New York, November 19, 2018 – Moody's Investors Service has assigned A1 ratings to the University of South Florida Financing Corporation’s (FL) proposed $33 million Certificates of Participation (USF Financing Corporation Master Lease Program), Series 2018 and $15 million Refunding Certificates of Participation (USF Financing Corporation Master Lease Program), Series 2019. Moody's maintains a Aa2 issuer level rating on the University of South Florida, Aa3 ratings on outstanding parking and Marshall Student Center bonds as well as A1 ratings on USF Financing Corporation certificates of participation. The outlook is stable.

RATINGS RATIONALE

The Aa2 issuer rating reflects USF’s excellent prospects to maintain revenue growth and sound operating performance given solid student demand and strong management. The rating also acknowledges the university's recent state designation as a Preeminent State Research University which contributes to its excellent strategic positioning and will help propel its growing sponsored research prowess. The rating favorably incorporates a manageable debt burden and growing wealth including healthy unrestricted liquidity. Credit quality remains tempered by the challenges of political limits on tuition and fee pricing and the highly competitive environment for students and research funding.

The A1 ratings on the certificates of participation of the housing system incorporate the university's general credit characteristics as well as the lease backed structure of the debt between the USF Financing Corporation and the university for well performing and essential assets, in addition to a narrow revenue pledge.

The Aa3 ratings on the parking facility revenue bonds and the Marshall Student Center bonds also reflect university's strong quality along with the essentiality of the respective projects with reliable pledged revenue sources primarily comprised of mandatory student fees and designated reserves ensuring sufficient debt service coverage. The rating is one notch lower than the issuer rating because of the limited revenue pledges.

RATING OUTLOOK

The stable outlook reflects expectations for positive operating performance and strong cash flow, with manageable increases in financial leverage and maintenance of unrestricted liquidity. The outlook also incorporates expectations that pledged net revenues will continue to provide consistently good debt service coverage on the various bonds.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Substantial and sustained increase in total cash and investments
- Ongoing gains in revenue and increase in wealth relative to debt and operations
- Sustained strengthening in cash flow, contributing to significant increases in unrestricted liquidity and debt affordability

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Deterioration of operating performance
- Decline in unrestricted liquidity
- Move to weakened debt service coverage from various pledged revenue streams

LEGAL SECURITY

The Housing System COPs are secured solely by pledged revenues from the system and are not a general obligation of USF or of the USF Financing Corporation. System Revenues include all gross income and
revenues received by the Financing Corporation under various leases from the ownership and/or operation of the System Facilities. Debt service coverage was 1.4x in FY 2018. The Housing System does maintain debt service reserves of $15 million at the university.

The Financing Corporation may issue additional parity certificates if System Revenues are projected to be at least 110% of maximum Basic Rent Payments. In addition, the Financing Corporation reserves the right to add and remove facilities and properties from the System Facilities provided that the COPs retain a credit rating of at least equal to the rating in effect prior to the change. There is no debt service reserve account specifically for the COPs. However, if the undesignated fund balance of the Housing System should fall below the maximum Basic Rent Payment, then the Reserve Requirement for the COPs will equal the maximum Basic Rent Payment in the current fiscal year.

The parking system revenue bonds are payable solely from the net revenues of the parking system of the Tampa campus, including funds derived from a mandatory transportation access fee paid by all students. An additional bonds test requires 1.2x pro-forma maximum annual debt service coverage. Debt service coverage was 2.1x in FY 2018.

The Series 2015 revenue bonds for the Marshall Student Center are secured solely by the project revenues, secured by a lien on the student center revenues prior to payment of operating expenses. Additional bonds may be issued with 1.20x pro-forma maximum annual debt service coverage from net revenues. Debt service coverage was 1.4x in FY 2018.

USE OF PROCEEDS

Proceeds from the Series 2018 certificates will be used to fund the construction of an approximately 375 bed student housing and dining facility on the St. Petersburg campus and to pay costs of issuance. Pro forma housing system projections show the new project generating $4.2 million in revenue beginning in fiscal 2021.

Proceeds from the Series 2019 certificates will be used for an advance refunding of the Certificates of Participation, Series 2010B (BABs) to achieve debt service savings and to pay costs of issuance.

PROFILE

USF, a member of the State University System of Florida, is a large, comprehensive public research university with total headcount enrollment of more than 50,000 students across its Tampa, St. Petersburg, and Sarasota-Manatee campuses. The university, including its direct support organizations, faculty practice plan, and capital construction has an operating budget of a sizeable $2 billion.

USF Financing Corporation is a Direct-Support Organization (DSO) organized in 2005 to administer property for the benefit of USF. The Financing Corporation is presented among other DSOs in the university's annual financial statements as discretely presented component units.

METHODOLOGY

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

REGULATORY DISCLOSURES

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