

Internal Bank Annual Report

BACKGROUND

The Internal Bank Annual Report is provided pursuant to the university's Internal Bank Policy. This report provides the financial position of the Internal Bank as of June 30, 2018, and the activity of its central loan program for the year then ended. Please note that the performance of investments is reported to the Board separately on a quarterly basis and therefore is not included in this report.

PERFORMANCE REPORT

Assets

Assets totaled \$764.7M, consisting of \$126.6M in cash equivalents, \$192.4M in investments and \$445.7M in loans to university departmental borrowers.

Liabilities

Liabilities totaled \$731.2M, consisting of \$223.9M in university departmental deposits, \$497.9M in long-term debt to investors, and \$9.4M in accounts payable and accrued liabilities.

Net Position

The ending net position was \$33.5M.

The following table provides a comparison of the major balance sheet categories for 2018 vs. 2017 actuals:

| For the year ended June 30 | Actual 2018 | Actual 2017 | Change |
|-------------------------------|----------------|----------------|--------------|
| Total Cash Equivalents | \$126,627,598 | \$78,111,195 | \$48,516,403 |
| Prepaid Expenses | - | \$1,199 | (1,199) |
| Total Investments | 192,371,421 | 133,882,025 | 58,489,396 |
| Total Loans | 445,679,213 | 420,792,418 | 24,886,795 |
| Total Due to Other Funds | 223,886,975 | 203,350,298 | 20,536,677 |
| Total Debt | 497,851,928 | 391,135,125 | 106,716,803 |
| Total Other Liabilities | 9,448,850 | 6,738,615 | 2,710,235 |
| Net Position | \$33,490,479 | \$31,562,799 | \$1,927,679 |

- The change in Cash Equivalents is due mainly to 2017 unspent bond proceeds of \$68.9M, which were offset by a shift of cash to investments.
- The change in Investments is due mainly to a shift of excess cash to investments.
- The change in Loans is due mainly to \$41.4M in new loans less principal payments of \$16.5M.
- The change in the category of Due to Other Funds results largely from an increase in investment deposits offset by a decrease in cash deposits.

- The change in Debt is due mainly to the issuance of \$72.5M in revenue bonds and draws of \$46.8M on line of credit, offset by \$12.6M in principal payments.
- The increase in Other Liabilities is due mainly to an increase in interest payable.

Operations

Net Interest Margin – Interest income from loans and investments totaled \$26.9M with associated interest expense totaling \$24.0M. The resulting net interest margin was \$2.9M.

Operating Expenses – Operating expenses totaled \$929,644. The majority of these expenses were costs associated with issuance of 2017 series general revenue bonds, consulting, professional services and personnel services.

Change in Net Position – Net Position increased \$1.9M from operations.

The following table provides a comparison of the major operating categories for 2018 actual vs. budget:

| For the year ended June 30 | Actual 2018 | Budget 2018 | Variance |
|----------------------------|--------------|--------------|---------------|
| Total Interest Income | \$26,905,967 | \$27,541,632 | (\$635,665) |
| Total Interest Expense | 24,048,644 | 23,648,380 | (400,264) |
| Net Interest Margin | 2,857,323 | 3,893,252 | (1,035,929) |
| Total Operating Expenses | 929,644 | 786,500 | (143,144) |
| Net from Operations | \$1,927,679 | \$3,106,752 | (\$1,179,073) |

- The variance in Interest Income is due mainly to \$1.3M higher PUF earnings offset by \$0.5M lower interest on loans due to delays in project spending and a \$1.4M investment loss.
- The variance in Interest Expense is due mainly to higher interest on deposits \$0.7M offset by lower bond interest of \$0.3M,
- The variance in Operating Expenses is due mainly to higher than anticipated professional services.

Outstanding Loans

The FY2018 financial statements, a schedule of outstanding loans, and graphs showing future loan payments to be received and debt service payments to be paid are provided in Attachment 1.

The schedule of loans is broken out in two categories: debt funded and internally funded.

Debt-funded loans – These are loans issued that are funded with proceeds from externally issued bonds or bonds that are planned to be issued in the following fiscal year. New loans issued this year totaled \$15.2M. Of the \$15.2M, \$1.6M were loans for Information Technology infrastructure projects, and \$0.3M for OSU-Cascades housing and dining projects funded with proceeds of revenue bonds that were sold in August 2016 (FY2017). The remaining balance

of \$13.3M was for five projects associated with the October 2017 (FY2018) revenue bond sale. See loan schedule on page 6 for the details.

Internally-funded loans – These loans are issued as advanced payments for anticipated gift pledges and for internally funded projects. Several new loans were issued this year totaling \$26.3M. The majority were for the purchase of the Research Way lab \$19.8M and \$6.4M for the HP11 building improvements.

Debt Service

Over the life of current outstanding loans, a total of \$922.7M in loan payments will be received by the Internal Bank and \$854.6M in bond debt service payments will be paid to investors.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2018 Internal Bank Annual Report.

Attachment 1

Oregon State University Internal Bank
Statement of Net Position - Unaudited

| As of June 30, | 2018 | 2017 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash Equivalents | | |
| Customer Cash | \$ 31,515,555 | \$ 69,468,273 |
| Bank Cash | 95,112,043 | 8,642,922 |
| Total Cash Equivalents | <u>\$126,627,598</u> | <u>\$78,111,195</u> |
| Prepaid Expenses | - | 1,199 |
| Investments | | |
| P.U.F. Core Bond Fund | 195,149,556 | 133,534,421 |
| Net Unrealized Gain/(Loss) | (2,778,136) | 347,604 |
| Total Investments | <u>192,371,421</u> | <u>133,882,025</u> |
| Loans | | |
| Loans | 440,646,754 | 415,306,876 |
| Premium/(Discounts) on Loans | 5,032,459 | 5,485,542 |
| Total Loans | <u>445,679,213</u> | <u>420,792,418</u> |
| Total Assets | <u>\$ 764,678,232</u> | <u>\$ 632,786,837</u> |
| LIABILITIES | | |
| Due to Other Funds | | |
| Deposits | \$ 223,886,975 | \$ 203,350,298 |
| Total Due to Other Funds | <u>223,886,975</u> | <u>203,350,298</u> |
| Debt | | |
| XI-F(1) Long Term Debt | 268,374,926 | 279,826,332 |
| XI-F(1) Long-Term Accreted Interest | 1,366,872 | 2,337,257 |
| Taxable Line of Cr Payable - LT | 46,800,000 | - |
| 2015 A&B Revenue Bonds Long-Term Debt | 51,115,000 | 51,115,000 |
| 2015 A Revenue Bonds Unamortized Premium | 5,439,979 | 5,641,316 |
| 2016 A&B Revenue Bonds Long-Term Debt | 47,260,000 | 47,260,000 |
| 2016 A Revenue Bonds Unamortized Premium | 4,790,151 | 4,955,220 |
| 2017 Taxable Revenue Bonds | 72,705,000 | - |
| Total Debt | <u>497,851,928</u> | <u>391,135,125</u> |
| Other Liabilities | | |
| Accounts Payable and Accrued Liabilities | 9,448,850 | 6,738,615 |
| Total Liabilities | <u>\$ 731,187,754</u> | <u>\$ 601,224,038</u> |
| NET POSITION | <u>\$ 33,490,479</u> | <u>\$ 31,562,799</u> |

January 17-18, 2019 Board of Trustees Meetings

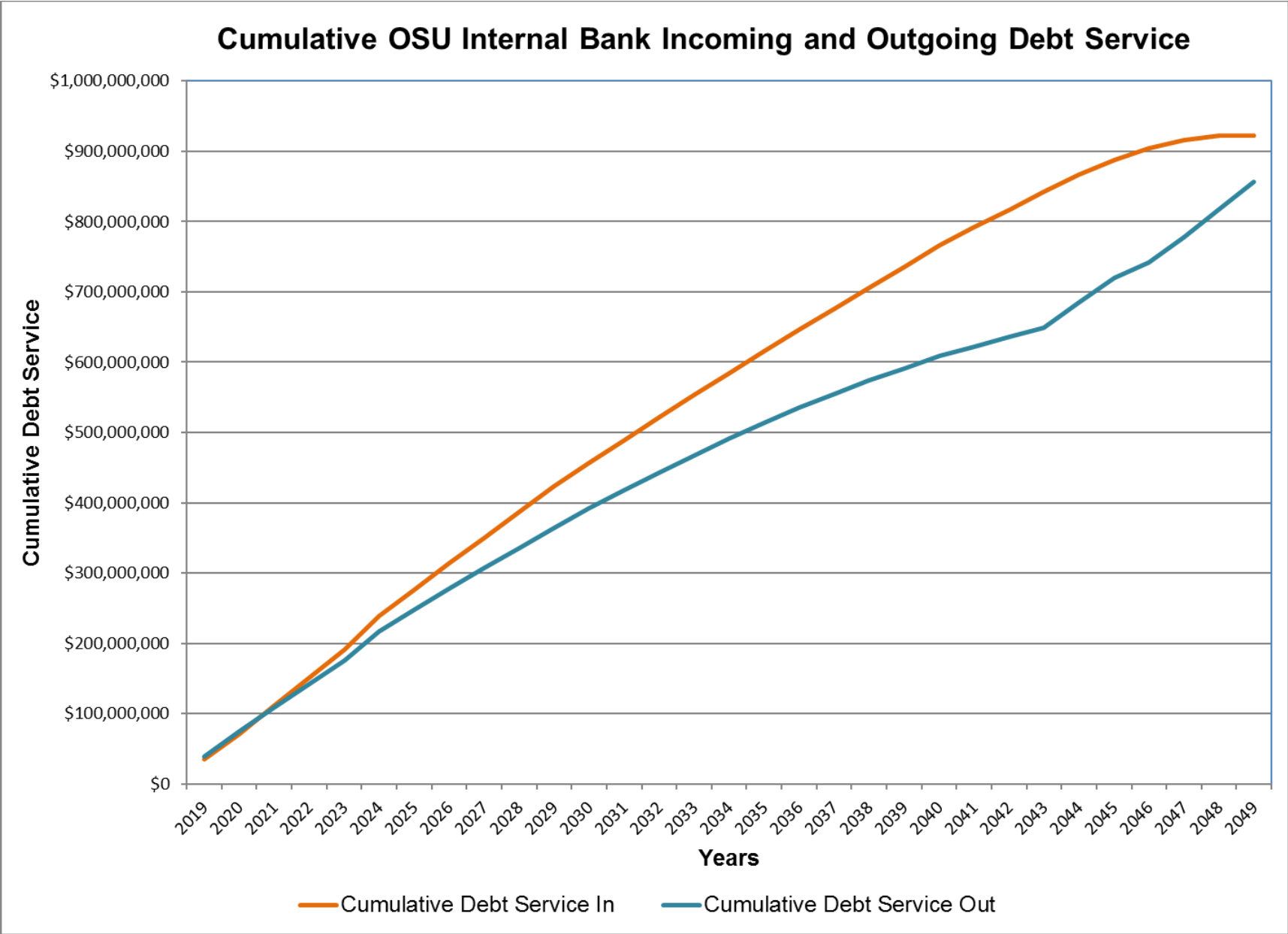
Oregon State University Internal Bank
Statement of Revenues, Expenses & Changes in Net Position - Unaudited

| For the year ended June 30, | Budget 2019 | Actual 2018 | Actual 2017 |
|--|---------------------|---------------------|---------------------|
| INTEREST INCOME | | | |
| Interest Income | \$22,000,000 | \$21,464,445 | \$19,317,413 |
| Earnings on Cash Deposits | 8,500,000 | 6,466,403 | 3,863,034 |
| Investment Earnings (Losses) | - | (1,404,064) | 1,768,314 |
| Reimbursement outside entity | - | 12,777 | 16,659 |
| Revenue Bond Premium | 366,406 | 366,406 | 341,081 |
| Total Interest Income | 30,866,406 | 26,905,967 | 25,306,500 |
| INTEREST EXPENSE | | | |
| Interest Expense-Bond Debt Service | 21,758,000 | 18,440,929 | 16,325,724 |
| Net Premium/Discount Expense | 442,077 | 453,083 | 466,092 |
| Interest Paid on Deposits | 7,225,000 | 5,154,632 | 3,832,504 |
| Total Interest Expense | 29,425,077 | 24,048,644 | 20,624,320 |
| Net Interest Margin | 1,441,329 | 2,857,323 | 4,682,180 |
| OPERATING EXPENSES | | | |
| Personnel Services | 255,270 | 206,047 | 97,238 |
| Legal Services | 112,000 | 99,316 | 84,110 |
| Management Consulting Services | 95,000 | 73,926 | 78,164 |
| Professional Services | 500,000 | 486,420 | 304,421 |
| Pooled University Fund Assessment | 58,000 | 53,209 | 50,986 |
| Conference Registration Fee | 2,500 | 1,199 | 695 |
| Miscellaneous Supplies | 3,500 | 5,359 | 11,902 |
| Employee Travel | 4,500 | 4,167 | 1,005 |
| Total Operating Expenses | 1,030,770 | 929,644 | 628,520 |
| Net from Operations | 410,559 | 1,927,679 | 4,053,660 |
| NONOPERATING REVENUES | | | |
| Gain/(Loss) on Bond Refunding | - | - | 4,022,314 |
| Total Net Nonoperating Revenues | - | - | 4,022,314 |
| Increase in Net Position | 410,559 | 1,927,679 | 8,075,974 |
| NET POSITION | | | |
| Beginning Balance | 33,490,479 | \$31,562,799 | 23,486,826 |
| Ending Balance | \$33,901,038 | \$33,490,479 | \$31,562,799 |

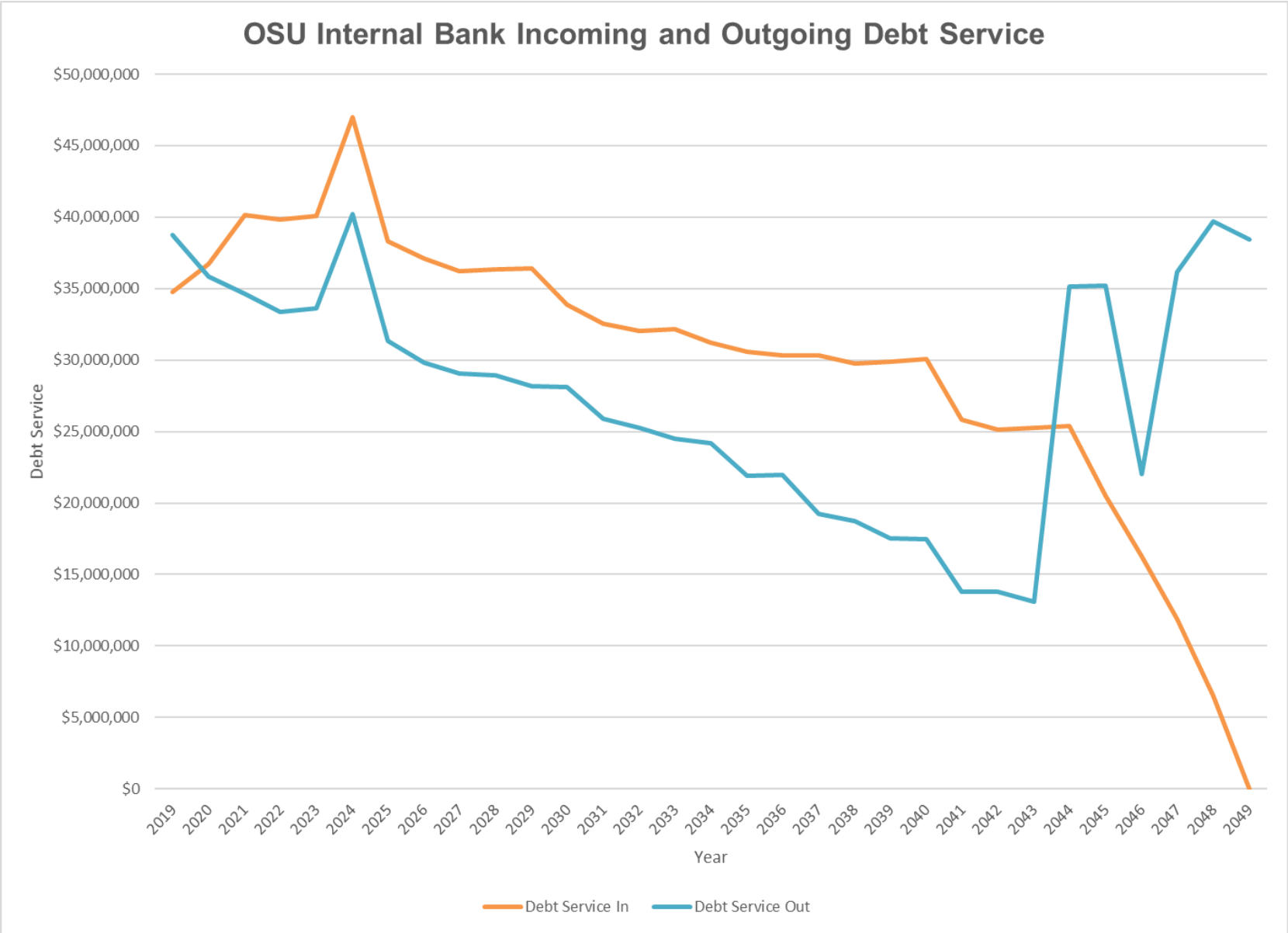
January 17-18, 2019 Board of Trustees Meetings

| Internal Bank Master List - Outstanding loans | | | | | | | | |
|---|-----------------------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| As of 6/30/2018 | | | Totals IN | | | Totals OUT | | |
| Loan | IB IN Current Outstanding Balance | IB OUT Current Outstanding Balance | Interest In | Principal In | Debt Service In | Interest Out | Principal Out | Debt Service Out |
| Debt Funded Loans | | | | | | | | |
| XI-F(1) Total Debt | 271,797,969.75 | \$268,374,926 | \$212,171,481 | \$271,797,970 | \$483,969,451 | \$149,688,283 | \$268,374,926 | \$418,063,209 |
| 15A Rev Bonds | | | | | | | | |
| Classroom Bldg | 30,746,229 | 28,493,912 | 27,142,124 | 30,746,229 | 57,888,352 | 38,010,975 | 28,493,912 | 66,504,887 |
| Nypro | 5,562,495 | 5,155,206 | 4,907,985 | 5,562,495 | 10,470,480 | 6,877,063 | 5,155,206 | 12,032,269 |
| Cascade Master Plan | 1,783,896 | 1,753,471 | 955,314 | 1,783,896 | 2,739,210 | 2,339,137 | 1,753,471 | 4,092,608 |
| Space Improvement Program | | | | | | | | |
| Cascade Expansion | 5,341,650 | 4,760,675 | 4,721,709 | 5,341,650 | 10,063,359 | 6,350,757 | 4,760,675 | 11,111,432 |
| 15B RevBond Space Improvement Program | 9,513,170 | 10,075,000 | 10,303,869 | 9,513,170 | 19,817,039 | 11,368,630 | 10,075,000 | 21,443,630 |
| 16A Rev Bonds | | | | | | | | |
| Cascade Housing and Dining | 43,866,430 | 37,128,179 | 48,230,745 | 46,810,479 | 95,041,224 | 50,181,711 | 30,033,179 | 80,214,890 |
| IT Infrastructure | 3,331,265 | 3,036,821 | 3,205,309 | 3,331,265 | 6,536,573 | 3,810,854 | 3,036,821 | 6,847,675 |
| 16B Rev Bonds | | | | | | | | |
| Cascade HD Taxable | 402,389 | 402,389 | 454,620 | 441,232 | 895,852 | 366,174 | 402,389 | 768,563 |
| IT Infrastructure Taxable | 1,114,575 | 1,114,575 | 1,059,932 | 1,114,575 | 2,174,507 | 1,014,263 | 1,114,575 | 2,128,838 |
| Unissued Debt Out | | | | | | | | |
| 15A Unissued | | 876,736 | - | - | - | 1,169,568 | 876,736 | 2,046,304 |
| 16A Unissued | | 0 | - | - | - | - | - | - |
| 16B Unissued | | 5,578,036 | - | - | - | 5,076,013 | 5,578,036 | 10,654,050 |
| 17A Unissued | | 59,323,561 | - | - | - | 67,871,759 | 59,323,561 | 127,195,320 |
| 17A RevBonds Taxable | | | | | | | | |
| Gilkey Hall Renovation | 0 | 0 | - | - | - | - | - | - |
| Snell Low Rise Fine Arts Remodel | 542,644 | 545,834 | 526,976 | 542,644 | 1,069,620 | 624,486 | 545,834 | 1,170,320 |
| OSU Marine Geology Repository/Nypro | 2,240,645 | 2,253,820 | 2,175,953 | 2,240,645 | 4,416,598 | 2,578,583 | 2,253,820 | 4,832,402 |
| Newport Housing (HMSC) | 1,266,722 | 1,274,170 | 1,230,149 | 1,266,722 | 2,496,872 | 1,457,771 | 1,274,170 | 2,731,942 |
| Steam Line/Utility Tunnel | 7,743,711 | 7,789,243 | 7,520,135 | 7,743,711 | 15,263,846 | 8,911,630 | 7,789,243 | 16,700,873 |
| Upper Division/Graduate Housing | 1,509,496 | 1,518,372 | 1,465,914 | 1,509,496 | 2,975,411 | 1,737,161 | 1,518,372 | 3,255,533 |
| Debt Funded Total | 386,763,285 | 439,454,926 | 326,072,218 | 389,746,177 | 715,818,395 | 359,434,817 | 432,359,926 | 791,794,744 |
| Foundation/Line of Credit Funded Loans | | | | | | | | |
| | | | 0 | 0 | 0 | - | - | - |
| Coleman Field | 434,238 | | 15,418 | 434,238 | 449,656 | - | - | - |
| Goss Scoreboard | 238,890 | | 100 | 238,890 | 238,990 | - | - | - |
| Goss Stadium Locker Room | 869,768 | | 69,278 | 869,768 | 939,046 | - | - | - |
| Indoor Golf Practice Facility | 56,452 | | 2,533 | 56,452 | 58,985 | - | - | - |
| Valley Football Center | 23,766,207 | | 2,180,604 | 23,766,207 | 25,946,812 | - | - | - |
| Cascade Tykeson Expansion | 589,417 | | 30,776 | 589,417 | 620,193 | - | - | - |
| Research Way Lab building | 19,819,261 | | 19,829,893 | 19,819,261 | 39,649,154 | - | - | - |
| Line of Credit (LOC) | | 46,800,000 | 0 | 0 | 0 | 16,046,226 | 46,800,000 | 62,846,225 |
| Foundation/LOC Funded Total | 45,774,234 | 46,800,000 | 22,128,602 | 45,774,234 | 67,902,836 | 16,046,226 | 46,800,000 | 62,846,225 |
| Internally Funded Loans | | | | | | | | |
| ATAM | 6,424,906 | | 2,144,064 | 6,424,906 | 8,568,970 | | | |
| Research Way Lab remodel | 11,924 | | 4,014 | 11,924 | 15,938 | | | |
| Magruder | 7,500 | | 2,593 | 7,500 | 10,093 | | | |
| Extension Cisco | 136,158 | | 5,161 | 136,158 | 141,319 | | | |
| Office Copier Printer Program | 1,206,962 | | 68,999 | 1,206,962 | 1,275,961 | | | |
| Ricoh Equipment Purchase | 282,405 | | 12,574 | 282,405 | 294,978 | | | |
| Washington Way | 39,381 | | 13,035 | 39,381 | 52,416 | | | |
| Internally Funded Total | 8,109,236 | | 2,250,439 | 8,109,236 | 10,359,675 | | | |
| Totals | \$440,646,754 | \$486,254,926 | \$350,451,259 | \$443,629,647 | \$794,080,905 | \$375,481,043 | \$479,159,926 | \$854,640,969 |
| Unissued loans In | | | | | | | | |
| 2015A series | \$1,000,000 | 876,736 | 694,101 | 1,000,000 | 1,694,101 | - | - | - |
| 2016A series | 0 | 0 | 0 | 0 | 0 | - | - | - |
| 202B series | 5,483,036 | 5,578,036 | 5,322,502 | 5,483,036 | 10,805,538 | - | - | - |
| 2017 | 58,976,783 | 59,323,561 | 57,114,059 | 58,976,783 | 116,090,842 | - | - | - |
| Total Unissued loans | \$65,459,819 | \$65,778,333 | \$63,130,661 | \$65,459,819 | \$128,590,480 | \$0 | \$0 | \$0 |
| Grand total | | | | | \$922,671,386 | | | \$854,640,969 |

January 17-18, 2019 Board of Trustees Meetings



January 17-18, 2019 Board of Trustees Meetings



The jump in outgoing debt service beginning in 2044 is due to the principal payment of bullet maturities on General Revenue bonds.