

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Florida International University's (FL) Aa2 issuer and Aa3 debt ratings; outlook stable

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New York, November 12, 2024 -- Moody's Ratings (Moody's) has affirmed Florida International University's (FL) Aa2 issuer rating as well as Aa3 ratings on the university's dormitory and parking facility revenue bonds. For fiscal 2023, the university had total direct debt of \$246 million and total adjusted debt of \$1.1 billion. 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 a Hispanic-serving, preeminent institution and the favorable demographics of its location in greater Miami (Aa2 stable). Credit quality is further supported by its growing scale, 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.

The Aa3 ratings for the parking bonds and dormitory revenue bonds reflect FIU's broad credit strength, good performance of the parking and housing systems with sound debt service coverage and reserves and active management of the systems. Housing revenue will benefit from five years of approved rental rate increases. Given strong demand for housing, FIU anticipates construction of a new housing project, which would likely include new debt.

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 OF THE RATINGS

- Material growth in financial reserves, covering operations by 1.2x and total adjusted debt by 1.5x
- Increased liquidity and strengthened operating performance, with sustained EBIDA margins in the low teens
- For revenue bonds: broadening of pledged revenue stream securing revenue bonds

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decline in unrestricted liquidity
- Material weakening of operating performance below 8% EBIDA for multiple years or significant reduction in state support
- For revenue bonds: weakening of pledged revenue streams securing various revenue bonds or significant thinning of debt service coverage

LEGAL SECURITY

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 2024 (preliminary, equal to MADS), pledged revenues provided debt service coverage of 1.56x. Fiscal 2025 coverage is expected to be 1.76x (MADS coverage 1.74x). Other security features include an additional bonds test and a sum sufficient rate maintenance covenant.

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 2024, debt service (and MADS) coverage (preliminary) from pledged revenues was 2.25x. Fiscal 2025 debt service (and MADS) coverage is expected to be 2.36x. Other security features include an additional bonds test and a sum sufficient rate maintenance covenant.

PROFILE

Florida International University is a comprehensive public research university,

designated as a 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 2024 and generated operating revenue of almost \$1.2 billion in fiscal 2024 (unaudited).

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425580>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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