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, 2019, 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 on a quarterly basis and therefore is not a focus of this report.

PERFORMANCE REPORT

Assets
Assets totaled $861.2M, consisting of $255.9M in cash equivalents, $156.8M in investments and $448.5M in loans to university departments.

Liabilities
Liabilities totaled $827.0M, consisting of $218.4M in university departmental deposits, $599.6M in long-term debt to investors, and $9.0M in accounts payable and accrued liabilities.

Net Position
The ending net position was $34.2M.

The following table provides a comparison of the major balance sheet categories for 2019 actual vs. 2018 actual:

<table>
<thead>
<tr>
<th>For the year ended June 30</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cash Equivalents</td>
<td>$255,893,012</td>
<td>$126,627,598</td>
<td>$129,265,414</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>7,889</td>
<td>-</td>
<td>7,889</td>
</tr>
<tr>
<td>Total Investments</td>
<td>156,847,591</td>
<td>192,371,421</td>
<td>(35,523,830)</td>
</tr>
<tr>
<td>Total Loans</td>
<td>448,454,710</td>
<td>445,679,213</td>
<td>2,775,497</td>
</tr>
<tr>
<td>Total Due to Other Funds</td>
<td>218,357,316</td>
<td>223,886,975</td>
<td>(5,529,669)</td>
</tr>
<tr>
<td>Total Debt</td>
<td>599,641,408</td>
<td>497,851,928</td>
<td>101,789,480</td>
</tr>
<tr>
<td>Total Other Liabilities</td>
<td>9,022,931</td>
<td>9,448,850</td>
<td>(425,919)</td>
</tr>
<tr>
<td>Net Position</td>
<td>$34,181,547</td>
<td>$33,490,479</td>
<td>$691,068</td>
</tr>
</tbody>
</table>

- The change in Total Cash Equivalents is due mainly to unspent proceeds from the 2019 revenue bond sale.
- The change in Total Investments is due mainly to a net liquidation of investments to meet operating needs.
- The change in Total Loans is due mainly to $35.7M in new loans to university borrowers less principal payments made by university borrowers of $32.5M.
• The change in Total Due to Other Funds is due mainly to a net decrease in university deposits.
• The change in Total Debt is due mainly to the issuance of $140M in revenue bonds, offset by $37.5M in principal payments.
• The decrease in Total Other Liabilities is due mainly to lower year-end payables relating to project cost accruals.

Operations

*Net Interest Margin* – Interest income from loans and investments totaled $30.2M with associated interest expense totaling $28.4M. The resulting net interest margin was $1.8M.

*Operating Expenses* – Operating expenses totaled $1,082,480. The majority of these expenses were costs associated with issuance of the 2019 series general revenue bonds, consulting, professional services and personnel services.

*Change in Net Position* – Net Position increased $0.7M from operations.

The following table provides a comparison of the major operating categories for 2019 actual vs. budget:

<table>
<thead>
<tr>
<th>For the year ended June 30</th>
<th>Actual 2019</th>
<th>Budget 2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Interest Income</td>
<td>$30,208,521</td>
<td>$30,866,406</td>
<td>($657,885)</td>
</tr>
<tr>
<td>Total Interest Expense</td>
<td>28,434,973</td>
<td>29,425,077</td>
<td>990,104</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>1,773,548</td>
<td>1,441,329</td>
<td>332,219</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>1,082,480</td>
<td>1,030,770</td>
<td>(51,710)</td>
</tr>
<tr>
<td>Net from Operations</td>
<td>$691,069</td>
<td>$410,559</td>
<td>$280,509</td>
</tr>
</tbody>
</table>

• The variance in Total Interest Income is due mainly to $1.2M of higher interest on loans, offset by a $1.6M investment loss and $0.3 lower Public University Fund (PUF) earnings.
• The variance in Total Interest Expense is due mainly to $0.8M of lower interest paid on deposits and lower bond interest paid of $0.2M.
• The variance in Total Operating Expenses is due mainly to higher than anticipated professional services and management consulting services, offset by lower personnel services costs.

The FY2019 financial statements and a schedule of outstanding loans are provided in Attachment 1.

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

*Debt-funded loans* – These are loans issued that were funded with proceeds from externally issued bonds or bonds that are planned to be issued in the following fiscal year. New loans
issued in FY2019 (detailed in the schedule on page 6) totaled $26.6M and included the following:

- $3.3M were loans for Information Technology infrastructure projects and the OSU-Cascades housing and dining projects, which were funded with proceeds of revenue bonds sold in August 2016 (FY2017);
- $3.4M went to projects associated with the October 2017 (FY2018) revenue bond sale: Snell Low Rise Fine Arts remodel, OSU Marine Geology Repository, Upper Division Graduate housing and Newport housing;
- $19.8M was for projects associated with the May 2019 (FY2019) revenue bond sale: Research Way laboratory building purchase, Washington Way improvements, Cascade Hall renovation and Campus Center operations facility update.

Internally-funded loans – These loans are issued as advanced payments for anticipated gift pledges and for internally funded projects. Ten new loans were issued this year totaling $9.1M, including the Magruder Hall expansion (at $4.6M) and the HP Building 11 improvements (at $2.3M).

Debt Service
Over the life of current outstanding loans, a total of $1.14B in loan payments will be received by the Internal Bank and $1.10B in bond debt service payments will be paid to bondholders/investors.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2019 Internal Bank Annual Report.
Oregon State University Internal Bank  
Statement of Net Position - Unaudited  

As of June 30, 2019  

| ASSETS | |  
| --- | --- | --- |
| **Cash Equivalents** | |  
| Customer Cash | $61,509,725 | $31,515,555 |
| Bank Cash | $194,383,287 | 95,112,043 |
| **Total Cash Equivalents** | $255,893,012 | 126,627,598 |
| **Prepaid Expenses** | | 7,889 |
| **Investments** | |  
| P.U.F. Core Bond Fund | 152,899,270 | 195,149,556 |
| Net Unrealized Gain/(Loss) | 3,948,321 | (2,778,136) |
| **Total Investments** | 156,847,591 | 192,371,421 |
| **Loans** | |  
| Loans | 443,864,328 | 440,646,754 |
| Premium/(Discounts) on Loans | 4,590,382 | 5,032,459 |
| **Total Loans** | 448,454,710 | 445,679,213 |
| **Total Assets** | $861,203,202 | $764,678,232 |

| LIABILITIES | |  
| --- | --- | --- |
| **Due to Other Funds** | |  
| Deposits | $218,357,316 | 223,886,975 |
| **Total Due to Other Funds** | 218,357,316 | 223,886,975 |
| **Debt** | |  
| XI-F(1) Long Term Debt | 256,217,218 | 268,374,926 |
| XI-F(1) Long-Term Accreted Interest | 930,467 | 1,366,872 |
| Taxable Line of Cr Payable - LT | 21,550,000 | 46,800,000 |
| 2015 A&B Revenue Bonds Long-Term Debt | 51,115,000 | 51,115,000 |
| 2015 A Revenue Bonds Unamortized Premium | 5,238,641 | 5,439,979 |
| 2016 A&B Revenue Bonds Long-Term Debt | 47,260,000 | 47,260,000 |
| 2016 A Revenue Bonds Unamortized Premium | 4,625,083 | 4,790,151 |
| 2017 Taxable Revenue Bonds | 72,705,000 | 72,705,000 |
| 2019 Taxable Revenue Bonds | 140,000,000 | - |
| **Total Debt** | 599,641,408 | 497,851,928 |
| **Other Liabilities** | |  
| Accounts Payable and Accrued Liabilities | 9,022,931 | 9,448,850 |
| **Total Liabilities** | $827,021,655 | $731,187,754 |
| **NET POSITION** | |  
| | $34,181,547 | $33,490,479 |
Oregon State University Internal Bank  
Statement of Revenues, Expenses & Changes in Net Position - Unaudited

<table>
<thead>
<tr>
<th></th>
<th>Budget 2020</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEREST INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>24,000,000</td>
<td>23,191,304</td>
<td>21,464,445</td>
</tr>
<tr>
<td>Earnings on Cash Deposits</td>
<td>9,300,000</td>
<td>8,257,393</td>
<td>6,466,403</td>
</tr>
<tr>
<td>Investment Earnings (Losses)</td>
<td>-</td>
<td>(1,606,583)</td>
<td>(1,404,064)</td>
</tr>
<tr>
<td>Reimbursement outside entity</td>
<td>-</td>
<td>-</td>
<td>12,777</td>
</tr>
<tr>
<td>Revenue Bond Premium</td>
<td>366,406</td>
<td>366,406</td>
<td>366,406</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td>33,666,406</td>
<td>30,208,521</td>
<td>$26,905,967</td>
</tr>
<tr>
<td><strong>INTEREST EXPENSE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense-Bond Debt Service</td>
<td>26,001,000</td>
<td>21,579,194</td>
<td>18,440,929</td>
</tr>
<tr>
<td>Net Premium/Discount Expense</td>
<td>431,000</td>
<td>442,077</td>
<td>453,083</td>
</tr>
<tr>
<td>Interest Paid on Deposits</td>
<td>5,600,000</td>
<td>6,413,702</td>
<td>5,154,632</td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td>32,032,000</td>
<td>28,434,973</td>
<td>24,048,644</td>
</tr>
<tr>
<td><strong>Net Interest Margin</strong></td>
<td>1,634,406</td>
<td>1,773,548</td>
<td>2,857,323</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>267,171</td>
<td>212,716</td>
<td>206,047</td>
</tr>
<tr>
<td>Legal Services</td>
<td>50,000</td>
<td>109,871</td>
<td>99,316</td>
</tr>
<tr>
<td>Management Consulting Services</td>
<td>195,000</td>
<td>149,473</td>
<td>73,926</td>
</tr>
<tr>
<td>Professional Services</td>
<td>152,500</td>
<td>540,667</td>
<td>486,420</td>
</tr>
<tr>
<td>Pooled University Fund Assessment</td>
<td>75,000</td>
<td>59,649</td>
<td>53,209</td>
</tr>
<tr>
<td>Conference Registration Fee</td>
<td>2,500</td>
<td>824</td>
<td>1,199</td>
</tr>
<tr>
<td>Miscellaneous Supplies</td>
<td>35,850</td>
<td>5,560</td>
<td>5,359</td>
</tr>
<tr>
<td>Employee Travel</td>
<td>5,000</td>
<td>3,720</td>
<td>4,167</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>783,021</td>
<td>1,082,480</td>
<td>929,643</td>
</tr>
<tr>
<td><strong>Net from Operations</strong></td>
<td>851,385</td>
<td>691,069</td>
<td>1,927,679</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain/(Loss) on Bond Refunding</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Net Nonoperating Revenues</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Increase in Net Position</strong></td>
<td>851,385</td>
<td>691,069</td>
<td>1,927,679</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>34,181,547</td>
<td>$33,490,478</td>
<td>31,562,799</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$35,032,932</td>
<td>$34,181,547</td>
<td>33,490,478</td>
</tr>
</tbody>
</table>
## Internal Bank Master List - Outstanding loans

**As of 6/30/2019**

<table>
<thead>
<tr>
<th>Loan Description</th>
<th>IB IN</th>
<th>IB OUT</th>
<th>Totals IN</th>
<th>Totals OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debt Funded Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XI-F(1) Total Debt</td>
<td>$263,921,057</td>
<td>$256,217,218</td>
<td>$263,921,057</td>
<td>$256,217,218</td>
</tr>
<tr>
<td>15A Rev Bonds</td>
<td>$355,654,029</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classroom Bldg</td>
<td>$30,209,479</td>
<td>$28,493,912</td>
<td>$30,209,479</td>
<td>$28,493,912</td>
</tr>
<tr>
<td>Nypro</td>
<td>$5,465,308</td>
<td>$5,155,206</td>
<td>$5,465,308</td>
<td>$5,155,206</td>
</tr>
<tr>
<td>Cascade Master Plan</td>
<td>$1,719,617</td>
<td>$1,753,471</td>
<td>$1,719,617</td>
<td>$1,753,471</td>
</tr>
<tr>
<td>Space Improvement Program</td>
<td>$960,437</td>
<td>$876,736</td>
<td>$960,437</td>
<td>$876,736</td>
</tr>
<tr>
<td>Cascade Expansion</td>
<td>$5,248,600</td>
<td>$4,760,675</td>
<td>$5,248,600</td>
<td>$4,760,675</td>
</tr>
<tr>
<td>15B RevBond Space Improvement Program</td>
<td>$9,371,151</td>
<td>$10,075,000</td>
<td>$9,371,151</td>
<td>$10,075,000</td>
</tr>
<tr>
<td><strong>Debt Funded Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loan Funded Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classroom Housing and Dining</td>
<td>$45,813,885</td>
<td>$37,126,179</td>
<td>$45,813,885</td>
<td>$37,126,179</td>
</tr>
<tr>
<td>IT Infrastructure</td>
<td>$3,497,038</td>
<td>$3,036,821</td>
<td>$3,497,038</td>
<td>$3,036,821</td>
</tr>
<tr>
<td>Classroom HD Taxable</td>
<td>$402,389</td>
<td>$402,389</td>
<td>$402,389</td>
<td>$402,389</td>
</tr>
<tr>
<td>IT Infrastructure Taxable</td>
<td>$2,345,170</td>
<td>$2,345,170</td>
<td>$2,345,170</td>
<td>$2,345,170</td>
</tr>
<tr>
<td><strong>17A RevBonds Taxable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Snell Low Rise Fine Arts Remodel</td>
<td>$1,628,005</td>
<td>$1,637,578</td>
<td>$1,628,005</td>
<td>$1,637,578</td>
</tr>
<tr>
<td>Newport Housing (HMSC)</td>
<td>$1,320,588</td>
<td>$1,328,353</td>
<td>$1,320,588</td>
<td>$1,328,353</td>
</tr>
<tr>
<td>Steam Line/Utility Tunnel</td>
<td>$7,469,753</td>
<td>$7,513,675</td>
<td>$7,469,753</td>
<td>$7,513,675</td>
</tr>
<tr>
<td>Upper Division/Graduate Housing</td>
<td>$2,871,164</td>
<td>$2,888,046</td>
<td>$2,871,164</td>
<td>$2,888,046</td>
</tr>
<tr>
<td><strong>19 RevBonds Taxable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Way Lab building</td>
<td>$19,544,641</td>
<td>$19,639,754</td>
<td>$19,544,641</td>
<td>$19,639,754</td>
</tr>
<tr>
<td>Campus Operation Center</td>
<td>$29,271</td>
<td>$29,413</td>
<td>$29,271</td>
<td>$29,413</td>
</tr>
<tr>
<td>Washington Way/Cascades Hall</td>
<td>$242,265</td>
<td>$243,444</td>
<td>$242,265</td>
<td>$243,444</td>
</tr>
<tr>
<td><strong>Debt Funded Total</strong></td>
<td>$405,466,077</td>
<td>$386,951,125</td>
<td>$405,466,077</td>
<td>$386,951,125</td>
</tr>
<tr>
<td><strong>Gifts/Line of Credit Funded Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coleman Field</td>
<td>$394,667</td>
<td></td>
<td>$394,667</td>
<td></td>
</tr>
<tr>
<td>Goss Stadium Locker Room</td>
<td>$768,789</td>
<td></td>
<td>$768,789</td>
<td></td>
</tr>
<tr>
<td>Indoor Golf Practice Facility</td>
<td>$26,452</td>
<td></td>
<td>$26,452</td>
<td></td>
</tr>
<tr>
<td>MBB Locker Room</td>
<td>$128,930</td>
<td></td>
<td>$128,930</td>
<td></td>
</tr>
<tr>
<td>Omaha/ Balcony Goss</td>
<td>$1,518,080</td>
<td></td>
<td>$1,518,080</td>
<td></td>
</tr>
<tr>
<td>Valley Football Center</td>
<td>$20,143,732</td>
<td></td>
<td>$20,143,732</td>
<td></td>
</tr>
<tr>
<td>Cascade Tykeson Expansion</td>
<td>$285,695</td>
<td></td>
<td>$285,695</td>
<td></td>
</tr>
<tr>
<td>Line of Credit (LOC)</td>
<td>$21,550,000</td>
<td></td>
<td>$21,550,000</td>
<td></td>
</tr>
<tr>
<td><strong>Gifts/LOC Funded Total</strong></td>
<td>$23,287,326</td>
<td>$21,550,000</td>
<td>$23,287,326</td>
<td>$21,550,000</td>
</tr>
<tr>
<td><strong>Internally Funded Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATAMI</td>
<td>$8,680,046</td>
<td></td>
<td>$8,680,046</td>
<td></td>
</tr>
<tr>
<td>Research Way Lab remodel</td>
<td>$323,431</td>
<td></td>
<td>$323,431</td>
<td></td>
</tr>
<tr>
<td>Magruder</td>
<td>$3,872,032</td>
<td></td>
<td>$3,872,032</td>
<td></td>
</tr>
<tr>
<td>Cordley Hall</td>
<td>$63,010</td>
<td></td>
<td>$63,010</td>
<td></td>
</tr>
<tr>
<td>Linear Accelerator</td>
<td>$683,905</td>
<td></td>
<td>$683,905</td>
<td></td>
</tr>
<tr>
<td>Finlay Hall</td>
<td>$8,743</td>
<td></td>
<td>$8,743</td>
<td></td>
</tr>
<tr>
<td>Buxton Hall</td>
<td>$35,670</td>
<td></td>
<td>$35,670</td>
<td></td>
</tr>
<tr>
<td>Hawley Hall</td>
<td>$9,192</td>
<td></td>
<td>$9,192</td>
<td></td>
</tr>
<tr>
<td>West Hall</td>
<td>$9,498</td>
<td></td>
<td>$9,498</td>
<td></td>
</tr>
<tr>
<td>Wilson Hall</td>
<td>$9,377</td>
<td></td>
<td>$9,377</td>
<td></td>
</tr>
<tr>
<td>CCAL equipment</td>
<td>$48,607</td>
<td></td>
<td>$48,607</td>
<td></td>
</tr>
<tr>
<td>Extension Cisco</td>
<td>$82,705</td>
<td></td>
<td>$82,705</td>
<td></td>
</tr>
<tr>
<td>Office Copier Printer Program</td>
<td>$916,388</td>
<td></td>
<td>$916,388</td>
<td></td>
</tr>
<tr>
<td>Ricoh Equipment Purchase</td>
<td>$191,288</td>
<td></td>
<td>$191,288</td>
<td></td>
</tr>
<tr>
<td>Washington Way</td>
<td>$177,034</td>
<td></td>
<td>$177,034</td>
<td></td>
</tr>
<tr>
<td><strong>Internally Funded Total</strong></td>
<td>$15,110,926</td>
<td></td>
<td>$15,110,926</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$434,864,328</td>
<td>$408,501,125</td>
<td>$434,864,328</td>
<td>$408,501,125</td>
</tr>
</tbody>
</table>

**Unissued loans**

| Year | Total Unissued | | |
|------|----------------|----------------|----------------|----------------|
| 2016A | $179,971,414 | $180,346,093 | $175,709,365 | $179,944,665 |
| 2016B | $4,853,978 | $4,347,441 | $4,853,978 | $4,347,441 |
| 2017 | $55,584,431 | $55,911,282 | $55,584,431 | $55,911,282 |
| 2019 | $119,506,256 | $120,878,399 | $119,506,256 | $120,878,399 |

**Grand total**

| Total | $623,835,743 | $588,847,216 | $517,756,837 | $625,592,252 | $1,143,349,126 | $514,590,443 | $588,847,443 | $1,103,437,661 |

**Key Terms**

- **Totals In** are funds received by the Internal Bank from borrowers
- **Totals Out** are funds paid by the Internal Bank for external debt service

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**January 23-24, 2020 Board of Trustees Meetings**