

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Facilities Committee

September 5, 2019

TREASURY REPORT (For quarter ending June 30, 2019)

Report (For Information Only – no action required)

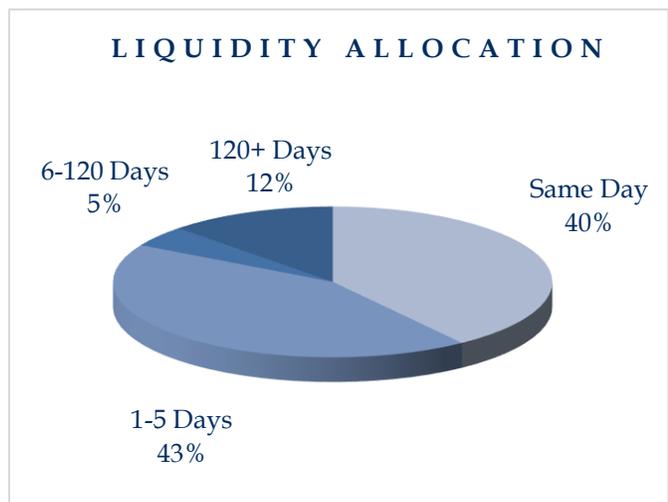
OVERVIEW

The University’s total liquidity position of \$395.5 million was 2.7 times the University’s debt position of \$148.4 million at the end of FY 2019 . Including direct support organization (“DSO”) debt, the liquidity to total debt ratio was 2.2 times. These results are better compared to the end of FY 2018, where the liquidity to University debt and the liquidity to total debt ratios were 2.3 times and 1.9 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2019 , \$328.7 million, or 83.1 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FY 2019, the University had 72 real days payable (“RDP”) versus 66 RDP at the end of FY 2018. The increase in RDP was due to the solid year over year earnings growth in our more liquid fixed income and working capital pool investments.



Sources

The University started the fiscal year with \$141.7 million in cash balances². Total FY 2019 inflows (state and operational) were \$1,220.8 million as compared to \$1,208.0 Million for FY 2018. On average, \$4.7 million flowed into the University each business day in FY 2019 and \$4.6 million in FY 2018. The increase was due to higher state appropriations inflows.

Uses

FY 2019, the University used \$1,193.4 million as compared to \$1,164.9 million last fiscal year. The FY 2019 velocity cash outflow was \$4.6 million per day and \$4.5 million in FY 2018. The increase was due to higher payroll outflows. The University ended FY 2019 with \$169.1 million in cash balances.

Stress Tests/Performance Simulations

The University Office of the Treasurer (“Treasury”) analyzes the effect of negative market performance on its liquidity position through both value-at-risk (VAR) analysis and Monte Carlo simulation analyses.

¹ Real Days Payable represents the available balance of liquid funds divided by the average cash outflows of the University. The calculation uses the available balance in the University’s bank accounts plus the market value of investments that are accessible within 5 business days as its balance of liquid funds.

² Cash includes Working Capital Pool assets and cash balances in the concentration bank account.

VAR analysis, completed quarterly, estimates the maximum potential loss during a specific time period at a given level of confidence. VAR uses the historical behavior of each asset class over various time horizons (five years, ten years, full history). Our VAR analysis predicts that there is a five percent probability that the portfolio (as of the FY 2019 ending balance) could have unrealized losses of up to \$5.9 million and one percent probability of up to \$15.5 million of unrealized losses within a twelve-month period. This risk exposure is lower than FY 2018 (\$8.8 million and \$18.6 million) even though the market value of the portfolio is 10 percent higher.

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2019, a 100 bps rise in the 10-year Treasury bond rate could result in an estimated \$3.3 million, 1.0 percent, unrealized gain. Liquidity, as measured by 5-day accessibility, could drop to 76 percent, or \$303.9 million, of the total current available cash and investment balances. RDP could fall to 66 days based on current fiscal year outflows.

A 25 percent decline in the equity markets could result in an estimated -\$8.3 million (-2.2 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, could drop to \$328.5 million or 87 percent of the total current available cash and investment balances. RDP could remain the same at 72 days based on fiscal year outflows in this scenario.

Bottom decile of overall portfolio performance could result in an estimated -\$7.3 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility could drop to \$287.2 million or 75 percent of the total current available balances. Furthermore, RDP could drop to 63 days.

Forecast and Budget

Actual balances at the end of FY 2019 were 15.2 percent higher than the rolling forecast, 10.1 percent higher than the budget, and 10.8 percent higher than prior year. For the next quarter, the University should experience a gradual increase in the cash and investment balances lasting through the end of the first quarter of FY 2020.

INVESTMENTS

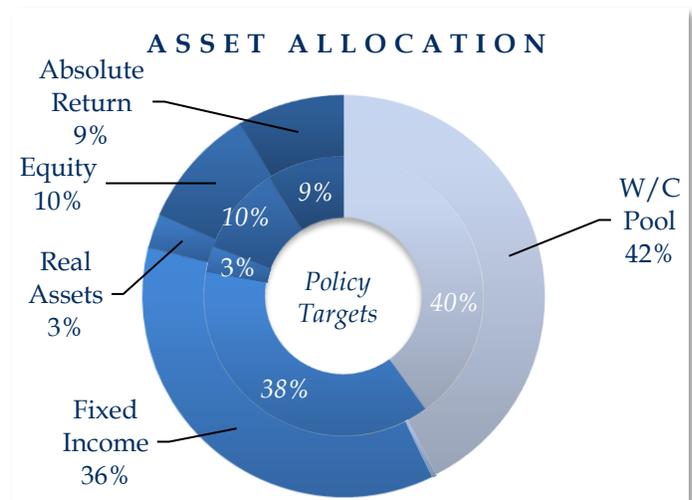
Composition

Asset allocations at the end of FY 2019 remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2019, the market value of the University’s operating funds portfolio and cash was \$395.5 million. This balance reflects an increase of \$25.2 million or 6.8 percent, from the previous quarter. The increase largely reflects higher quarterly net inflows and solid investment returns. The total portfolio market value was \$38.0 million higher than the market value at the end of FY 2018 largely due to net positive cash flows and strong investment returns.

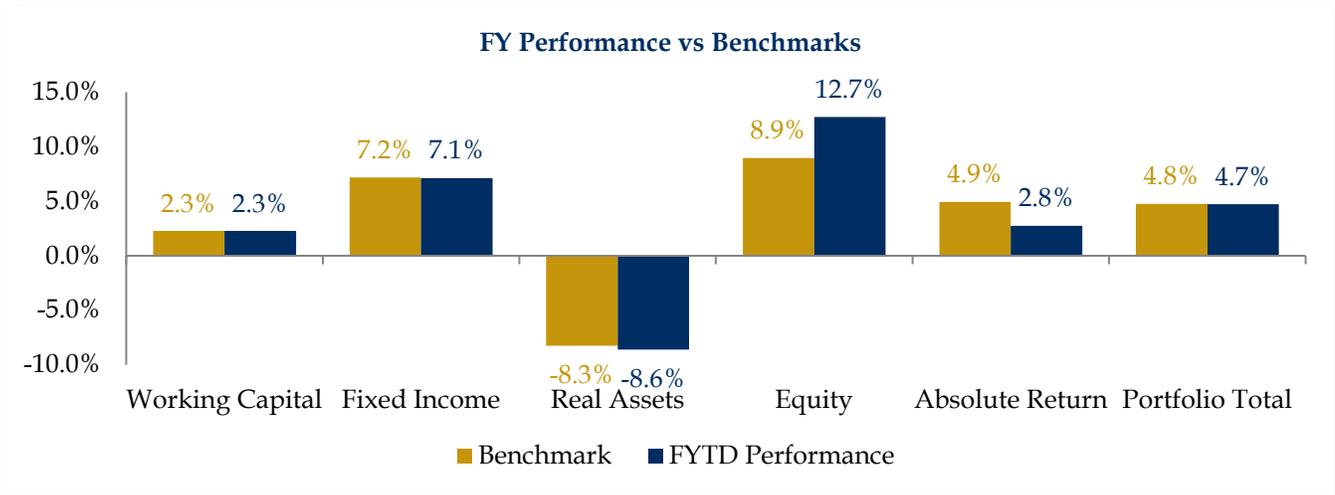
Performance

FIU’s operating portfolio continues to outperform the State Treasury investment pool (“SPIA”), returning 4.1 percent since inception versus the SPIA’s 2.5 percent for the same period. At the end of FY 2019, the portfolio experienced returns of 4.7



percent. This compares favorably to a 4.5 percent return at the end of FY 2018. The Strategic Capital and Reserve Pools gained 6.5 percent while the Working Capital Pool gained 2.3 percent. Returns from the SPIA totaled 2.3 percent at the end of FY 2019 (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

The portfolio's overall return was in line with its aggregate benchmark. Asset classes were largely in line with their respective benchmarks with the exception of Equities and Absolute Return. The Equity asset class outperformed its benchmark due to positions in the private markets and small capitalization stocks. The Absolute Return asset class underperformed its benchmark due to its lower correlation to the equity market.



DEBT

Total Outstanding

The University and DSOs ended FY 2019 with \$178.6M million in outstanding debt versus \$188.0M million at the end of FY 2018. The weighted average interest rate for the University and DSO issuances was 4.2% percent.

Bond Refunding

The University and the Athletics Finance Corporation (AFC), has refunded/modified all eligible outstanding bond series. The refundings/modification are projected to save the University and AFC \$15.5 million in interest expense over the term of the issuances. As of June 30, 2019, \$3.9 million of interest savings have been realized from the refunding/modification activities. The University and AFC are expected to save \$0.7 million in interest expense in Fiscal Year 2020 and \$4.2 million over the next 5 years.

The University refunded the 2009B (BABs) Parking Bonds relating to the construction of Market Station (Parking Garage 5). We anticipate that the refunding will provide a net present value savings of \$4.1 million to the University. The refunding closed on July 2, 2019.

Rating Agency Reviews

The University held reviews with Fitch, Moody's and Standard and Poor's rating agencies throughout the quarter. The final ratings reports were released in May. Each of the rating agencies reaffirmed their ratings for the Housing and Parking systems. Fitch A+ (Housing and Parking), Moody's Aa3 (Housing and Parking) and S&P AA- (Parking) A (Housing).

OVERVIEW

Liquidity/University Debt	2.67
Liquidity/Total Debt	2.21

Liquidity Position

Cash + W/C Pool	\$ 169,121
Strategic + Reserve Pools	226,417
Total	\$ 395,538

Debt Position

University Debt	\$ 148,395
DSO Debt	30,210
Total	\$ 178,605

LIQUIDITY

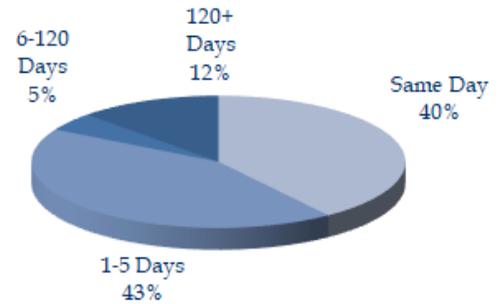
Availability

Same Day	\$ 158,264
1-5 Days	170,458
6-120 Days	17,877
120+ Days	48,939
Total	\$ 395,538

Real Days Payable (<5 Days)

MTD Outflows	80
QTD Outflows	75
YTD Outflow	72

LIQUIDITY ALLOCATION



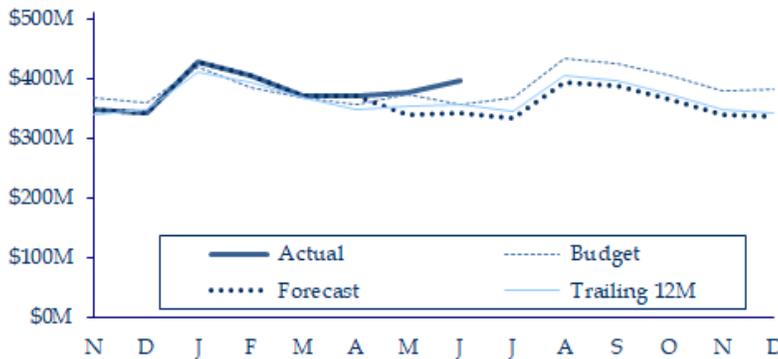
LIQUIDITY SOURCES AND USES

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 154,854	\$ 147,284	\$ 141,401
Opening Cash Balance	379	1,140	285
From State	33,091	103,115	379,522
From Operations	62,489	201,765	841,318
Uses			
To Payroll	(47,870)	(150,574)	(642,769)
To Operations	(25,615)	(86,635)	(316,380)
To Students	(8,206)	(46,974)	(234,256)
Cash + W/C Pool	\$ 169,121	\$ 169,121	\$ 169,121

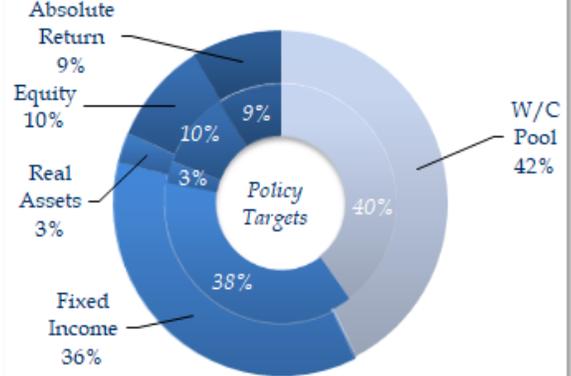
INVESTMENTS

Cash + W/C Pool	Balance	FYTD	Last 1Y
W/C Pool	\$ 167,855	2.3%	2.3%
Cash	1,265	0.0%	0.0%
Strategic + Reserve Pools			
Fixed Income	142,759	7.1%	7.1%
Real Assets	11,037	-8.6%	-8.6%
Equity	38,686	12.7%	12.7%
Absolute Return	33,935	2.8%	2.8%
Total	\$ 395,538	6.5%	6.5%

CASH + INVESTMENTS FORECAST

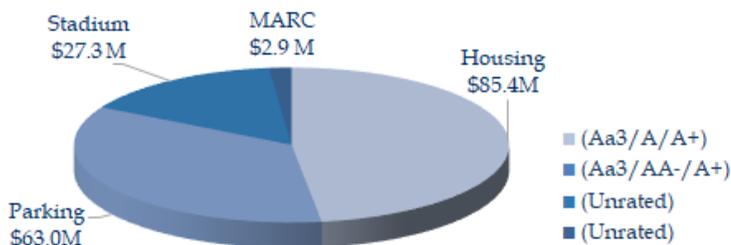


ASSET ALLOCATION

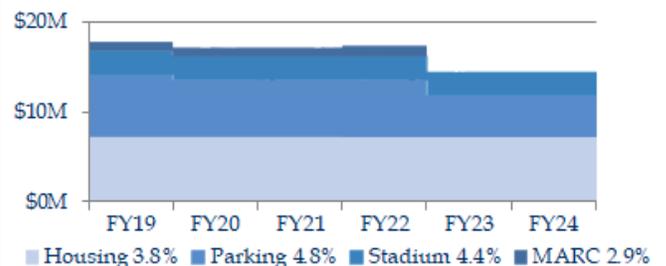


DEBT

OUTSTANDING DEBT



ANNUAL DEBT SERVICE



<u>OPERATING FUNDS</u>	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>INCOME EARNED</u>
<u>Working Capital</u>	\$169.1M	\$169.1M	\$3.6M
Fixed Income	\$142.8M	\$137.3M	\$2.9M
Equity	\$38.7M	\$32.8M	\$0.3M
Real Assets	\$11.0M	\$17.8M	\$0.0M
Absolute Return	\$33.9M	\$23.7M	\$0.0M
<u>Total Strategic/Reserve</u>	<u>\$226.4M</u>	<u>\$211.6M</u>	<u>\$3.2M</u>
<u>Total Operating Funds</u>	<u>\$395.5M</u>	<u>\$380.7M</u>	<u>\$6.8M</u>