

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
September 5, 2018

TREASURY REPORT (For quarter ending June 30, 2018)

Report (For Information Only – no action required)

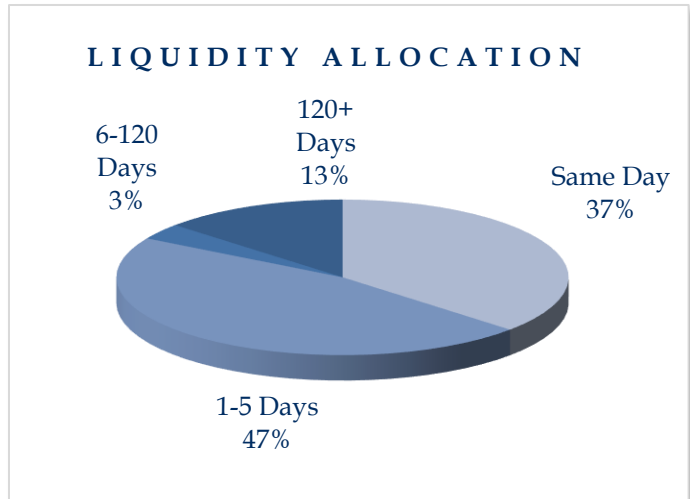
OVERVIEW

The University’s total liquidity position of \$357.5 million was 2.3 times the University’s debt position of \$155.6 million at the end of FY 2018. Including direct support organization (“DSO”) debt, the liquidity to total debt ratio was 1.9 times. These results are better compared to the end of FY 2017, where the liquidity to University debt and the liquidity to total debt ratios were 2.0 times and 1.7 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2018, \$297.9 million, or 83.3 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FY 2018, the University had 66 real days payable¹ (“RDP”) versus 43 RDP at the end of FY 2017. The increase in RDP was due to the re-balancing of the portfolio into lower risk (higher liquidity) investments and higher cash inflows.



Sources

The University started the fiscal year with \$98.1 million in cash balances². Total FY 2018 inflows (state and operational) were \$1,208.0 million as compared to \$1,116.2 Million for FY 2017. On average, \$4.6 million flowed into the University each business day in FY 2018 and \$4.3 million in FY 2017.

Uses

FY 2018, the University used \$1,164.9 million as compared to \$1,107.0 million in the same period last fiscal year. The FY 2018 velocity cash outflow was \$4.5 million per day and \$4.2 million in FY 2017. The University ended FY 2018 with \$141.7 million in cash balances.

Stress Tests/Performance Simulations

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.

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 end of FY 2018 ending balance) could have unrealized losses of up to \$8.8 million and one percent probability of up to \$18.6 million of unrealized losses within a twelve-month period.

At the end of FY 2018, 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 71.4 percent, or \$255.2 million, of the total current available cash and investment balances. RDP would fall to 57 days based on current fiscal year outflows.

The scenario with the bottom decile equity performance generates a median 0.9 percent, or \$3.3 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to \$293.5 million or 82.1 percent of the total current available cash and investment balances. RDP would drop slightly to 65 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance represents a 2.0 percent loss, or \$7.1 million, and a projected drop in liquidity to \$244.2 million or 68.3 percent of the total current available balances. Furthermore, RDP would drop to 54 days.

Forecast and Budget

Actual balances at the end of FY 2018 were 12.9 percent higher than the rolling forecast, 8.8 percent higher than the budget, and 7.8 percent higher than prior year. For the next quarter, the University should experience an increase in the cash and investment balances due to the timing of the University’s Fall enrollment period. The balances are expected to slowly decline through FY 2Q 2019 and will begin to increase (again) as Spring 2019 enrollment progresses.

INVESTMENTS

Composition

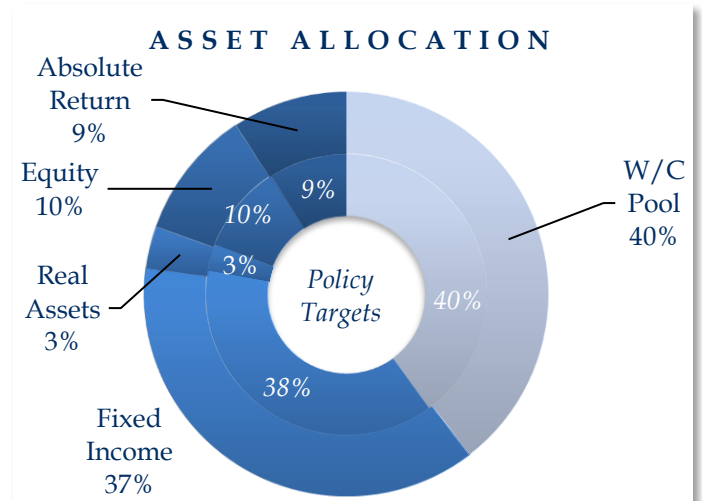
Asset allocations at the end of FY 2018 remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2018, the market value of the University’s operating funds portfolio and cash was \$357.5 million. This balance reflects a decrease of (\$10.4) million or (2.8) percent, from the previous quarter and reflects the quarter-to-quarter seasonal decrease in net cash flows. The total portfolio market value was \$25.9 million higher than the market value at the end of FY 2017.

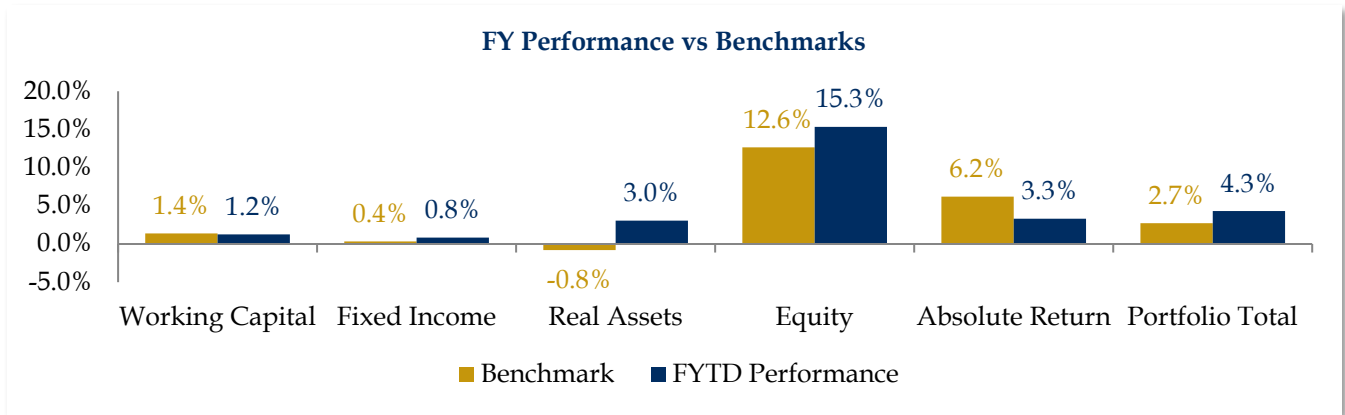
The increase was due to strong investment performance and higher net cash flows.

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, the portfolio returned 4.3 percent. This compares unfavorably to a 5.3 percent return at the end of FY 2017. The variance was mostly the result of the portfolio rebalance to the lower risk profile. The Strategic Capital and Reserve Pools returned 5.5 percent while the Working Capital Pool gained 1.2



percent. Returns from the SPIA totaled 1.8 percent at the end of FY 2018 (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 2.3 percent. All asset classes met or exceeded their benchmarks with the exception of Absolute Return that had a return of 3.3% (vs 6.2% benchmark).

DEBT

Total Outstanding

The University and DSOs ended FY 2018 with \$188.0 million in outstanding debt versus \$196.9M million at the end of FY 2017. The weighted average interest rate for the University and DSO issuances was 4.2% percent.

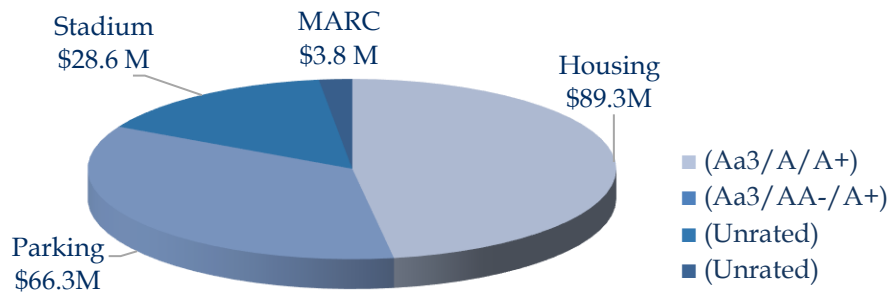
Bond Refunding

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 June 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 \$0.7 million in interest expense in Fiscal Year 2019 and \$3.0 million over the next 5 years.

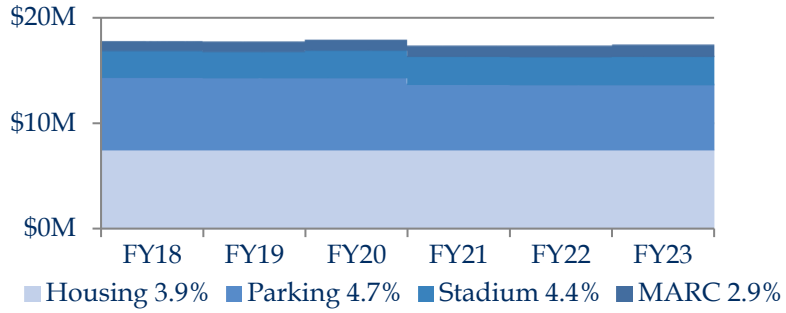
Rating Agency Reviews

Standard & Poor's and Moody's rating agencies completed their ratings reviews of the University in June. Both agencies affirmed their respective ratings for the University's Housing and Parking systems (S&P- Housing A, Parking AA-) (Moody's - Housing Aa3, Parking Aa3). The University anticipates that the Rating Agencies will make an additional review of the Housing System in late Fall or early Spring in order to issue bonds for the construction of the approved housing project.

OUTSTANDING DEBT



ANNUAL DEBT SERVICE



OVERVIEW

Liquidity/University Debt	2.30
Liquidity/Total Debt	1.90

Liquidity Position

Cash + W/C Pool	\$	141,686
Strategic + Reserve Pools		215,770
Total	\$	357,455

Debt Position

University Debt	\$	155,590
DSO Debt		32,400
Total	\$	187,990

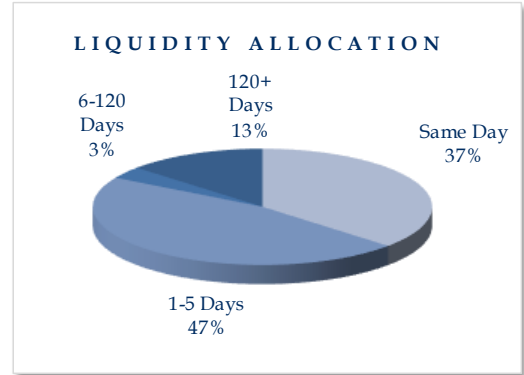
LIQUIDITY

Availability

Same Day	\$	131,358
1-5 Days		166,563
6-120 Days		12,090
120+ Days		47,444
Total	\$	357,455

Real Days Payable (<5 Days)

MTD Outflows	73
QTD Outflows	68
YTD Outflow	66

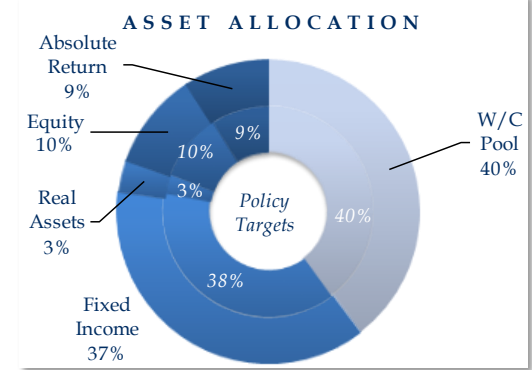
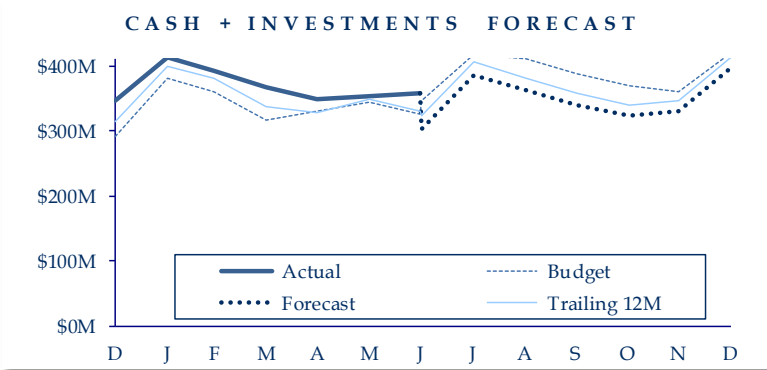


LIQUIDITY SOURCES AND USES

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 137,483	\$ 151,480	\$ 98,050
Opening Cash Balance	649	553	536
From State	31,368	91,476	357,215
From Operations	57,769	181,851	850,804
Uses			
To Payroll	(44,267)	(141,825)	(604,734)
To Operations	(30,568)	(94,520)	(324,378)
To Students	(10,749)	(47,329)	(235,809)
Cash + W/C Pool	\$ 141,686	\$ 141,686	\$ 141,686

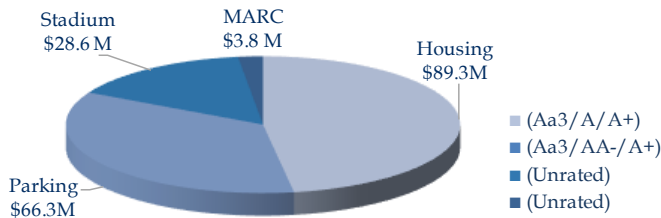
INVESTMENTS

Cash + W/C Pool	Balance	FYTD	Last 1Y
W/C Pool	\$ 141,401	1.2%	1.2%
Cash	285	0.0%	0.0%
Strategic + Reserve Pools			
Fixed Income	133,681	0.8%	0.8%
Real Assets	12,063	3.0%	3.0%
Equity	37,031	15.3%	15.3%
Absolute Return	32,994	3.3%	3.3%
Total	\$ 357,455	5.5%	5.5%

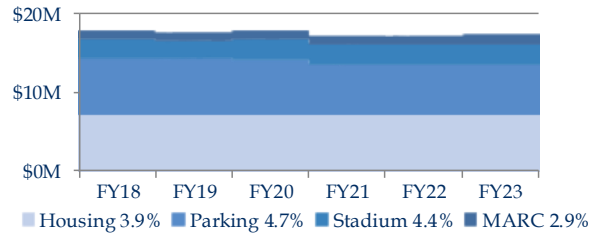


DEBT

OUTSTANDING DEBT



ANNUAL DEBT SERVICE



■ Housing 3.9% ■ Parking 4.7% ■ Stadium 4.4% ■ MARC 2.9%