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Rating Action: Moody's assigns Aa3 to Florida International University, FL's series 2019A parking bonds; outlook stable

09 May 2019

New York, May 09, 2019 -- Moody's Investors Service has assigned a Aa3 rating to Florida International University, FL's proposed \$19.1 million Parking Facility Revenue Refunding Bonds Series 2019A, to be issued by the State of Florida Board of Governors. We maintain Aa3 ratings on \$148.4 million of the university's outstanding dormitory and parking bonds. The outlook is stable.

RATINGS RATIONALE

The Aa3 rating incorporates expectations of FIU's ongoing sound student demand as a large and growing comprehensive public university in demographically vibrant greater Miami (Aa2 stable). Credit quality is enhanced by healthy financial reserves and manageable financial leverage, with sound pledged revenue coverage of debt service. Challenges include thin operating margins, impacted by the State of Florida's (Aaa stable) cap on student charges and high reliance on potentially volatile state funding. While total revenue and cash and investment growth trends are favorable, financial reserves are somewhat weaker than peers relative to FIU's large operating scale. The ratings also incorporate the narrow revenue pledges for the housing and parking bonds.

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 stable to growing state operating support and sound student demand.

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
- Weakening of operating performance, particularly if accompanied by material increase in debt

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 2018, debt service coverage (and MADS coverage) from pledged revenues of \$9.7 million was 1.5x including a BAB federal subsidy, or 1.4x without the subsidy. Coverage for fiscal 2019 is expected to decline slightly, to 1.3x and 1.4x, respectively, before improving in fiscal 2020 and thereafter. No rate increases are expected until fiscal 2020.

Housing facility revenue bonds are secured by and payable from pledged revenues 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. Pledged revenues of \$13.6 million in fiscal 2018 provided debt service coverage of 1.8x, with similar coverage expected for fiscal 2019. Housing facility pledged revenues will continue to provide sufficient debt service coverage despite the expectation for no or very low rate increases.

PROFILE

Florida International University is a comprehensive public research university, designated as 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 58,000 headcount students in fall 2018 and generated operating revenue of over \$900 million in fiscal 2018.

METHODOLOGY

The principal methodology used in this rating was Higher Education published in December 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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