

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
June 6, 2018

TREASURY REPORT (For quarter ending March 31, 2018)

Report (For Information Only – no action required)

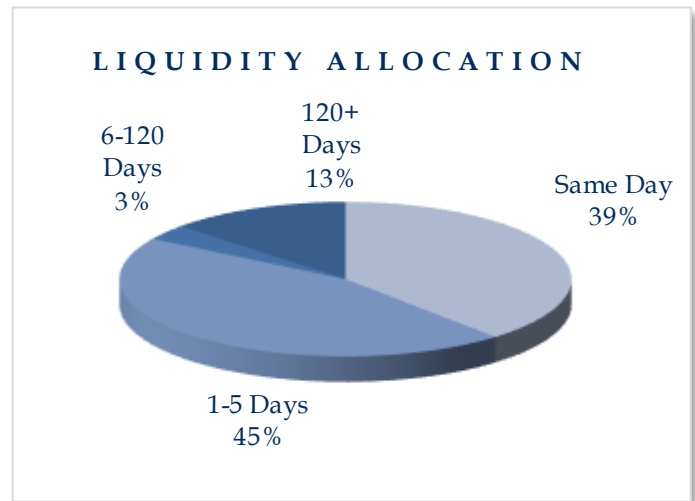
OVERVIEW

The University’s total liquidity position of \$367.7 million was 2.4 times the University’s debt position of \$155.6 million at the end of FY 2018 3Q. Including direct support organization (“DSO”) debt, the liquidity to total debt ratio was 2.0 times. These results are better compared to the end of FY 2017 3Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.1 times and 1.7 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2018 3Q, \$308.0 million, or 83.7 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2018 3Q, the University had 68 real days payable¹ (“RDP”) versus 42 RDP at the end of FYTD 2017 3Q. The increase in RDP was due to the re-balancing of the portfolio into lower risk and higher liquidity investments and higher cash inflows.



Sources

The University started the fiscal year with \$98.6 million in cash balances². Total FYTD 2018 3Q inflows (state and operational) were \$934.7 million as compared to \$854.1 Million for FYTD 2017 3Q. On average, \$4.8 million flowed into the University each business day in FYTD 2018 3Q and \$4.4 million in FYTD 2017 3Q.

Uses

FYTD 2018 3Q, the University used \$881.2 million as compared to \$837.6 million in the same period last fiscal year. The FYTD 2018 3Q velocity cash outflow was \$4.5 million per day and \$4.3 million in FYTD 2017 3Q. The University ended FY 2018 3Q with \$152.0 million in cash balances.

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.

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.

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 FYTD 2018 3Q ending balance) could have unrealized losses of up to \$8.2 million and one percent probability of up to \$17.8 million of unrealized losses within a twelve-month period.

At the end of FY 2018 3Q, the Monte Carlo analysis, generated by a bottom decile performance for fixed income investments, translated into median 1.1 percent, or \$4.1 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 72.1 percent, or \$265.2 million, of the total current available cash and investment balances. RDP would fall to 59 days based on current fiscal year outflows.

The scenario with the bottom decile equity performance generates a median 0.9 percent, or \$3.2 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to \$303.7 million or 82.6 percent of the total current available cash and investment balances. RDP would drop slightly to 67 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance represents a 1.9 percent loss, or \$7.0 million, and a projected drop in liquidity to \$254.2 million or 69.1 percent of the total current available balances. Furthermore, RDP would drop to 56 days.

Forecast and Budget

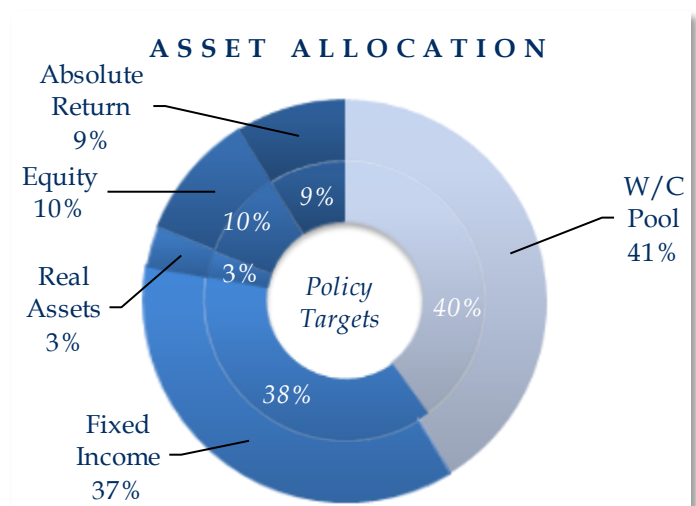
Actual balances at the end of FY 2018 3Q were 14.4 percent higher than the rolling forecast, 14.1 percent higher than the budget, and 9.3 percent higher than prior year. For the next quarter, the University should experience a stable decrease in the cash and investment balances due to the timing of the University’s enrollment periods. The reduction in balances is expected to last through the end of the fourth quarter. Balances will begin to increase as Fall 2018 enrollment progresses.

INVESTMENTS

Composition

Asset allocations at the end of FY 2018 3Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2018 3Q, the market value of the University’s operating funds portfolio and cash was \$367.7 million. This balance reflects an increase of \$54.4 million or 6.0 percent, from the previous quarter. The increase reflects the quarter-to-quarter seasonal increase in cash flows. The total portfolio market value was \$31.2 million higher than the market value at the end of FY 2017 3Q. The increase was due to strong investment performance and higher net cash flows.

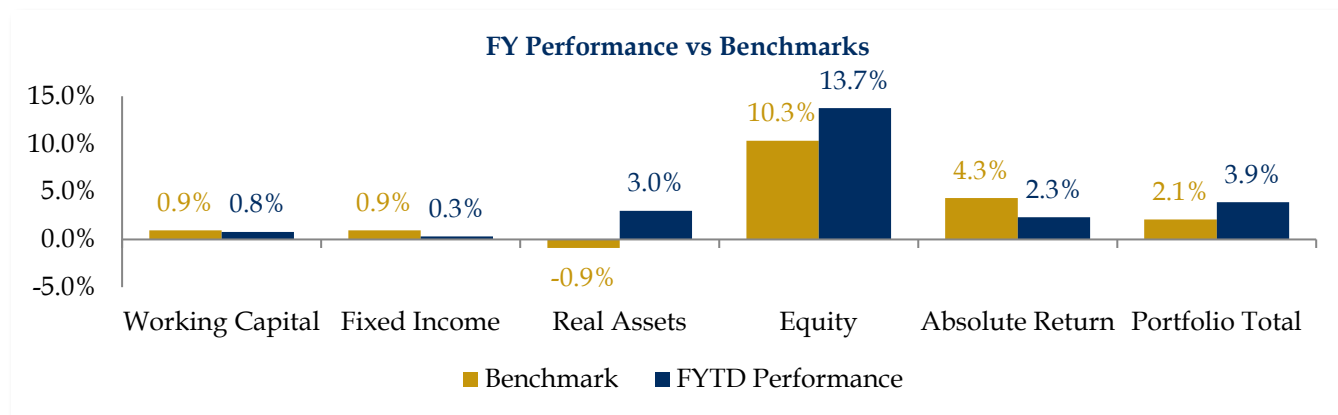


Performance

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

2018 3Q, the portfolio returned 3.9 percent. This compares unfavorably to a 4.5 percent return at the end of FY 2017 3Q. The Strategic Capital and Reserve Pools returned 5.2 percent while the Working Capital Pool gained 0.8 percent. Returns from the SPIA totaled 1.3 percent at the end of FY 2018 3Q (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

The Working Capital Pool was flat to the benchmark and the Strategic and Reserve Pool exceeded the benchmark by 2.6 percent. All asset classes met or exceeded their benchmarks with the exception of Absolute Return that had a return of 2.3% (vs 4.3% benchmark) and Fixed Income with a return of 0.3% (vs 0.9% benchmark).



Portfolio Rebalance

The Operating Portfolio was successfully rebalanced to a significantly lower risk profile in Q3 as measured by the portfolio's Value at Risk (VAR). The current portfolio has a one percent probability of unrealized losses of up to \$17.8 Million as compared to \$37.5 Million (within a 12 month period) at the end of last quarter.

DEBT

Total Outstanding

The University and DSOs ended FY 2018 3Q with \$188.2 million in outstanding debt versus \$197.0 million at the end of FY 2017 3Q. The weighted average interest rate for the University and DSO issuances was 4.2 percent.

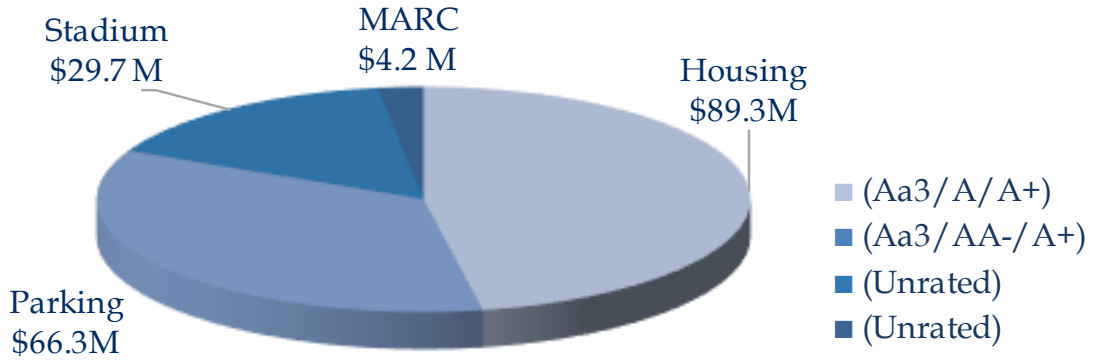
Bond Refunding

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 \$10.1 million in interest expense over the term of the issuances. As of March 30, 2018, \$3.1 million of interest savings have been realized from the refunding/modification activities. The University and AFC are expected to save an additional \$0.6 million in interest expense for the balance of Fiscal Year 2018 and \$3.2 million over the next 5 years.

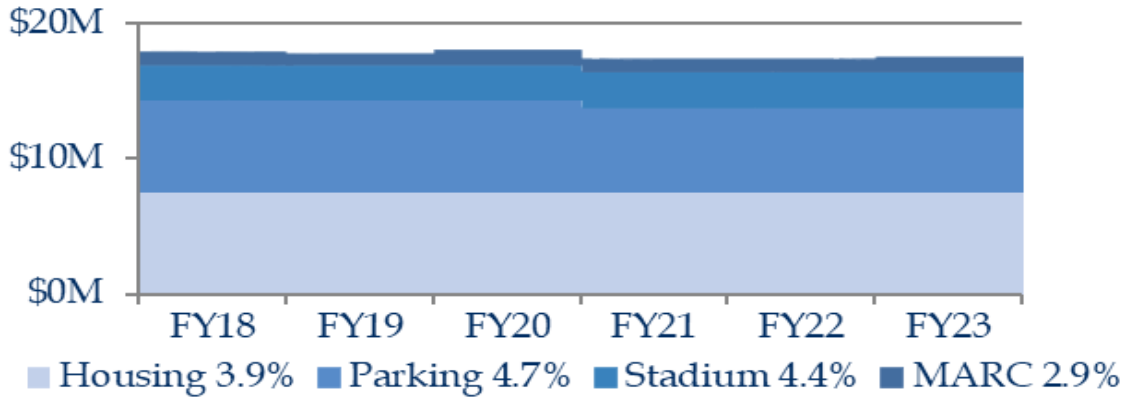
Rating Agency Reviews

The University held reviews with Fitch, Standard & Poor's and Moody's rating agencies throughout Q3. Fitch reaffirmed the Housing (A+ Stable) and Parking (A+ Stable) ratings. S&P and Moody's are expected to release their final ratings reports by the end of May 2018.

OUTSTANDING DEBT



ANNUAL DEBT SERVICE



OVERVIEW

| | |
|---------------------------|-------------|
| Liquidity/University Debt | 2.36 |
| Liquidity/Total Debt | 1.95 |

Liquidity Position

| | |
|---------------------------|-------------------|
| Cash + W/C Pool | \$ 152,033 |
| Strategic + Reserve Pools | 215,711 |
| Total | \$ 367,745 |

Debt Position

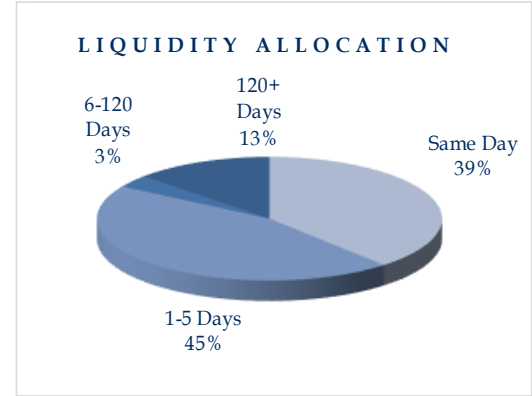
| | |
|-----------------|-------------------|
| University Debt | \$ 155,590 |
| DSO Debt | 32,606 |
| Total | \$ 188,196 |

LIQUIDITY

| | |
|---------------------|-------------------|
| Availability | |
| Same Day | \$ 141,492 |
| 1-5 Days | 166,476 |
| 6-120 Days | 12,033 |
| 120+ Days | 47,743 |
| Total | \$ 367,745 |

Real Days Payable (<5 Days)

| | |
|--------------|-----------|
| MTD Outflows | 68 |
| QTD Outflows | 59 |
| YTD Outflow | 68 |

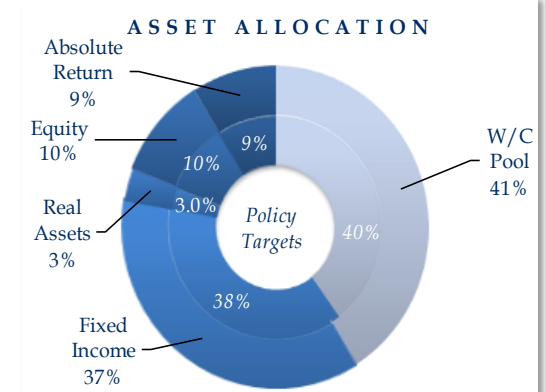
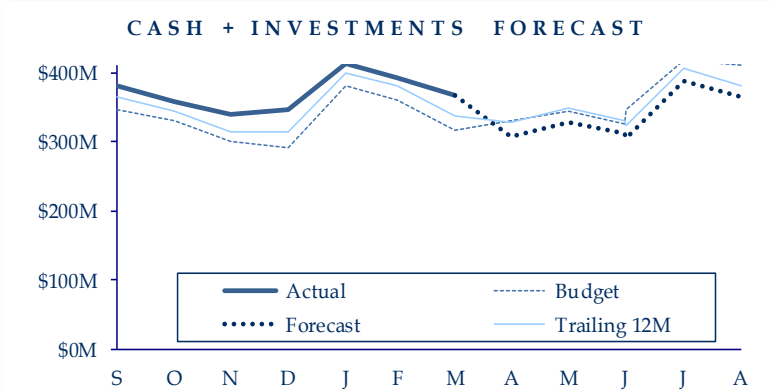


LIQUIDITY SOURCES AND USES

| Sources | MTD | QTD | YTD |
|--------------------------|-------------------|-------------------|-------------------|
| Opening W/C Pool Balance | \$ 176,734 | \$ 176,734 | \$ 98,050 |
| Opening Cash Balance | 913 | 917 | 536 |
| From State | 30,881 | 77,702 | 265,740 |
| From Operations | 43,844 | 228,715 | 668,953 |
| Uses | | | |
| To Payroll | (70,267) | (166,451) | (462,908) |
| To Operations | (25,556) | (80,037) | (229,858) |
| To Students | (4,516) | (85,546) | (188,480) |
| Cash + W/C Pool | \$ 152,033 | \$ 152,033 | \$ 152,033 |

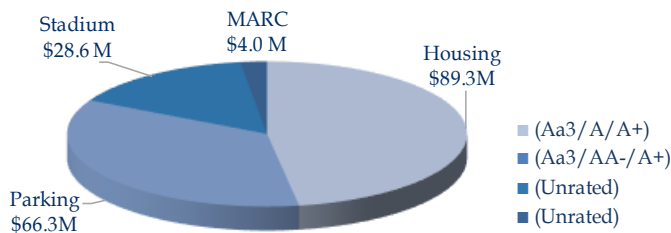
INVESTMENTS

| Cash + W/C Pool | Balance | FYTD | Last 1Y |
|----------------------------------|-------------------|-------------|-------------|
| W/C Pool | \$ 151,480 | 0.8% | 1.1% |
| Cash | 553 | 0.0% | 0.0% |
| Strategic + Reserve Pools | | | |
| Fixed Income | 133,789 | 0.9% | 2.8% |
| Real Assets | 12,057 | 3.0% | 0.8% |
| Equity | 37,194 | 13.7% | 18.4% |
| Absolute Return | 32,672 | 2.3% | 4.1% |
| Total | \$ 367,745 | 5.2% | 6.5% |



DEBT

OUTSTANDING DEBT



ANNUAL DEBT SERVICE

