

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
 December 5, 2019

TREASURY REPORT (For quarter ending September 30, 2019)

Report (For Information Only – no action required)

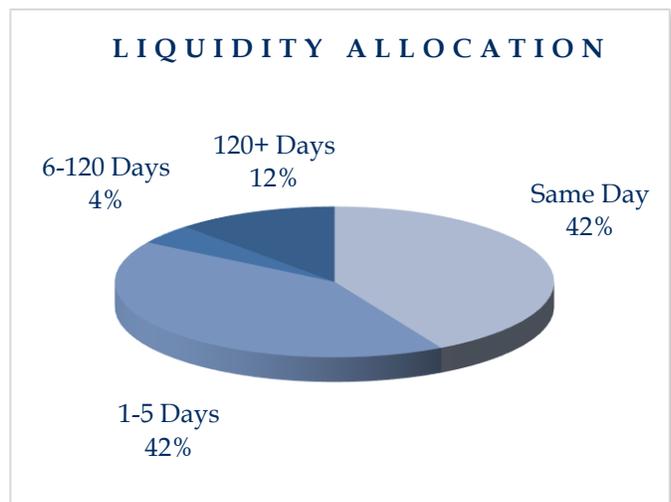
OVERVIEW

The University’s total liquidity position of \$415.3 million was 3.1 times the University’s debt position of \$135.6 million at the end of FY 2020 1Q. Including direct support organization (“DSO”) debt, the liquidity to total debt ratio was 2.5 times. These results are better compared to the end of FY 2019 1Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.7 times and 2.2 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2020 1Q, \$348.0 million, or 83.8 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2020 1Q, the University had 69 real days payable¹ (“RDP”) versus 65 RDP at the end of FYTD 2019 1Q. The increase in RDP was largely due to the solid portfolio returns over the trailing 1-year period.



Sources

The University started the fiscal year with \$169.1 million in cash balances². Total FYTD 2020 1Q inflows (state and operational) were \$349.5 million as compared to \$363.7 Million for FYTD 2019 1Q. On average, \$5.3 million flowed into the University each business day in FYTD 2020 1Q and \$5.6 million in FYTD 2019 1Q.

Uses

FYTD 2020 1Q, the University used \$333.4 million as compared to \$327.3 million in the same period last fiscal year. The FYTD 2020 1Q velocity cash outflow was \$5.1 million per day and \$5.0 million in FYTD 2019 1Q. The University ended FY 2020 1Q with \$185.2 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 2020 1Q ending balance) could have unrealized losses of up to \$5.6 million and one percent probability of up to \$15.3 million of unrealized losses within a twelve-month period. This risk exposure is lower than FYTD 2019 1Q (\$8.1 million and \$18.1 million).

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2020 1Q, a 100 bps rise in the 10 year Treasury Bond rate would result in a \$3.2 million (0.8 percent) unrealized gain. Liquidity, as measured by 5-day accessibility, would drop to 76.4 percent, or \$322.0 million, of the total current available cash and investment balances. RDP would fall to 64 days based on current fiscal year outflows.

A 25 percent decline in the equity markets would result in a -\$8.0 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, would increase slightly to \$348.1 million or 87.2 percent of the total current available cash and investment balances. RDP would remain steady at 69 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance would result in a -\$7.3 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility would drop to \$305.6 million or 76.3 percent of the total current available balances. Furthermore, RDP would drop to 60 days.

Forecast and Budget

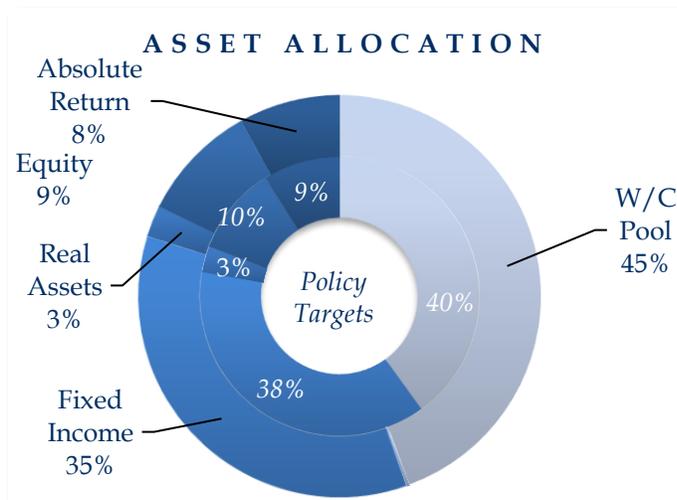
Actual balances at the end of FY 2020 1Q were 3.0 percent higher than the rolling forecast, 5.9 percent lower than the budget, and 1.1 percent higher than prior year. For the next quarter, the University should experience a decrease in the cash and investment balances lasting through the end of the second quarter of FY 2020.

INVESTMENTS

Composition

Asset allocations at the end of FY 2020 1Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

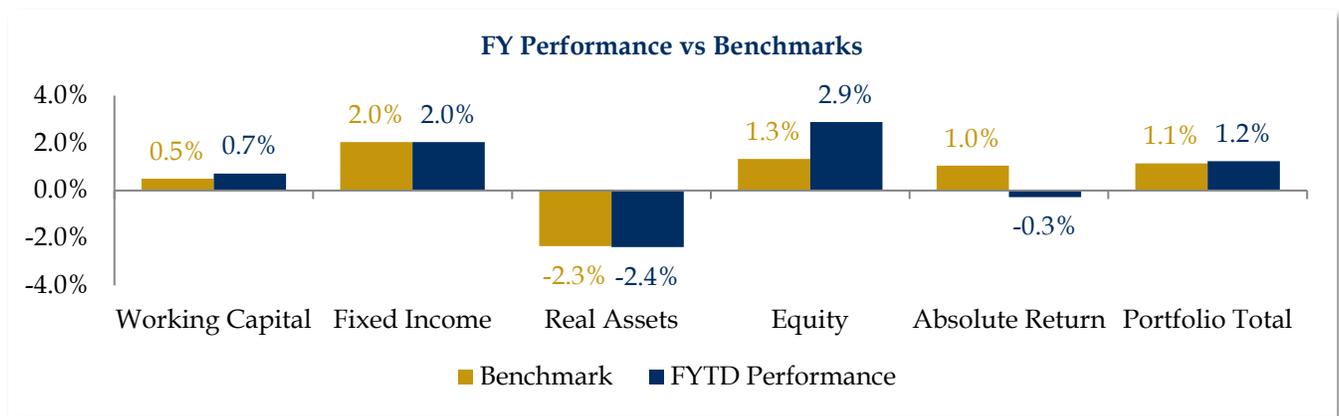
At the end of FY 2020 1Q, the market value of the University’s operating funds portfolio and cash was \$415.3 million. This balance reflects an increase of \$19.3 million or 4.9 percent, from the previous quarter. The increase reflects the quarter-to-quarter seasonal increase in cash flows in addition to the quarterly investment returns. The total portfolio market value was \$19.1 million higher than the market value at the end of FY 2019 1Q. The increase was largely due to strong investment performance throughout the portfolio.



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 2020 1Q, the portfolio returned 1.2 percent. This compares unfavorably to a 1.0 percent return at the end of FY 2019 1Q. The Strategic Capital and Reserve Pools returned 1.6 percent while the Working Capital Pool gained 0.7 percent. Returns from the SPIA totaled 0.9 percent at the end of FY 2020 1Q (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

The Working Capital Pool and the Strategic and Reserve Pools were each slightly higher than their respective benchmarks. Asset classes were in line with their benchmarks with the exception of Equities, which significantly outperformed the benchmark and Absolute Return, which underperformed. The outperformance in the equity asset class was due to the portfolio's investments in private markets.



DEBT

Total Outstanding

The University and DSOs ended FY 2020 1Q with \$165.5M million in outstanding debt versus \$179.3M million at the end of FY 2019 1Q. 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 September 30, 2019, \$4.5 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.

OVERVIEW

Liquidity/University Debt	3.06
Liquidity/Total Debt	2.51

Liquidity Position

Cash + W/C Pool	\$ 185,186
Strategic + Reserve Pools	230,095
Total	\$ 415,282

Debt Position

University Debt	\$ 135,560
DSO Debt	29,983
Total	\$ 165,543

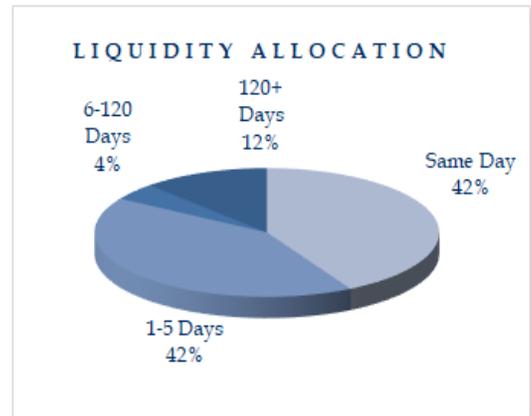
LIQUIDITY

Availability

Same Day	\$ 174,192
1-5 Days	173,770
6-120 Days	17,843
120+ Days	49,476
Total	\$ 415,282

Real Days Payable (<5 Days)

MTD Outflows	55
QTD Outflows	69
YTD Outflow	69

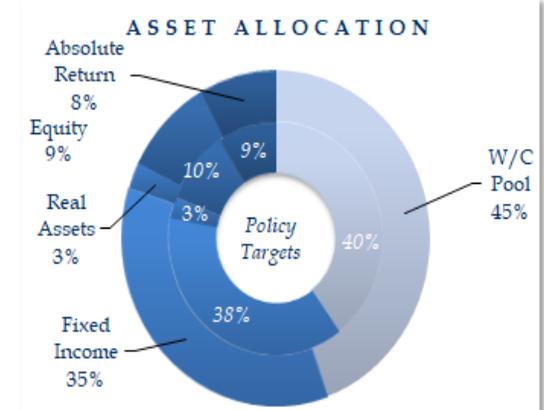
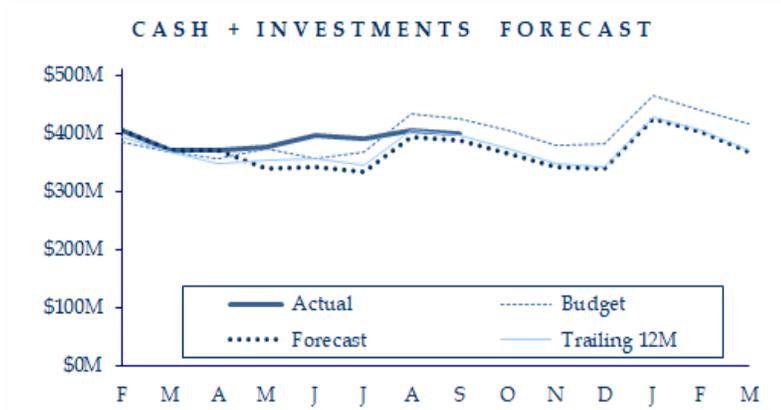


LIQUIDITY SOURCES AND USES

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 168,250	\$ 167,855	\$ 167,855
Opening Cash Balance	1,176	1,290	1,290
From State	24,261	85,612	85,612
From Operations	117,863	263,868	263,868
Uses			
To Payroll	(52,178)	(167,827)	(167,827)
To Operations	(25,914)	(80,597)	(80,597)
To Students	(48,273)	(85,014)	(85,014)
Cash + W/C Pool	\$ 185,186	\$ 185,186	\$ 185,186

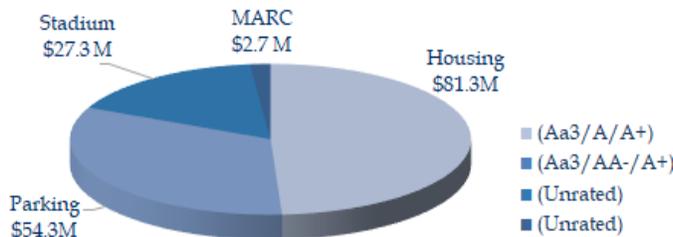
INVESTMENTS

Cash + W/C Pool	Balance	FYTD	Last 1Y
W/C Pool	\$ 184,243	0.7%	2.5%
Cash	943	0.0%	0.0%
Strategic + Reserve Pools			
Fixed Income	146,191	2.0%	9.1%
Real Assets	10,775	-2.4%	-8.3%
Equity	39,288	2.9%	8.7%
Absolute Return	33,841	-0.3%	1.3%
Total	\$ 415,282	1.6%	6.9%

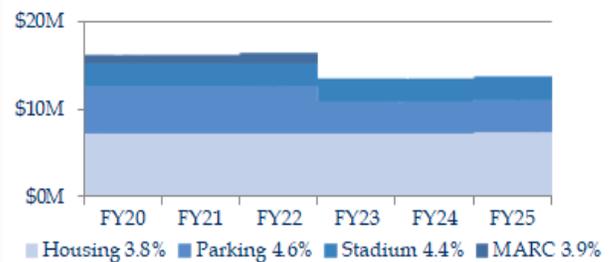


DEBT

OUTSTANDING DEBT



ANNUAL DEBT SERVICE



<u>OPERATING FUNDS</u>	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>INCOME EARNED¹</u>
<u>Working Capital</u>	\$185.2M	\$185.2M	\$0.9M
Fixed Income	\$146.2M	\$137.3M	\$0.7M
Equity	\$39.3M	\$32.3M	\$0.1M
Real Assets	\$10.8M	\$17.8M	\$0.0M
Absolute Return	\$33.8M	\$23.7M	\$0.0M
<u>Total Strategic/Reserve</u>	<u>\$230.1M</u>	<u>\$211.1M</u>	<u>\$0.8M</u>
<u>Total Operating Funds</u>	<u>\$415.3M</u>	<u>\$396.3M</u>	<u>\$1.7M</u>

¹ Investment Income Earnings - Dividends and Interest