

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Facilities Committee**  
 March 4, 2019

**TREASURY REPORT** (For quarter ending December 31, 2018)

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

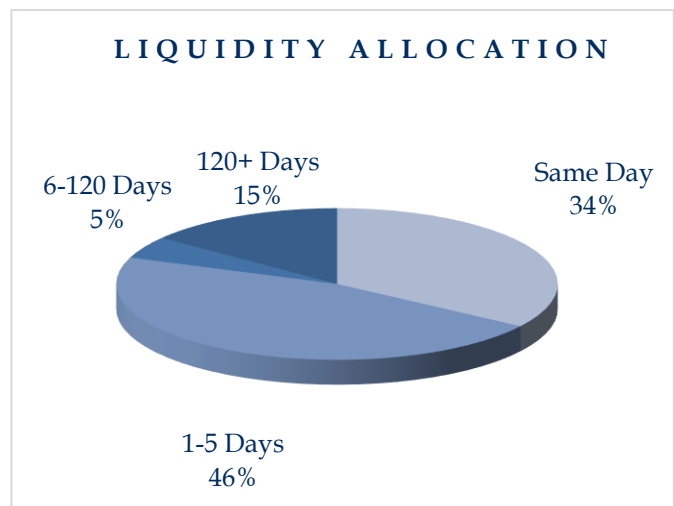
**OVERVIEW**

The University’s total liquidity position of \$343.6 million was 2.3 times the University’s debt position of \$148.4 million at the end of FY 2019 2Q. 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 2018 2Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.2 times and 1.8 times, respectively.

**LIQUIDITY**

**Real Days Payable**

At the end of FY 2019 2Q, \$277.2 million, or 80.7 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2019 2Q, the University had 63 real days payable<sup>1</sup> (“RDP”) versus 45 RDP at the end of FYTD 2018 2Q. 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 2Q inflows (state and operational) were \$564.8 million as compared to \$554.8 Million for FYTD 2018 2Q. On average, \$4.3 million flowed into the University each business day in FYTD 2019 2Q and \$4.3 million in FYTD 2018 2Q.

<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.

## Uses

FYTD 2019 2Q, the University used \$577.9 million as compared to \$549.2 million in the same period last fiscal year. The FYTD 2019 2Q velocity cash outflow was \$4.4 million per day and \$4.2 million in FYTD 2018 2Q. The University ended FY 2019 2Q with \$128.6 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 2Q ending balance) could have unrealized losses of up to \$9.2 million and one percent probability of up to \$19.0 million of unrealized losses within a twelve-month period. This risk exposure is significantly lower than FYTD 2018 2Q (\$19.0 million and \$37.5 million).

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2019 2Q, a 100 bps rise in the 10 year Treasury Bond rate would result in a \$3.6 million, 1.0 percent, unrealized gain. Liquidity, as measured by 5-day accessibility, would drop to 69.1 percent, or \$242.5 million, of the total current available cash and investment balances. RDP would fall to 55 days based on current fiscal year outflows.

A 25 percent decline in the equity markets would result in a -\$8.5 million (-2.6 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, would drop to \$276.8 million or 84.8 percent of the total current available cash and investment balances. RDP would remain the same at 63 days based on fiscal year outflows in this scenario.

Bottom decile of overall portfolio performance would result in a -\$6.5 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility would drop to \$231.3 million or 69.9 percent of the total current available balances. Furthermore, RDP would drop to 52 days.

## Forecast and Budget

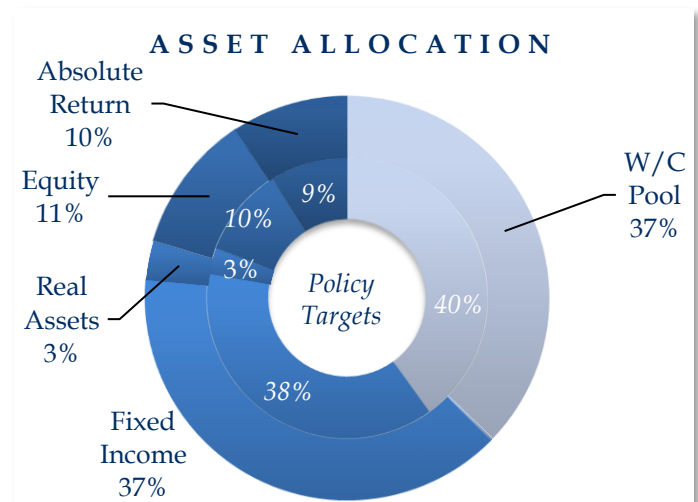
Actual balances at the end of FY 2019 2Q were 5.8 percent higher than the rolling forecast, 4.9 percent lower than the budget, and 1.0 percent lower than prior year. For the next quarter, the University should experience an initial increase in the cash and investment balances, as a result of Spring Enrollment, and experience a gradual decline lasting through the end of the third quarter of FY 2019.

## INVESTMENTS

### Composition

Asset allocations at the end of FY 2019 2Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2019 2Q, the market value of the University’s operating funds portfolio and cash was \$343.6 million. This balance reflects a decrease of \$52.6 million or 13.3 percent, from the previous quarter. The decrease largely reflects the quarter-to-quarter seasonal decrease

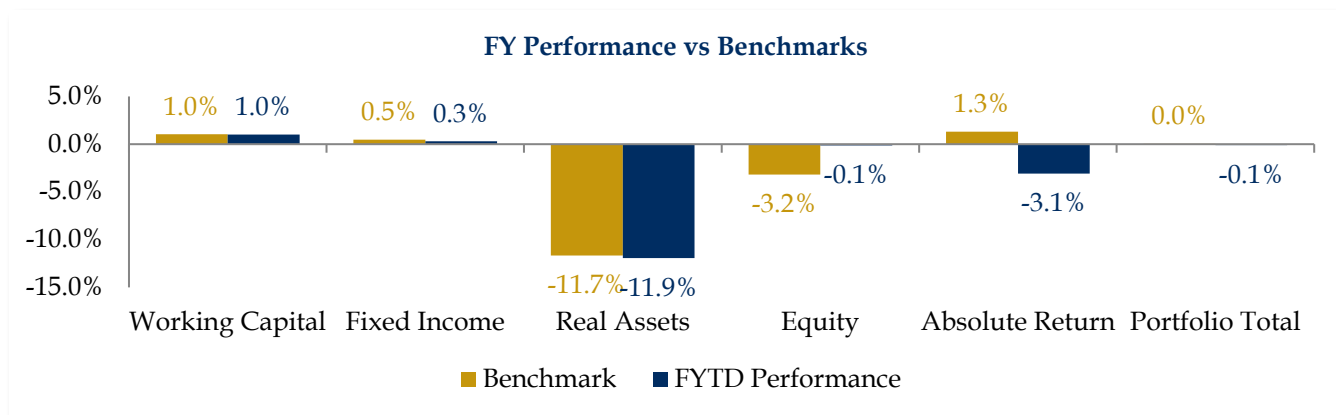


in cash flows after Fall enrollment. The total portfolio market value was \$3.5 million lower than the market value at the end of FY 2018 2Q.

## Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 3.9 percent since inception versus the SPIA's 2.5 percent for the same period. At the end of FY 2019 2Q, the portfolio experienced an unrealized loss of 0.1 percent. This compares unfavorably to a 3.3 percent return at the end of FY 2018 2Q. The Strategic Capital and Reserve Pools declined 1.0 percent while the Working Capital Pool gained 1.0 percent. Returns from the SPIA totaled 1.0 percent at the end of FY 2019 2Q (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

Both the Working Capital and Strategic and Reserve Pools were flat to their respective benchmarks. Asset classes were in line with their benchmarks with the exception of Equities and Absolute Return. The



Equity asset class outperformed its benchmark due to positions in private markets while the Absolute Return asset class underperformed its benchmark.

## DEBT

### Total Outstanding

The University and DSOs ended FY 2019 2Q with \$180.4M million in outstanding debt versus \$189.6M million at the end of FY 2018 2Q. 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 December 31, 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 \$3.1 million over the next 5 years.

**OVERVIEW**

Liquidity/University Debt	<b>2.32</b>
Liquidity/Total Debt	<b>1.91</b>

**Liquidity Position**

Cash + W/C Pool	\$ 128,603
Strategic + Reserve Pools	215,029
<b>Total</b>	<b>\$ 343,633</b>

**Debt Position**

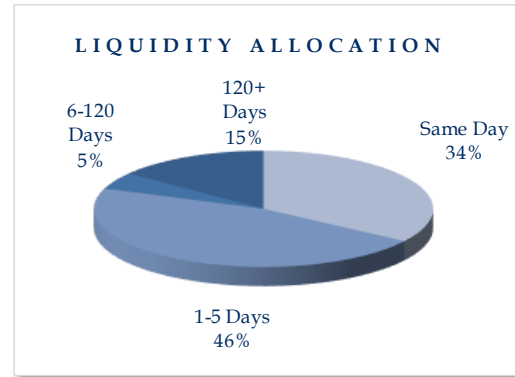
University Debt	\$ 148,395
DSO Debt	31,968
<b>Total</b>	<b>\$ 180,363</b>

**LIQUIDITY**

<b>Availability</b>	
Same Day	\$ 118,231
1-5 Days	158,978
6-120 Days	16,305
120+ Days	50,119
<b>Total</b>	<b>\$ 343,633</b>

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

MTD Outflows	68
QTD Outflows	73
YTD Outflow	63

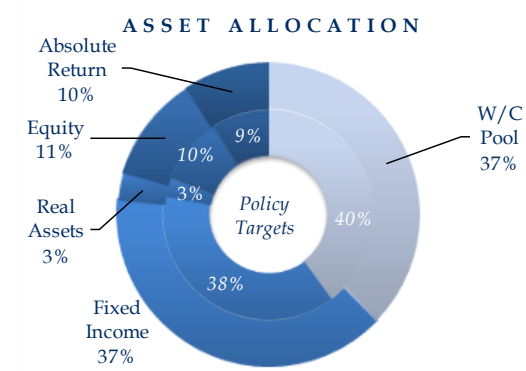
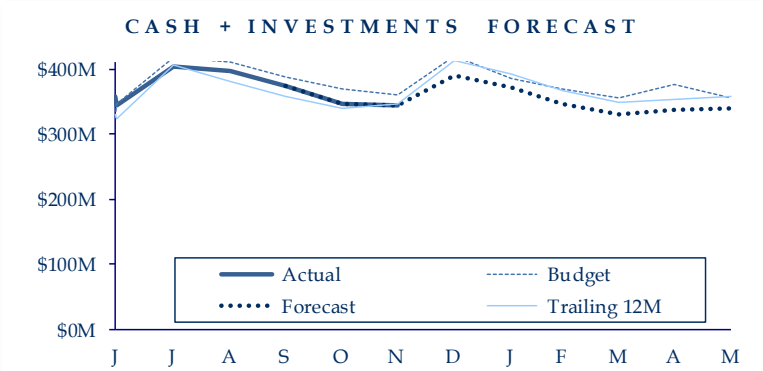


**LIQUIDITY SOURCES AND USES**

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 133,542	\$ 177,647	\$ 141,401
Opening Cash Balance	352	430	285
From State	38,168	86,739	185,212
From Operations	42,360	114,332	379,567
<b>Uses</b>			
To Payroll	(52,004)	(153,126)	(316,081)
To Operations	(28,896)	(78,544)	(157,843)
To Students	(4,918)	(18,875)	(103,937)
<b>Cash + W/C Pool</b>	<b>\$ 128,603</b>	<b>\$ 128,603</b>	<b>\$ 128,603</b>

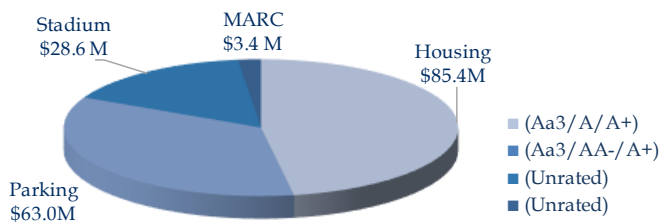
**INVESTMENTS**

Cash + W/C Pool	Balance	FYTD	Last1Y
W/C Pool	\$ 127,906	1.0%	1.7%
Cash	697	0.0%	0.0%
<b>Strategic + Reserve Pools</b>			
Fixed Income	134,139	0.3%	-1.2%
Real Assets	10,639	-11.9%	-11.6%
Equity	38,253	-0.1%	4.1%
Absolute Return	31,998	-3.1%	-2.1%
<b>Total</b>	<b>\$ 343,633</b>	<b>-1.0%</b>	<b>0.2%</b>

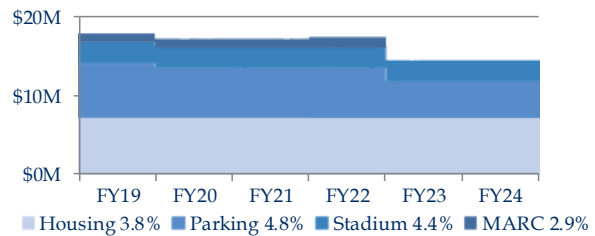


**DEBT**

**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>	\$128.6M	\$128.8M	\$1.6M
Fixed Income	\$134.1M	\$135.9M	\$1.4M
Equity	\$38.3M	\$36.5M	\$0.2M
Real Assets	\$10.6M	\$18.2M	\$0.0M
Absolute Return	\$32.0M	\$23.7M	\$0.0M
<u>Total Strategic/Reserve</u>	<u>\$215.0M</u>	<u>\$214.3M</u>	<u>\$1.6M</u>
<u>Total Operating Funds</u>	<u>\$343.6M</u>	<u>\$343.1M</u>	<u>\$3.2M</u>