

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Facilities Committee**  
 June 19, 2019

**TREASURY REPORT** (For quarter ending March 30, 2019)

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

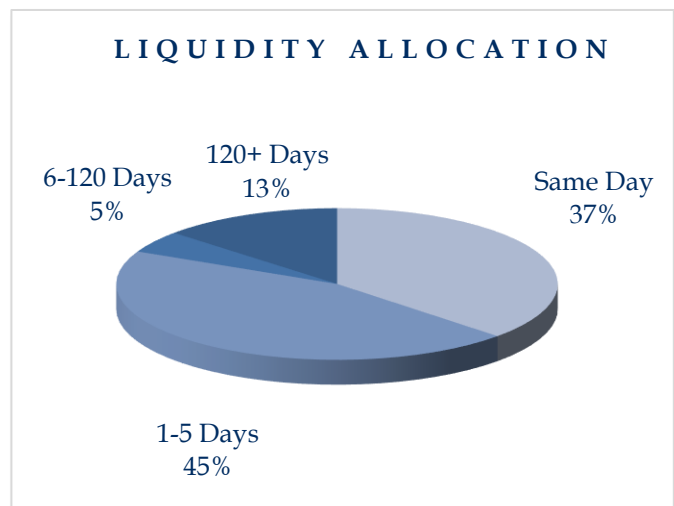
**OVERVIEW**

The University’s total liquidity position of \$370.3 million was 2.5 times the University’s debt position of \$148.4 million at the end of FY 2019 3Q. Including direct support organization (“DSO”) debt, the liquidity to total debt ratio was 2.1 times. These results are better compared to the end of FY 2018 3Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.4 times and 2.0 times, respectively.

**LIQUIDITY**

**Real Days Payable**

At the end of FY 2019 3Q, \$303.9 million, or 82.1 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2019 3Q, the University had 65 real days payable<sup>1</sup> (“RDP”) versus 68 RDP at the end of FYTD 2018 3Q. The decrease in RDP was due to the solid year over year increases in our less liquid investments.



**Sources**

The University started the fiscal year with \$141.7 million in cash balances<sup>2</sup>. Total FYTD 2019 3Q inflows (state and operational) were \$916.0 million as compared to \$904.4 Million for FYTD 2018 3Q. On average, \$4.7 million flowed into the University each business day in FYTD 2019 3Q and \$4.6 million in FYTD 2018 3Q.

**Uses**

FYTD 2019 3Q, the University used \$909.2 million as compared to \$881.2 million in the same period last fiscal year. The FYTD 2019 3Q velocity cash outflow was \$4.7 million per day and \$4.5 million in FYTD 2018 3Q. The University ended FY 2019 3Q with \$148.4 million in cash balances.

<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.

## 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 3Q ending balance) could have unrealized losses of up to \$6.4 million and one percent probability of up to \$15.8 million of unrealized losses within a twelve-month period. This risk exposure is lower than FYTD 2018 3Q (\$8.2 million and \$17.8 million).

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2019 3Q, a 100 bps rise in the 10 year Treasury Bond rate would result in a \$3.5 million, 1.0 percent, unrealized gain. Liquidity, as measured by 5-day accessibility, would drop to 74.2 percent, or \$280.0 million, of the total current available cash and investment balances. RDP would fall to 60 days based on current fiscal year outflows.

A 25 percent decline in the equity markets would result in a -\$8.5 million (-2.4 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, would drop to \$303.4 million or 85.9 percent of the total current available cash and investment balances. RDP would remain the same at 65 days based on fiscal year outflows in this scenario.

Bottom decile of overall portfolio performance would result in a -\$7.1 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility would drop to \$263.5 million or 74.0 percent of the total current available balances. Furthermore, RDP would drop to 57 days.

## Forecast and Budget

Actual balances at the end of FY 2019 3Q were 5.8 percent higher than the rolling forecast, 0.4 percent higher than the budget, and 0.7 percent higher than prior year. For the next quarter, the University should experience a gradual decline in the cash and investment balances lasting through the end of the fourth quarter of FY 2019.

## INVESTMENTS

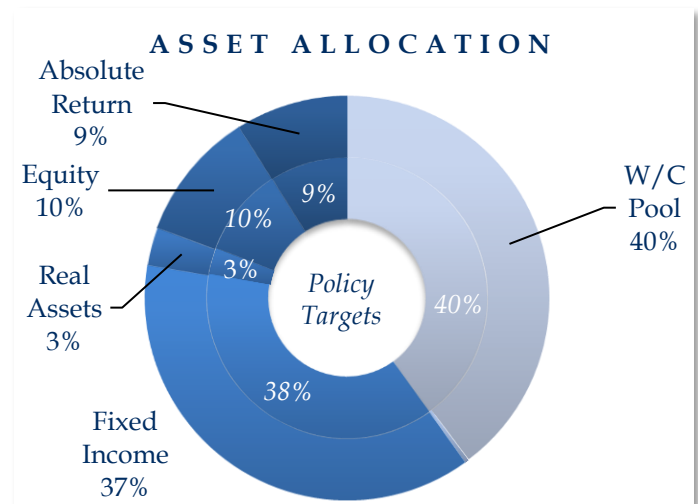
### Composition

Asset allocations at the end of FY 2019 3Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2019 3Q, the market value of the University’s operating funds portfolio and cash was \$370.3 million. This balance reflects an increase of \$26.7 million or 7.8 percent, from the previous quarter. The increase largely reflects a strong quarter for investment returns and the quarter-to-quarter seasonal increase in cash flows after Spring enrollment. The total portfolio market value was \$2.5 million higher than the market value at the end of FY 2018 3Q.

### Performance

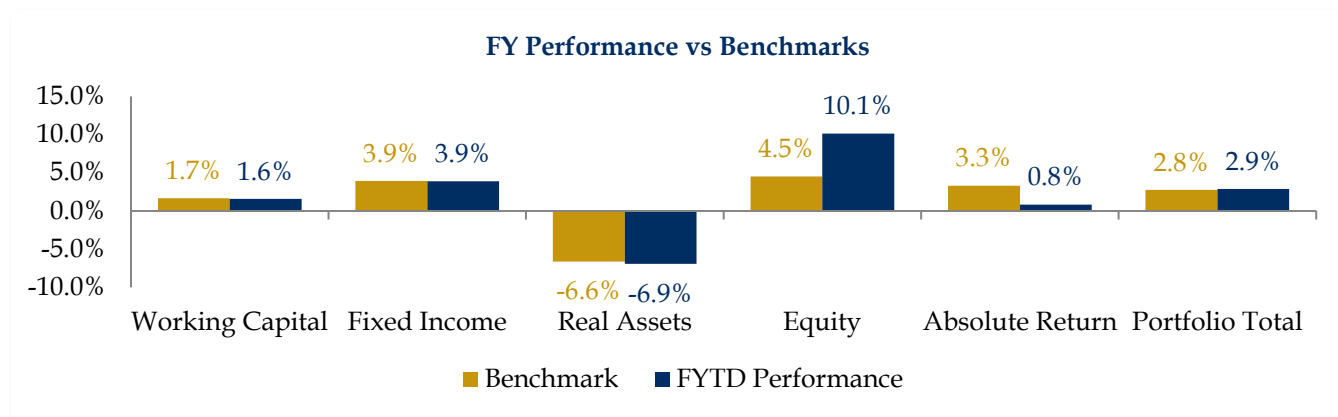
FIU’s operating portfolio continues to outperform the State Treasury investment pool



("SPIA"), returning 4.1 percent since inception versus the SPIA's 2.5 percent for the same period. At the end of FY 2019 3Q, the portfolio experienced an unrealized gain of 2.9 percent. This compares unfavorably to a 3.9 percent return at the end of FY 2018 3Q. The Strategic Capital and Reserve Pools gained 3.9 percent while the Working Capital Pool gained 1.6 percent. Returns from the SPIA totaled 1.6 percent at the end of FY 2019 3Q (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

The portfolio's return was slightly higher than the respective benchmark. 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 due to its lower correlation to the equity market.

## DEBT



### Total Outstanding

The University and DSOs ended FY 2019 3Q with \$178.8M million in outstanding debt versus \$188.2M million at the end of FY 2018 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 31, 2019, \$3.9 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 \$3.0 million over the next 5 years.

The University is in the process of refunding the 2009B (BABs) Parking Bonds relating to the construction of Market Station (Parking Garage 5). We anticipate that the refunding will provide a net present value savings of \$2.5 million to the University. We expect that the refunding will close by the second week of July.

### Rating Agency Reviews

The University will hold reviews with Fitch, Moody's and Standard and Poor's rating agencies throughout Q4. The final ratings reports are expected to be released by the end of May 2019.

**OVERVIEW**

Liquidity/University Debt	<b>2.50</b>
Liquidity/Total Debt	<b>2.07</b>

**Liquidity Position**

Cash + W/C Pool	\$ 148,424
Strategic + Reserve Pools	221,919
<b>Total</b>	<b>\$ 370,343</b>

**Debt Position**

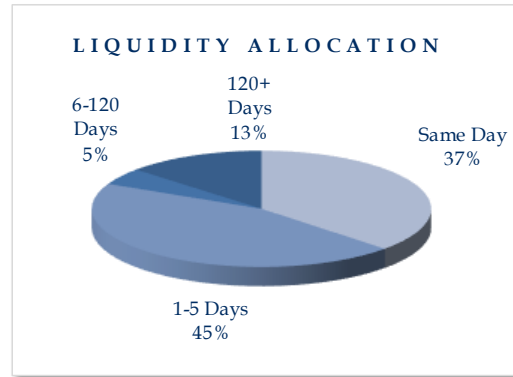
University Debt	\$ 148,395
DSO Debt	30,426
<b>Total</b>	<b>\$ 178,821</b>

**LIQUIDITY**

<b>Availability</b>	
Same Day	\$ 137,288
1-5 Days	166,579
6-120 Days	17,511
120+ Days	48,964
<b>Total</b>	<b>\$ 370,343</b>

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

MTD Outflows	65
QTD Outflows	58
YTD Outflow	65

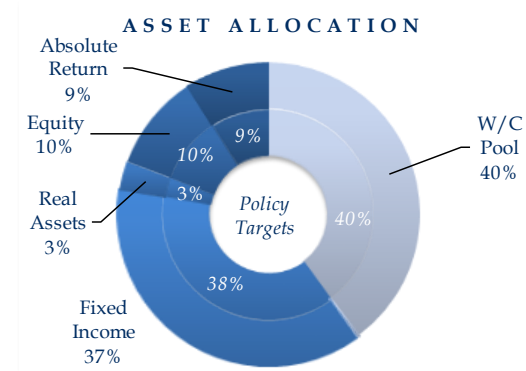
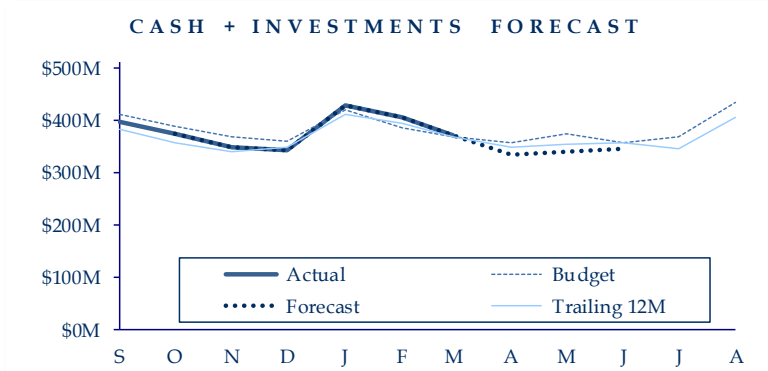


**LIQUIDITY SOURCES AND USES**

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 186,020	\$ 127,906	\$ 141,401
Opening Cash Balance	410	697	285
From State	32,687	91,195	276,407
From Operations	26,839	259,987	639,553
<b>Uses</b>			
To Payroll	(69,179)	(176,114)	(492,195)
To Operations	(22,468)	(71,902)	(229,746)
To Students	(5,886)	(83,345)	(187,282)
<b>Cash + W/C Pool</b>	<b>\$ 148,424</b>	<b>\$ 148,424</b>	<b>\$ 148,424</b>

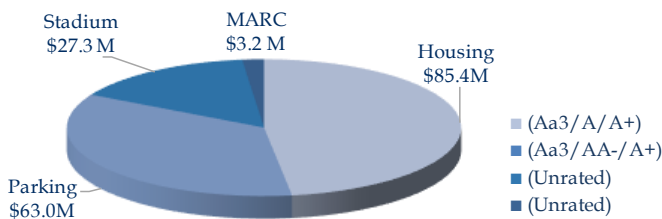
**INVESTMENTS**

Cash + W/C Pool	Balance	FYTD	Last1Y
W/C Pool	\$ 147,284	1.6%	2.0%
Cash	1,140	0.0%	0.0%
<b>Strategic + Reserve Pools</b>			
Fixed Income	138,930	3.9%	3.8%
Real Assets	11,238	-6.9%	-6.9%
Equity	38,468	10.1%	11.7%
Absolute Return	33,283	0.8%	1.9%
<b>Total</b>	<b>\$ 370,343</b>	<b>3.9%</b>	<b>4.2%</b>

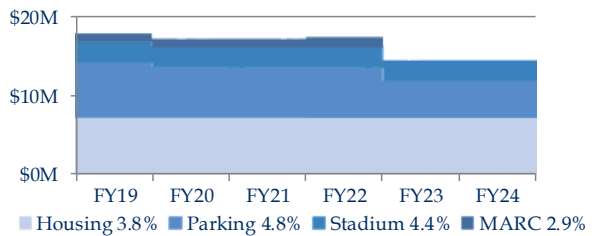


**DEBT**

**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>	\$148.4M	\$148.4M	\$2.7M
Fixed Income	\$138.9M	\$136.6M	\$2.1M
Equity	\$38.5M	\$33.8M	\$0.2M
Real Assets	\$11.2M	\$18.2M	\$0.0M
Absolute Return	\$33.3M	\$23.7M	\$0.0M
<u>Total Strategic/Reserve</u>	<u>\$221.9M</u>	<u>\$212.3M</u>	<u>\$2.4M</u>
<u>Total Operating Funds</u>	<u>\$370.3M</u>	<u>\$360.7M</u>	<u>\$5.0M</u>