

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
 February 26, 2020

TREASURY REPORT (For quarter ending December 31, 2019)

Report (For Information Only – no action required)

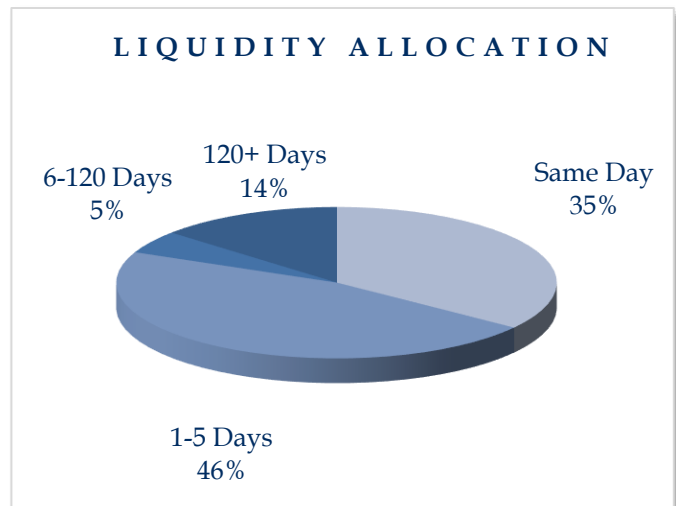
OVERVIEW

The University’s total liquidity position of \$379.9 million was 2.8 times the University’s debt position of \$135.6 million at the end of FY 2020 2Q. Including direct support organization (“DSO”) debt, the liquidity to total debt ratio was 2.3 times. These results are better compared to the end of FY 2019 2Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.3 times and 1.9 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2020 2Q, \$309.9 million, or 81.6 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2020 2Q, the University had 69 real days payable¹ (“RDP”) versus 63 RDP at the end of FYTD 2019 2Q. 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 2Q inflows (state and operational) were \$566.9 million as compared to \$564.8 Million for FYTD 2019 2Q. On average, \$4.3 million flowed into the University each business day in FYTD 2020 2Q and \$4.3 million in FYTD 2019 2Q.

Uses

FYTD 2020 2Q, the University used \$591.8 million as compared to \$577.9 million in the same period last fiscal year. The FYTD 2020 2Q velocity cash outflow was \$4.5 million per day and \$4.4 million in FYTD 2019 2Q. The University ended FY 2020 2Q with \$144.2 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 2Q ending balance) could have unrealized losses of up to \$7.2 million and one percent probability of up to \$17.3 million of unrealized losses within a twelve-month period. This risk exposure is lower than FYTD 2019 2Q (\$9.2 million and \$19.0 million).

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2020 2Q, a 100 bps rise in the 10 year Treasury Bond rate would result in a \$3.8 million (1.0 percent) unrealized gain. Liquidity, as measured by 5-day accessibility, would drop to 73.3 percent, or \$284.0 million, of the total current available cash and investment balances. RDP would fall to 63 days based on current fiscal year outflows.

A 25 percent decline in the equity markets would result in a -\$9.5 million (-2.6 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, would decrease slightly to \$308.9 million or 85.6 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 -\$7.8 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility would drop to \$266.0 million or 73.0 percent of the total current available balances. Furthermore, RDP would drop to 59 days.

Forecast and Budget

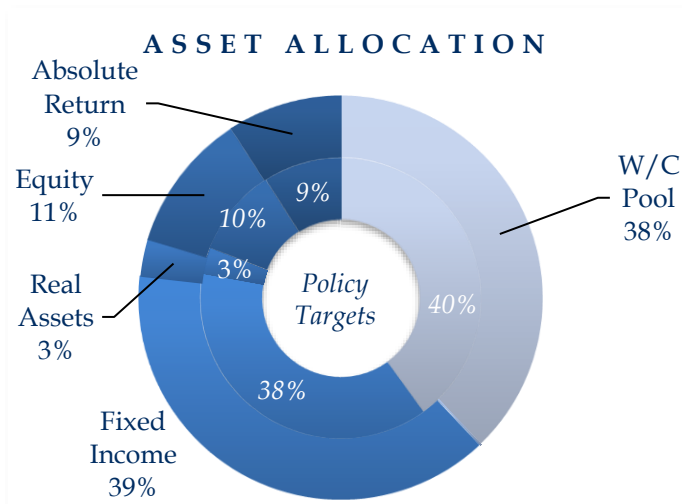
Actual balances at the end of FY 2020 2Q were 12.1 percent higher than the rolling forecast, -0.8 percent lower than the budget, and 10.5 percent higher than prior year. For the next quarter, the University should experience an increase in the cash and investment balances lasting through the end of the third quarter of FY 2020.

INVESTMENTS

Composition

Asset allocations at the end of FY 2020 2Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

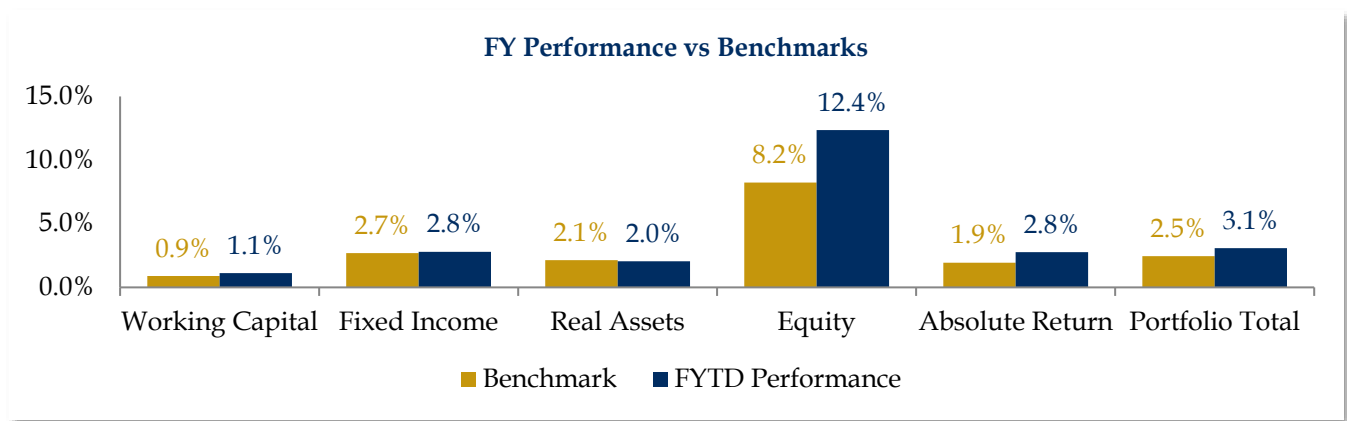
At the end of FY 2020 2Q, the market value of the University’s operating funds portfolio and cash was \$379.9 million. This balance reflects an decrease of \$35.4 million or 8.5 percent, from the previous quarter. The decrease reflects the quarter-to-quarter seasonal decrease in cash flows, partially offset by the quarterly investment returns. The total portfolio market value was \$36.3 million higher than the market value at the end of FY 2019 2Q. 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 4.2 percent since inception versus the SPIA's 2.5 percent for the same period. At the end of FY 2020 2Q, the portfolio returned 3.1 percent. This compares favorably to a 0.1 percent unrealized loss at the end of FY 2019 2Q. The Strategic Capital and Reserve Pools returned 4.3 percent while the Working Capital Pool gained 1.1 percent. Returns from the SPIA totaled 1.8 percent at the end of FY 2020 2Q (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 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 outperformed. 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 2Q with \$165.5M million in outstanding debt versus \$180.4M million at the end of FY 2019 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 \$15.5 million in interest expense over the term of the issuances. As of December 31, 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 FY 2020 and \$4.2 million over the next 5 years.

OVERVIEW

Liquidity/University Debt	2.80
Liquidity/Total Debt	2.29

Liquidity Position

Cash + W/C Pool	\$ 144,250
Strategic + Reserve Pools	235,632
Total	\$ 379,881

Debt Position

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

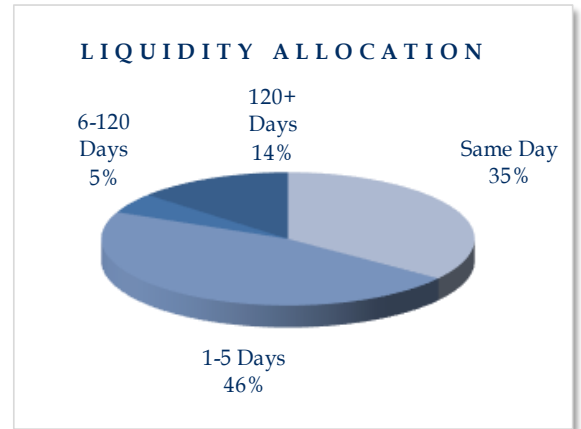
LIQUIDITY

Availability

Same Day	\$ 133,394
1-5 Days	176,538
6-120 Days	18,664
120+ Days	51,286
Total	\$ 379,881

Real Days Payable (<5 Days)

MTD Outflows	77
QTD Outflows	79
YTD Outflows	69

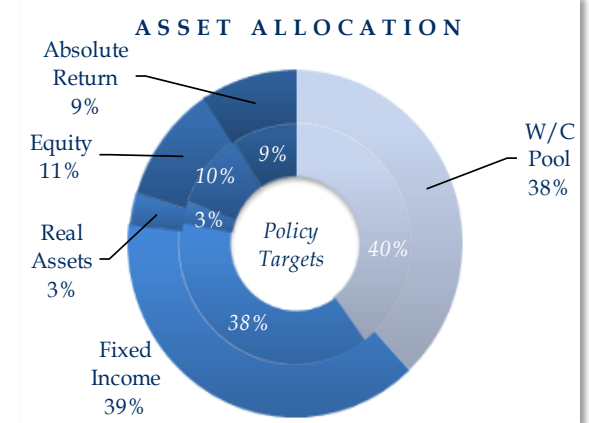
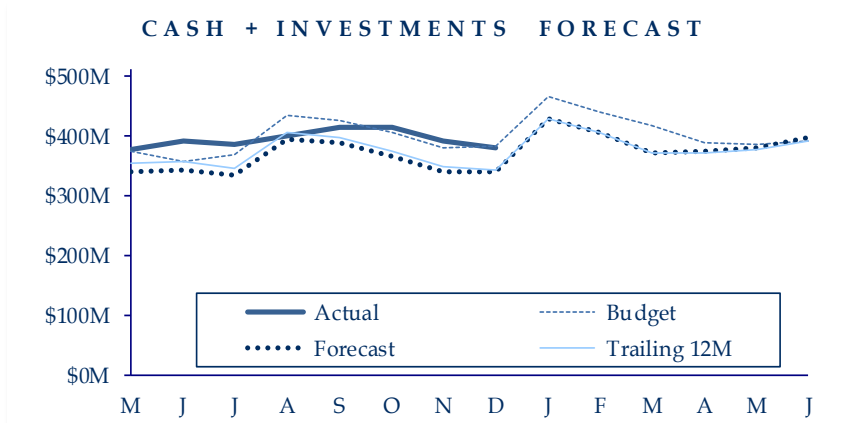


LIQUIDITY SOURCES AND USES

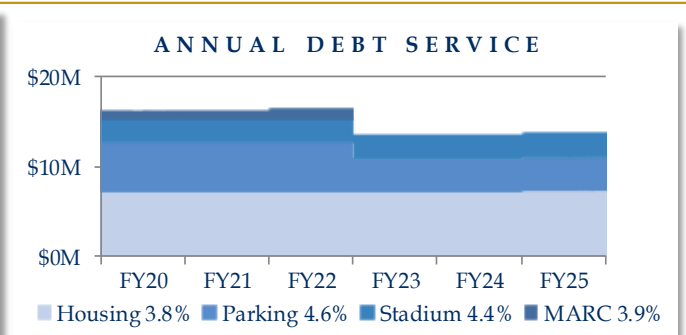
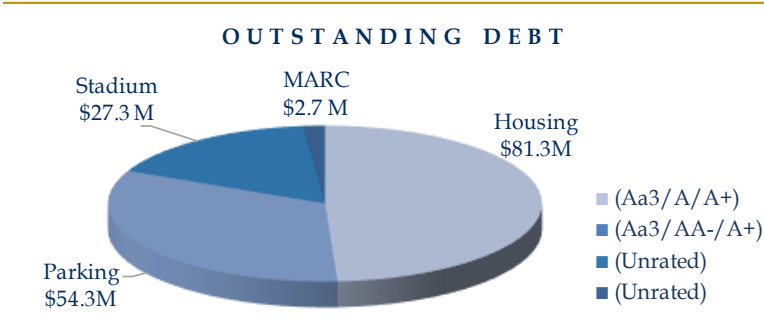
Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 158,364	\$ 184,243	\$ 167,855
Opening Cash Balance	603	943	1,290
From State	25,678	99,322	184,934
From Operations	48,181	118,109	381,977
Uses			
To Payroll	(60,673)	(168,047)	(335,875)
To Operations	(22,664)	(72,467)	(153,064)
To Students	(5,240)	(17,853)	(102,867)
Cash + W/C Pool	\$ 144,250	\$ 144,250	\$ 144,250

INVESTMENTS

Cash + W/C Pool	Balance	FYTD	Last 1Y
W/C Pool	\$ 143,614	1.1%	2.6%
Cash	636	0.0%	0.0%
Strategic + Reserve Pools			
Fixed Income	147,254	2.8%	9.8%
Real Assets	11,266	2.0%	5.9%
Equity	42,237	12.4%	26.8%
Absolute Return	34,875	2.8%	9.0%
Total	\$ 379,881	4.3%	12.3%



DEBT



Period Ending December 31, 2019

<u>OPERATING FUNDS</u>	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>INCOME EARNED¹</u>
<u>Working Capital²</u>	\$144.3M	\$144.3M	\$1.7M
Fixed Income	\$147.3M	\$139.2M	\$1.5M
Equity	\$42.2M	\$32.6M	\$0.2M
Real Assets	\$11.3M	\$17.8M	\$0.0M
Absolute Return	\$34.9M	\$23.7M	\$0.0M
<u>Total Strategic/Reserve</u>	\$235.6M	\$213.3M	\$1.6M
<u>Total Operating Funds</u>	\$379.9M	\$357.5M	\$3.3M

¹ Investment Income Earnings - Dividends and Interest

² Includes Bank Cash