

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration, Budget and Financial Planning, Treasury Management, Controller's Office, and Facilities Management
2. **General Fund Budget Performance:** Oakland University's (University) FY2020 actual year-to-date enrollment, measured by student credit hour production, is 1.3% below prior year actual but exceeds budget by 1.0%. Financial aid distributions are tracking slightly below budget, resulting in year-to-date net tuition revenues slightly over budget. Monthly State appropriation payments of \$4,857,500 began October 2019, according to the State of Michigan's Public Act 62 of 2019. The final annual State appropriation is \$392,500 less than what the University budgeted for FY2020; the shortfall will be absorbed within the General Fund budget. Expenditures are tracking consistent with budget and historical spending patterns at this point in the year, with no major spending variances in any division or unit.

A monthly budget monitoring process managed by the Budget and Financial Planning Office helps ensure budget management accountability.

3. **Investment Performance:** A summary of the results of the University's working capital and endowment investment activities is presented in the *Cash and Investments Report, December 31, 2019 and 2018* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended December 31, 2019 was positive but off from the quarterly benchmark by 66 basis points. Performance for the month of December was also positive but off 18 basis points from the benchmark for the month. The underperformance was primarily attributable to the equity portion of the pool where lower risk stock performance trailed the broader market.

Performance data for the University's endowment portfolio as of December 31, 2019 was not yet available, however the December 31, 2019 endowment balance of \$112.6 million, was \$18.2 million higher than the December 31, 2018 balance.

NACUBO's FY2019 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance of similar sized university endowments for all measured periods; one, three, five, and ten years.

Liquidity of both the working capital and endowment investments remains strong. The University's investments are being managed according to the Board's policies. The University's Investment Advisors continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

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Oakland University
Board of Trustees Formal Session
February 10, 2020
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4. **Debt Management:** The *Capital Debt Report, January 31, 2020* (Attachment B) shows the University's amount of outstanding principal, unamortized premiums, rate of interest, weighted average cost of capital, type of debt, annual debt service, maturity, and purpose of each debt issuance, and information about the University's two swap arrangements. The University's debt, which has a weighted average cost of capital of 3.6%, is being managed according to the Board's policies and approvals.


5. **Construction Report:** The *Construction Report, January 31, 2020* (Attachment C) includes budget information, source of funding, forecasted final costs, and comments for all ongoing capital projects over \$500,000, as required by Board policy. All projects have been properly approved and are within budget.

6. **University Reviews/Approvals:** The Treasurer's Report and attachments were prepared by the Budget and Financial Planning Office, Treasury Management Department, and Controller's Office, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.

7. **Recommendation:**
RESOLVED, that the Board of Trustees accepts the Treasurer's Report.

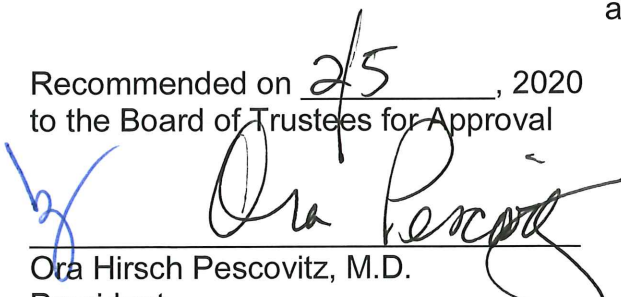
8. **Attachments:**
A. Cash and Investments Report, December 31, 2019 and 2018
B. Capital Debt Report, January 31, 2020
C. Construction Report, January 31, 2020

Submitted to the President
on 2/5, 2020 by



John W. Beaghan, CMA
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 2/5, 2020
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Oakland University
Cash and Investments Report
December 31, 2019 and 2018

	Fair Market Value December 31, 2018	Fair Market Value December 31, 2019	Strategic Allocation 12/31/2019	Total Return Month Ending December 31, 2019	Benchmark Month Ending December 31, 2019	Total Return Qtr. Ending December 31, 2019	Benchmark Qtr. Ending December 31, 2019
Working Capital ⁽¹⁾							
Equity Funds	\$ 47,779,067	\$ 50,911,435	17.04%	2.13%	3.02%	5.46%	9.07%
Fixed Income Funds	122,433,537	132,113,774	44.21%	0.09%	0.14%	0.32%	0.42%
Cash and Cash Equivalents	101,042,290	115,833,914	38.76%	0.05%	0.05%	0.16%	0.17%
Working Capital Pool Total	<u>\$ 271,254,894</u>	<u>\$ 298,859,123</u>	<u>100.00%</u>	<u>0.42%</u>	<u>0.60%</u>	<u>1.13%</u>	<u>1.79%</u>
Endowment ⁽²⁾							
Equity Funds	64,433,788	79,012,461	70.19%				
Fixed Income Funds	17,387,474	19,094,244	16.96%				
Hedge Funds	7,067,961	6,135,803	5.45%				
Real Assets	52,058	33,172	0.03%				
Private Equity ⁽³⁾	5,440,168	6,725,506	5.97%				
Cash	56	1,569,381	1.39%				
Endowment Pool Total	<u>\$ 94,381,506</u>	<u>\$ 112,570,566</u>	<u>100.00%</u>			<u>NA</u>	<u>NA</u>

Comments:

The working capital pool is higher than the previous year primarily due to investment income and timing of accounts payable payments.

The endowment pool is higher than the previous year due to investment income and gifts.

⁽¹⁾ The Commonfund serves as the advisor for the University's Working Capital pool.

⁽²⁾ UBS serves as the advisor for the University's Endowment pool.

⁽³⁾ Private Equity performance is not benchmarked, therefore, the benchmark comparison is set to actual. Funding of new private equity investments are in process and returns are in the initial phase of the "J" curve.

⁽⁴⁾ 12/31/2019 return data not yet available.

Benchmarks for Investments are:

For Equities: S&P 500 (Relative Weighted)

For Fixed Income: B of A Merrill Lynch 1-3 Year Treasury Index, Barclays Capital US Aggregate Bond Index (Relative Weighted)

For Cash and Cash Equivalents: Bo A Merrill Lynch 0-3 Month Treasury Bill Index

For Endowment Equities: Russell 2000, Russell Mid Cap Growth & Value, Russell 1000 Growth & Value, MSCI EAFE International MSCI Emerging Markets (Relative Weighted)

For Endowment Fixed Income: Barclays Government Corporate Index, Barclays US Tips, BoA-ML High Yield II, Citigroup World Government Bond (Relative Weighted)

For Endowment Hedge Funds: HFRI Fund Wgt Comp Index, HFRI Fund of funds Diversified Index, Barclay's CTA Index, HFRX Eq Hedge (Relative Weighted), BoA-ML High Yield II

For Endowment Real Assets: NAREIT and Lipper Glb Nat Res

For Endowment Cash: City Group T-Bill (90 Day)

Returns are reported net of fees, benchmarks are shown gross. All returns and benchmarks represent weighted average calculations based on month end balances.

**Oakland University
Capital Debt Report
January 31, 2020**

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 20 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.950%	Variable	\$ 72,818	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	41,465,000	3.373%	Variable/Hedged	3,126,234	2031	Aa2	AVN, Pawley, OC Expansion, Elec. Upgrade, Parking Deck I	Lehman
General Revenue Bonds, Series 2012	39,810,000	4.075%	Fixed	2,950,800	2042	A1	Engineering Center	Barclay's, 5/3rd
Unamortized Premium	2,971,789							
General Revenue Bonds, Series 2013A	53,445,000	4.028%	Fixed	3,889,300	2043	A1	Oakview, Parking Deck II, Upper Play Fields	BOAML, 5/3rd
Unamortized Premium	4,454,625							
General Revenue Refunding Bonds, Series 2013B	14,130,000	2.995%	Fixed	2,306,664	2026	A1	Recreation and Athletics Center	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	24,525,000	3.562%	Fixed	1,966,250	2039	A1	HHB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,847,884							
General Revenue Refunding Bonds, Series 2016	111,320,000	3.656%	Fixed	7,476,000	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
Unamortized Premium	17,253,929							5/3rd, Stifel
General Revenue Bonds, Series 2019	79,205,000	3.307%	Fixed	-	2050	A1	South Foundation, Varner, Dodge, Lepley, CHP, Research	BOAML, PNC
Unamortized Premium	18,986,496							
Other Capital Debt:								
2005 ESA II Loan	8,899,224	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,076,250	3.880%	Fixed	1,126,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,184,921							
	<u>\$ 438,175,118</u>	<u>3.598%</u> ⁽¹⁾		<u>\$ 24,217,503</u>				

⁽¹⁾ Weighted Average Cost of Capital

Debt covenant compliance:

The University has a general revenue covenant in many of its borrowing agreements including bonded debt and other capital debt.

These covenants are consistent in all University debt agreements and commit the University to maintain "General Revenues" to exceed the sum of twice the annual debt service on senior debt and one times annual debt service on subordinate debt each fiscal year. The University is in compliance with its debt service covenant ratio requirements.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Expires</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:						
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 28,625,000	\$ 568,001	2031	Aa2	
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	41,465,000	(7,018,429)	2031	Baa3	Current low variable rates = High termination costs.

The CMS is performing as expected with total swap proceeds exceeding \$5 million.

The Interest Rate Swap fixes the interest rate paid on the 2008 bond issue at 3.373% for the life of the bond issue (and the swap agreement).

The Termination Present Value is dynamic, changing daily depending on interest rates and eventually becoming zero at the end of the swap agreements.

Bond Ratings:

The rating on the variable rate bonds reflects the current rating of the letter of credit provider, JP Morgan Chase Bank.

The rating on the fixed rate bonds reflects the University's underlying credit rating at the time the bonds were issued.

Oakland University's underlying credit rating, according to Moody's Investors Service's Global Rating Scale, is A1 - Stable.

Oakland University
CONSTRUCTION REPORT
January 31, 2020

Item	Projects in Progress - over \$500,000	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding	
1	South Student Housing Complex - Hillcrest Fund Number: 70224 Status: Completed, closeout in process Board of Trustees Approved: February 22, 2016 Projected Completion Date: February 2020	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 77,993,649	\$ 78,000,000	\$ 78,000,000 - #70228 2016 General Revenue Bonds
2	Oakland Center Expansion Fund Number: 70232 Status: 95% completed; additional work added Board of Trustees Approved: February 22, 2016 Projected Completion Date: May 2020	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 46,816,209	\$ 47,326,974	\$ 40,000,000 - #70228 2016 General Revenue Bonds \$ 6,058,874 - #70215 Chartwells \$ 615,695 - #14520 FY17 Excess Debt Service \$ 519,305 - #24350 Capital Projects Supplement \$ 133,100 - OU Credit Union
3	SFH Renovation and Expansion Fund Number: 70009 Status: Design Phase - In Progress Board of Trustees Approved: April 8, 2019 Projected Completion Date: Spring 2022	Yes	6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 624,120	\$ 40,000,000	\$30,000,000 - State of MI Capital Outlay Appropriation \$10,000,000 - #70046 2019 General Revenue Bonds
4	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: Design Phase - In Progress Board of Trustees Approved: February 7, 2019 Projected Completion Date: August 2022	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 248,768	\$ 20,535,000	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 7,501,290 - #24348 Investment Income Reserve \$ 833,710 - #24350 Capital Projects Supplement \$ 6,440,000 - #14520 FY19-21 Excess Debt Service
5	DH-2019 Renovation Fund Number: 70050 Status: Design Phase - In Progress Board of Trustee Approved: August 12, 2019 Projected Completion Date: December 2020	Yes	12/31/2019	\$ 3,000,000	\$ 3,000,000	-	\$ 3,000,000	\$ 3,000,000 - #70046 2019 General Revenue Bonds
6	Business School Expansion Fund Number: 70233 Status: On Hold Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ 1,014,019	\$ 1,968,500	\$ 1,968,500 - # TBD
7	Ann V. Nicholson Apartments - Exterior Renovation Fund Number: 70147 Status: Completed, waiting on punch list items and final invoices Board of Trustee Approved: February 7, 2019 Projected Completion Date: March 2020	Yes	6/30/2019	\$ 55,000	\$ 1,816,035	\$ 1,619,562	\$ 1,816,035	\$ 1,816,035 - #45489 Residence Halls
8	CHP-HTHW Replace to Hill House Fund Number: 70053 Status: \$488,840 A&E; \$680,000 HTHW Phase I (both within the President's authorization limit); Upon final design, total project budget will be \$5,000,000 and will be presented to the Board for approval. Projected Completion Date: July 2023	Yes	6/30/2020	\$ 488,840	\$ 1,168,840	-	\$ 1,168,840	\$ 1,168,840 - #70046 2019 General Revenue Bonds
9	Residence Hall Re-Keying Fund Number: 70296 Status: Completed, closeout in process Projected Completion Date: February 2020	No		\$ 950,000	\$ 950,000	\$ 280,516	\$ 950,000	\$ 950,000 - #45489 Residence Halls

Oakland University
CONSTRUCTION REPORT
January 31, 2020

Item	Projects in Progress - over \$500,000	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
10	HTHW Tunnel Piping Repair Fund Number: 70283 Status: 60% Completed Projected Completion Date: April 2020	No	\$ 200,000	\$ 865,000	\$ 533,864	\$ 865,000	\$ 865,000 - #24810 Plant Renewal Supplement
11	RAC Energy Saving Fund Number: 70250 Status: 88% Completed Projected Completion Date: February 2020	No	\$ 364,305	\$ 859,541	\$ 599,247	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
12	CMP-Replace Water Lines-HH to NFH Fund Number: 70146 Status: 99% Completed, waiting on punch list items and final invoices Projected Completion Date: February 2020	No	\$ 382,000	\$ 682,000	\$ 659,700	\$ 682,000	\$ 682,000 - #24810 Plant Renewal Supplement
13	AVN Interior Room Renovations Fund Number: 70031 Status: 60% Completed Projected Completion Date: June 2020	No	\$ 680,000	\$ 680,000	\$ 320,564	\$ 680,000	\$ 680,000 - #45489 Residence Hall Rooms
14	RAC-O'Rena West Bleachers Fund Number: 70055 Status: In Progress Projected Completion Date: August 2020	No	\$ 550,000	\$ 550,000	-	\$ 550,000	\$ 550,000 - #24350 Capital Projects Supplement Fund
15	Katke Cousins Hole #17 Stormwater Enhancement Fund Number: 70015 Status: 95% Completed; additional work required in Spring 2020 Projected Completion Date: May 2020	No	\$ 500,000	\$ 500,000	\$ 392,494	\$ 500,000	\$ 500,000 - #42465 Katke Cousins Golf Course
TOTAL PROJECTS IN PROGRESS			\$ 56,974,215	\$ 198,901,890	\$ 131,102,712	\$ 198,901,890	

Notes:

- A. Revised Project Budget equals the Original Budget plus all approved changes to the budget.
- B. Projects are added to the report when a funding source has been identified, a plant fund is authorized for the project, and the project is proceeding.
- C. The project status will be reported as CLOSED when the Actual Expenditures to Date equals the Forecast of Final Costs, work order system ties to Banner, and no additional expenditures or work are anticipated on the project.
- D. A project whose status has been reported as CLOSED to the Board will be removed from the report for the next Board meeting.