



Rating Action: Moody's assigns Aa3 to Florida International University's Series 2023A parking bonds; outlook stable

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New York, March 03, 2023 -- Moody's Investors Service has assigned a Aa3 rating to Florida International University's proposed \$24.3 million of Parking Facility Revenue Refunding Bonds, Series 2023A. The bonds will be issued through the State of Florida Board of Governors. We maintain the Aa2 issuer rating as well as Aa3 ratings on existing parking and dormitory revenue bonds. For fiscal 2022, Florida International University (FIU) had \$255 million of debt outstanding. The outlook is stable.

RATINGS RATIONALE

Florida International University's Aa2 issuer rating incorporates its 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 FIU's high reliance on potentially volatile state funding. While total revenue and financial reserve growth trends should remain favorable, total cash and investment levels are somewhat weaker than peers relative to FIU's large operating scale.

Assignment and maintenance of Aa3 ratings for the parking bonds and maintenance of the Aa3 on dormitory revenue bonds reflect FIU's broad credit strength, the typically good performance of the parking and housing systems with sound debt service coverage and reserves as well as the active management of the systems to offset revenue fluctuations. These limited pledge ratings incorporate expectations of ongoing solid student demand, healthy financial reserves and manageable financial leverage, with generally sound pledged revenue coverage of debt service.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

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

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

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

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 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. 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.

USE OF PROCEEDS

Proceeds will be used to refund a portion of Parking Facility Revenue Bonds, Series 2013A, and to pay costs of issuance.

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).

METHODOLOGY

The principal methodology used in this rating was Higher Education Methodology published in August 2021 and available at <https://ratings.moody.com/api/mc-documents/72158>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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