

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

TREASURY REPORT (For quarter ending September 30, 2018)

**Report** (For Information Only – no action required)

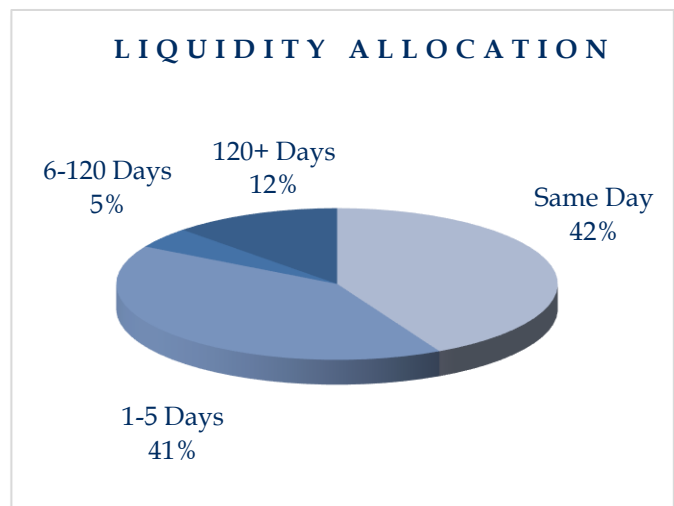
**OVERVIEW**

The University’s total liquidity position of \$396.2 million was 2.7 times the University’s debt position of \$148.4 million at the end of FY 2019 1Q. 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 1Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.5 times and 2.0 times, respectively.

**LIQUIDITY**

**Real Days Payable**

At the end of FY 2019 1Q, \$329.7 million, or 83.2 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2019 1Q, the University had 65 real days payable<sup>1</sup> (“RDP”) versus 49 RDP at the end of FYTD 2018 1Q. The increase in RDP was due to the portfolio rebalance. The University rebalanced to a less risky and more liquid portfolio.



**Sources**

The University started the fiscal year with \$141.7 million in cash balances<sup>2</sup>. Total FYTD 2019 1Q inflows (state and operational) were \$363.7 million as compared to \$346.9 Million for FYTD 2018 1Q. On average, \$5.6 million flowed into the University each business day in FYTD 2019 1Q and \$5.3 million in FYTD 2018 1Q.

**Uses**

<sup>1</sup> 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.

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

FYTD 2019 1Q, the University used \$327.3 million as compared to \$302.0 million in the same period last fiscal year. The FYTD 2019 1Q velocity cash outflow was \$5.0 million per day and \$4.6 million in FYTD 2018 1Q. The University ended FY 2019 1Q with \$178.1 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.

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 2019 1Q ending balance) could have unrealized losses of up to \$8.1 million and one percent probability of up to \$18.1 million of unrealized losses within a twelve-month period. This risk exposure is significantly lower than FYTD 2018 1Q (\$19.9 million and \$34.9 million).

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2019 1Q, a 100 bps rise in the 10 year Treasury Bond rate would result in a \$3.6 million (0.9 percent) unrealized gain. Liquidity, as measured by 5-day accessibility, would drop to 72.8 percent, or \$293.7 million, of the total current available cash and investment balances. RDP would fall to 58 days based on current fiscal year outflows.

A 25 percent decline in the equity markets would result in a -\$8.3 million (-2.2 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, would drop to \$329.5 million or 86.8 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 would result in a -\$7.2 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility would drop to \$280.6 million or 73.5 percent of the total current available balances. Furthermore, RDP would drop to 56 days.

### Forecast and Budget

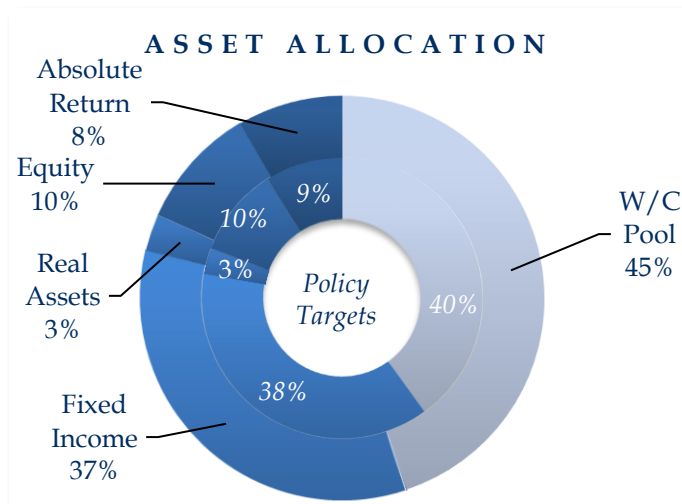
Actual balances at the end of FY 2019 1Q were 8.5 percent higher than the rolling forecast, 3.6 percent lower than the budget, and 3.7 percent higher than prior year. For the next quarter, the University should experience a decrease in the cash and investment balances lasting through the end of the second quarter of FY 2019.

## INVESTMENTS

### Composition

Asset allocations at the end of FY 2019 1Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2019 1Q, the market value of the University’s operating funds portfolio and cash was \$396.2 million. This balance reflects an increase of \$38.7 million or 10.8 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

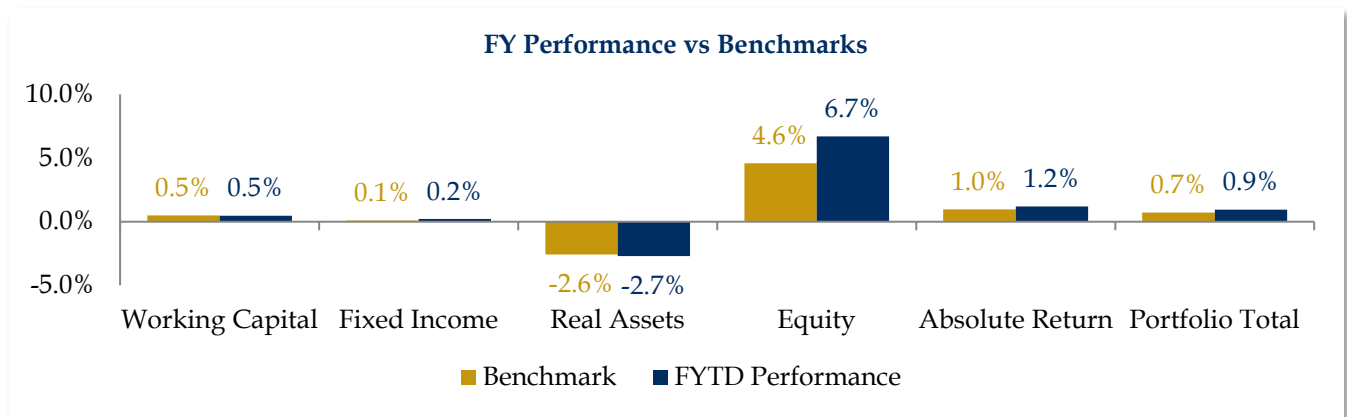


\$14.2 million higher than the market value at the end of FY 2018 1Q. The increase was largely due to strong investment performance throughout the portfolio.

## 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 2019 1Q, the portfolio returned 0.9 percent. This compares unfavorably to a 1.4 percent return at the end of FY 2018 1Q. The Strategic Capital and Reserve Pools returned 1.3 percent while the Working Capital Pool gained 0.5 percent. Returns from the SPIA totaled 0.5 percent at the end of FY 2019 1Q (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 0.2 percent. Asset classes were in line with their benchmarks with the exception of



Equities, which significantly outperformed the benchmark. This outperformance was due to the portfolio's investments in private markets.

## DEBT

### Total Outstanding

The University and DSOs ended FY 2019 1Q with \$180.6M million in outstanding debt versus \$189.8M million at the end of FY 2018 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 \$10.1 million in interest expense over the term of the issuances. As of September 30, 2018, \$3.8 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 2019 and \$3.2 million over the next 5 years.

**OVERVIEW**

Liquidity/University Debt	2.67
Liquidity/Total Debt	2.19

**Liquidity Position**

Cash + W/C Pool	\$	178,077
Strategic + Reserve Pools		218,124
<b>Total</b>	<b>\$</b>	<b>396,201</b>

**Debt Position**

University Debt	\$	148,395
DSO Debt		32,184
<b>Total</b>	<b>\$</b>	<b>180,579</b>

**LIQUIDITY**

**Availability**

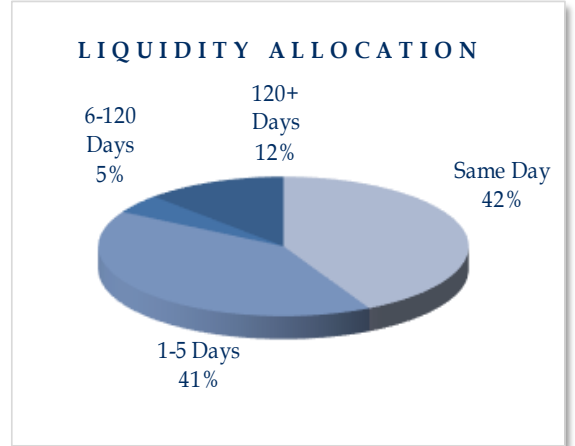
Same Day	\$	167,745
1-5 Days		161,985
6-120 Days		17,647
120+ Days		48,825
<b>Total</b>	<b>\$</b>	<b>396,201</b>

**Real Days Payable (<5 Days)**

MTD Outflows	50
QTD Outflows	65
YTD Outflow	65

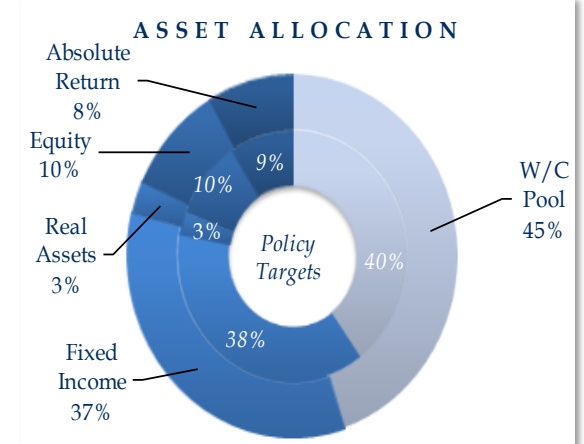
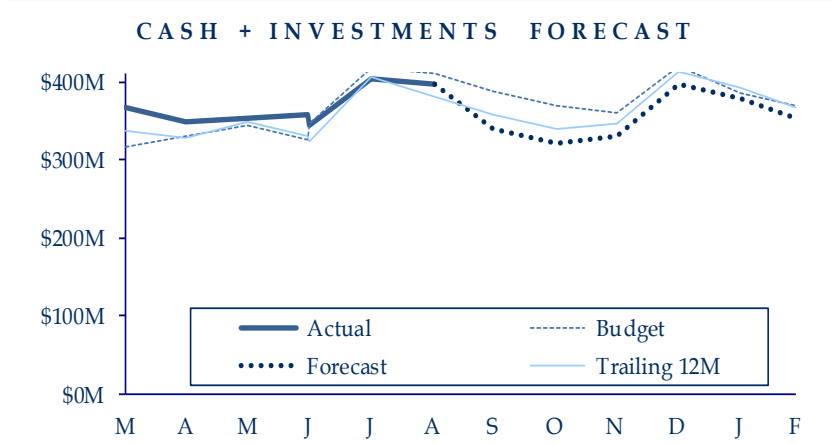
**LIQUIDITY SOURCES AND USES**

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 186,160	\$ 141,401	\$ 141,401
Opening Cash Balance	630	285	285
From State	24,250	74,223	74,223
From Operations	92,914	289,485	289,485
<b>Uses</b>			
To Payroll	(50,280)	(162,955)	(162,955)
To Operations	(27,595)	(79,299)	(79,299)
To Students	(48,003)	(85,061)	(85,061)
<b>Cash + W/C Pool</b>	<b>\$ 178,077</b>	<b>\$ 178,077</b>	<b>\$ 178,077</b>



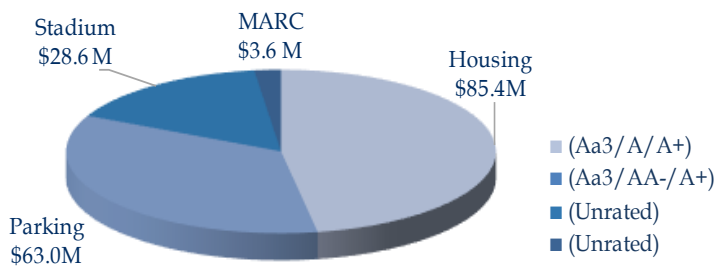
**INVESTMENTS**

Cash + W/C Pool	Balance	FYTD	Last 1Y
W/C Pool	\$ 177,647	0.5%	1.4%
Cash	430	0.0%	0.0%
<b>Strategic + Reserve Pools</b>			
Fixed Income	134,015	0.2%	-0.6%
Real Assets	11,745	-2.7%	-0.6%
Equity	38,961	6.7%	17.0%
Absolute Return	33,404	1.2%	3.2%
<b>Total</b>	<b>\$ 396,201</b>	<b>1.3%</b>	<b>4.8%</b>

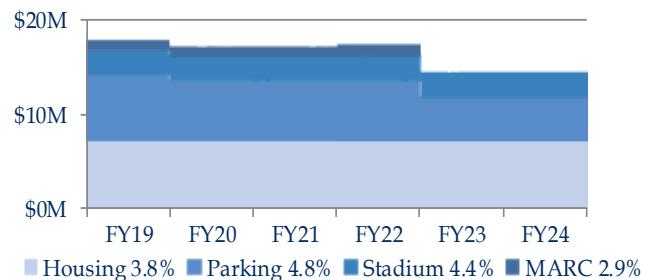


**DEBT**

**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>	\$138.8M	\$139.0M	\$1.8M
Fixed Income	\$133.3M	\$134.8M	\$2.8M
Equity	\$39.8M	\$35.8M	\$0.7M
Real Assets	\$12.5M	\$18.2M	\$0.9M
Absolute Return	\$33.0M	\$23.7M	\$0.0M
<u>Total Strategic/Reserve</u>	<u>\$218.5M</u>	<u>\$212.6M</u>	<u>\$4.3M</u>
<u>Total Operating Funds</u>	<u>\$357.3M</u>	<u>\$351.6M</u>	<u>\$6.2M</u>