'S PARKING REVS AT 'A+'; OUTLOOK STABLE

Fitch Ratings-New York-22 February 2016: Fitch Ratings has affirmed the 'A+' rating on \$72.5 million of parking facility revenue bonds issued by the Board of Governors of the State of Florida (BoG) on behalf of Florida International University (FIU).

The Rating Outlook is Stable.

SECURITY

Parking revenue bonds are secured by pledged net revenues derived from the operation of FIU's parking system, including a mandatory transportation access fee (TAF) assessed on all FIU students except distance learners.

KEY RATING DRIVERS

MANDATORY STUDENT FEE SUPPORT: The TAF is a broadly assessed, mandatory student fee accounting for the majority of the system's operating revenue.

ENROLLMENT ANCHORS SYSTEM DEMAND: FIU's large enrollment base, urban location and large commuting population provide sustained demand and full utilization of parking system facilities. The university's size and regional market position support generation of mandatory fee revenues.

HIGH DEBT BURDEN: Debt service coverage is somewhat low compared to similar systems, but acceptable given the strength of the TAF pledge. Fitch-calculated maximum annual debt service (MADS) coverage is slim at 1.1x. Legal coverage is slightly stronger at 1.3x and excludes certain subordinate expenses. The debt burden is very high, typical of capital-intensive auxiliaries.

SOUND UNIVERSITY CREDIT PROFILE: FIU's credit profile is characterized by sound demand and enrollment, healthy balance sheet resources, and low leverage. GAAP-basis operating results are generally slightly negative, offset by positive cash flow and state capital support. FIU is well positioned under Florida's performance funding metrics, which increasingly determine state operating appropriations.

RATING SENSITIVITIES

STRONGER COVERAGE: The rating is currently constrained by low debt service coverage relative to peer systems. Given the broad pledge of a mandatory student fee, increased debt service coverage could lead to positive rating action.

UNIVERSITY OPERATIONS: An unexpected deterioration in Florida International University's overall financial profile could also pressure the parking system rating, given the limited revenue pledge.

CREDIT PROFILE

FIU, one of 12 institutions of higher education in Florida's State University System, is the largest university in South Florida. The university serves over 54,000 students on its two main campuses

in southwest and northeast Miami-Dade County and satellite campuses located in Broward County, Miami Beach and downtown Miami. FIU's parking system is a component auxiliary enterprise that finances and operates the university's parking facilities and transportation services.

MANDATORY FEE SUPPORTS COVERAGE

System revenues are primarily derived from the mandatory TAF assessed on materially all FIU students. The fee supports the system's operations and has historically been increased ahead of approved capital projects to generate revenues sufficient to support pro forma debt service. The system also generates revenue from sale of parking decals to faculty, staff and visitors and from fines and violations.

The system has consistently generated positive operating margins averaging 14.1% for the past five fiscal years. The margin declined to a still-acceptable 8.1% in fiscal 2015 due to increased costs for the university's shuttle service. The shuttle service is operated by the parking system; however, related revenues are not pledged and related expenses are subordinate to debt service.

On a consolidated basis, including the shuttle service activities and other subordinate expenses, parking system operations generated slim but acceptable MADS coverage of 1.1x in fiscal 2015. Excluding subordinate activities and capital expenditures, legal MADS coverage was slightly stronger at 1.38x. Overall, Fitch considers debt service coverage somewhat low but acceptable for the rating level given the strength of the mandatory student fee pledge.

ENROLLMENT GROWTH INCREASES PARKING DEMAND

The university's size supports generation of mandatory fee revenues. Enrollment was nearly flat in fall 2015 at 54,058, but has grown steadily in recent years due to affordable in-state tuition, a solid regional market position, and popular undergraduate and graduate business programs. Further, FIU's large enrollment base, urban location in Miami and large commuting population provide sustained demand and very high utilization of parking system facilities.

The most recent garage was completed in late 2014, and current parking capacity generally meets the university's needs at this time. In addition, the system has made sustained investments in technology and infrastructure to increase efficiency and utilization of existing capacity.

DEBT AND BALANCE SHEET RESOURCES

The system is highly leveraged, typical of capital-intensive auxiliary enterprises. Available funds, defined as cash and investments not permanently restricted, totaled \$7.3 million as of June 30, 2015. This unrestricted liquidity made up an adequate 48.9% of operating expenses, but only 9.9% of debt. Fitch expects that good management practices and planning will maintain acceptable reserves in relation to the system's long-lived and relatively low-maintenance assets.

The MADS burden is very high at 42.6% of operating revenues, also typical of auxiliary systems. There are no current plans for additional parking debt or major university-funded projects. However, FIU's successful expansion into an adjacent county park could require additional parking capacity over the intermediate term. FIU aims to hold the TAF flat through approximately 2019, but has historically increased the TAF in advance of new debt issuance, which Fitch considers prudent.

UNIVERSITY OPERATIONS

The university's overall credit profile remains sound and supportive of its auxiliary enterprises including the parking system, although general university resources are not pledged to pay the

bonds. FIU has a large enrollment base (over 54,000 headcount) and good regional market position in South Florida. Operations remain slightly negative on a GAAP basis (-2.8% margin in fiscal 2015) but positive on a cash basis.

Negative margins reflect depreciation expense and are historically offset by state capital funding. State operating appropriations are increasing after major cuts during the recession. FIU is well positioned for continued increases in state support based on its strong scores on Florida's performance-funding metrics, which increasingly drive appropriation levels. However, the current political environment prevents tuition increases and limits revenue-raising flexibility.

FIU's available funds (unrestricted cash and investments) of \$277.9 million as of June 30, 2015 equaled an adequate 31.5% of operating expenses and a strong 109.7% of debt (including certain related-entity obligations). University MADS equals a low 2.3% of operating revenues. The university's low leverage and debt burden reflect historically strong state capital support.

Contact:

Primary Analyst
Tipper Austin
Associate Director
+1-212-908-9199
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

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

Committee Chairperson
James LeBuhn
Senior Director
+1-312-368-2059

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria

Revenue-Supported Rating Criteria (pub. 16 Jun 2014)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750012

U.S. College and University Rating Criteria (pub. 12 May 2014)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748013

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. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.