

**TREASURER'S REPORT**

**1. Division and Department:** Finance and Administration, Budget and Financial Planning, Treasury Management, and Facilities Management

**2. General Fund Budget Performance:** Oakland University's (University) FY2018 Fiscal Year Equated Student (FYES) enrollment, which reflects student credit hour production, is projected to be slightly lower than FY2017 actual enrollment and lower than the FY2018 budget. Pending final summer enrollment, FY2018 tuition revenue is projected to be slightly below budget as well. Monthly State appropriation payments, \$4,657,809, are being received according to the State of Michigan's Public Act 108 of 2017. General Fund expenditures are tracking slightly below budget and historical spending patterns at this point in the fiscal 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, February 28, 2018 and 2017* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended December 31, 2017 was positive overall, with equities underperforming slightly compared to benchmark and fixed assets exceeding benchmark for the quarter. Performance for the month of February was down overall, consistent with benchmarks for the month.

The University's endowment portfolio performance for the quarter ended December 31, 2017 was up overall, driven by continued strong performance in equities. Compared to benchmark, quarterly performance was off slightly. The February 2018 endowment balance was up over \$13 million compared to the February 2017 balance.

Results from NACUBO's FY2017 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance of similar sized university endowments for the one, three, five, and ten year periods.


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 managers continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time. The University's returns on Attachment A are conservatively reported net of fees whereas the benchmarks reflect gross returns.

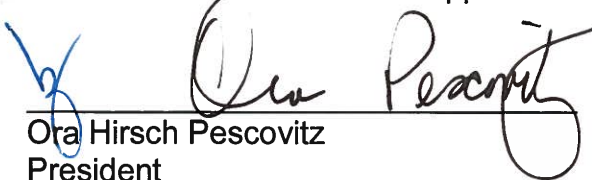
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4. **Debt Management:** The *Capital Debt Report, February 28, 2018* (Attachment B) shows the University's amount of outstanding principal, unamortized premiums, rate of interest, weighted average cost of capital, type of debt, annual debt service, 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 3.669%, is being managed according to the Board's policies and approvals.
5. **Construction Report:** The *Construction Report, February 28, 2018* (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, Treasury Management, and Facilities Management Departments, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.
7. **Attachments:**
- A. Cash and Investments Report, February 28, 2018 and 2017
  - B. Capital Debt Report, February 28, 2018
  - C. Construction Report, February 28, 2018

Submitted to the President  
on 3/30, 2018 by

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

Recommended on 4/3, 2018  
to the Board of Trustees for Approval

  
\_\_\_\_\_  
Ora Hirsch Pescovitz  
President

**Oakland University**  
**Cash and Investments Report**  
**February 28, 2018 and 2017**

	Fair Market Value February 28, 2017	Fair Market Value February 28, 2018	Strategic Allocation 2/28/2018	Total Return Month Ending February 28, 2018	Benchmark Month Ending February 28, 2018	Total Return Qtr. Ending December 31, 2017	Benchmark Qtr. Ending December 31, 2017
<b>Working Capital <sup>(1)</sup></b>							
Equity Funds	\$ 50,071,637	\$ 61,527,869	25.53%	-3.73%	-3.69%	5.46%	6.64%
Fixed Income Funds	123,865,925	138,872,918	57.62%	-0.22%	-0.28%	0.16%	-0.01%
Cash and Cash Equivalents	65,725,291	40,632,672	16.86%	0.09%	0.09%	0.08%	0.08%
Working Capital Pool Total	<u>\$ 239,662,853</u>	<u>\$ 241,033,459</u>	<u>100.00%</u>	<u>-1.06%</u>	<u>-1.09%</u>	<u>1.24%</u>	<u>1.40%</u>
<b>Endowment <sup>(2)</sup></b>							
Equity Funds	61,196,969	74,049,748	72.37%			5.99%	5.97%
Fixed Income Funds	14,138,050	15,955,786	15.59%			0.16%	0.40%
Hedge Funds	7,991,532	7,423,130	7.25%			1.00%	2.15%
Real Assets	4,154,607	1,231,020	1.20%			3.16%	2.78%
Private Equity <sup>(3)</sup>	1,625,877	2,891,433	2.83%			0.40%	0.40%
Cash	148,437	769,085	0.75%			0.28%	0.28%
Endowment Pool Total	<u>\$ 89,255,472</u>	<u>\$ 102,320,202</u>	<u>100.00%</u>			<u>4.40%</u>	<u>4.53%</u>

Comments:

The working capital pool is higher than the previous year primarily due to investment income.

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

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

<sup>(2)</sup> UBS serves as the advisor for the University's Endowment pool.

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

Benchmarks for Investments are:

For Equities: S&P 500 (Relative Weighted)

For Fixed Income: B of A Merrill Lynch 9-12 Month Index, Barclays Capital 1-3 year US Govt/Credit Bond Index, Merrill Lynch 1-3 Year Treasury Index, Barclays Capital US Aggregate Bond Index (Relative Weighted)

For Cash and Cash Equivalents: 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.

**Oakland University  
Capital Debt Report  
February 28, 2018**

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 18 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
<b>Bonded Indebtedness:</b>								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	1.100%	Variable	\$ 31,694	2023	Aa3	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	44,790,000	3.373%	Variable/Hedged	3,213,234	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	41,640,000	4.075%	Fixed	2,949,000	2042	A1	Engineering Center	Barclay's and 5/3rd
Unamortized Premium	3,517,081							
General Revenue Bonds, Series 2013A	55,750,000	4.028%	Fixed	3,892,000	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
Unamortized Premium	5,275,890							
General Revenue Refunding Bonds, Series 2013B	17,705,000	2.995%	Fixed	2,298,598	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	25,910,000	3.562%	Fixed	1,968,700	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
Unamortized Premium	3,471,303							
General Revenue Refunding Bonds, Series 2016	113,130,000	3.656%	Fixed	-	2047	A1	Housing, Oakland Center, Fitzgerald/Anibal House	Citigroup, PNC, 5/3rd, Stifel
Unamortized Premium	19,587,939							
<b>Other Capital Debt:</b>								
2005 ESA II Loan	10,682,176	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,845,000	3.880%	Fixed	936,850	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,423,215							
2015 High Volume Digital Printer	21,167	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 361,348,771</u>	<u>3.669% <sup>(1)</sup></u>		<u>\$ 16,616,429</u>				

<sup>(1)</sup> 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 requirement.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
<b>Debt-Based Derivatives:</b>					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 30,270,000	\$ 398,999	Aa3	Yield curve swap paying around \$10-\$20K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	44,790,000	(5,086,741)	Baa3	Current low variable rates = High termination costs.

The CMS is performing as expected with cumulative realized earnings on the swap totaling \$4 million. Current low variable interest rates (1.10% annualized) drive up the cost to terminate. The Termination Present Value is dynamic, changing daily depending on interest rates and eventually becoming zero at the end of the swap agreement. This Interest Rate Swap fixes the interest rate paid on the bond issue at 3.373% for the life of the bond issue (and the swap agreement). Oakland University's underlying credit rating, according to Moody's Investors Service's Global Rating Scale, is A1 - Stable.

**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  
**CONSTRUCTION REPORT**  
February 28, 2018

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	<b>South Student Housing Complex</b> Fund Number: 70224 Status: Construction 75% Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 57,296,088	\$ 78,000,000	\$ 78,000,000 - 2016 General Revenue Bonds
2	<b>Oakland Center Expansion</b> Fund Number: 70232 Status: Construction 40% Board of Trustees Approved: February 22, 2016 Projected Completion Date: January 2019	Yes	6/30/2016	\$ 3,281,000	\$ 46,635,000	\$ 16,841,902	\$ 46,635,000	\$ 40,000,000 - 2016 General Revenue Bonds \$ 5,500,000 - Chartwells \$ 615,695 - #14520 - FY17 Excess Debt Service \$ 519,305 - #24350 Capital Projects Supplement
3	<b>Central Heating Plant Project - CoGen</b> Fund Number 70395 Status: Completed, waiting on punch list items & final invoices Board of Trustees Approved: October 7, 2013 Projected Completion Date: August 2017	Yes	12/1/2013	\$ 14,401,198	\$ 14,401,198	\$ 13,496,716	\$ 14,401,198	\$ 14,401,198 - 2014 Certificates of Participation
4	<b>Vandenberg Hall Infrastructure</b> Fund Number: 70361 Status: Construction 99% Completed, waiting on punch list items Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: May 2018	Yes	6/30/2016	\$ 515,620	\$ 20,213,423	\$ 19,725,427	\$ 20,213,423	\$ 20,213,424 - #45489 Residence Halls * See Note 5
5	<b>2017 Parking Expansion</b> Fund Number: 70262 Status: CLOSED Board of Trustees Approved: February 13, 2017 Projected Completion Date: September 2017	Yes	6/30/2017	\$ 7,245,365	\$ 7,245,365	\$ 7,245,365	\$ 7,245,365	\$ 2,220,365 - #24350 Capital Projects Supplement \$ 495,000 - #70254 P17 & P38 Paving - Phase I \$ 4,530,000 - #14520 FY17 Excess Debt Service
6	<b>Anibal &amp; Fitzgerald Renovations</b> Fund Number: 70233 Status: Design Phase - On Hold Board of Trustee Approved: October 24, 2016 Projected Completion Date: TBD	Yes	On Hold	\$ 470,109	\$ 6,000,000	\$ 101,920	\$ 6,000,000	\$ 6,000,000 - 2016 General Revenue Bonds
7	<b>Business School Expansion</b> Fund Number: 70233 Status: Design Phase - In Progress Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ 728,773	\$ 1,968,500	\$ 1,968,500 - # TBD
8	<b>Dodge Datacenter Generator</b> Fund Number: 70248 Status: CLOSED Board of Trustees Approved: June 6, 2016 Projected Completion Date: October 2017	Yes	6/30/2016	\$ 1,300,000	\$ 1,300,000	\$ 1,261,472	\$ 1,261,472	\$ 1,300,000 - #14362 FY16 Excess Debt Service

Oakland University  
**CONSTRUCTION REPORT**  
February 28, 2018

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
9	SST - Sunset Terrace Renovations Fund Number: 70279 Status: Design Phase Board of Trustees Approved: October 16, 2017 Projected Completion Date: June 2018	\$ 960,000	\$ 960,000	\$ 59,613	\$ 960,000	\$ 960,000 - #24350 Capital Projects Supplement
10	RAC Energy Saving Fund Number: 70250 Status: 30% Completed Projected Completion Date: June 2018	\$ 364,305	\$ 859,541	\$ -	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
11	Athletic-Lepley Pool Renovation Fund Number: 70241 Status: Design Phase (On Hold) Projected Completion Date: TBD	\$ 698,424	\$ 698,424	\$ 337,934	\$ 698,424	\$ 698,424 - #24350 Capital Projects Supplement
12	CMP - Campus Firewall Project Fund Number: 70274 Status: 75% Completed Projected Completion Date: April 2018	\$ 622,000	\$ 622,000	\$ 611,136	\$ 622,000	\$ 622,000 - #24350 Capital Projects Supplement
13	Pedestrian Exterior Lighting Fund Number: 70258 Status: Completed, waiting on final invoices Projected Completion Date: December 2017	\$ 550,000	\$ 550,000	\$ 530,702	\$ 550,000	\$ 550,000 - #14685 FY17 Excess Debt Service
14	O'Rena Technological Upgrades Fund Number: 70379 Status: CLOSED Projected Completion Date: November 2015	\$ 377,800	\$ 504,066	\$ 503,636	\$ 503,636	\$ 377,800 - #34254 Golden Grizzlies Athletic Fund \$ 116,266 - #24350 Capital Projects Supplement \$ 10,000 - #42401 Instructional Technological Upgrades
<b>TOTAL PROJECTS IN PROGRESS</b>		<b>\$ 36,475,181</b>	<b>\$179,957,517</b>	<b>\$ 118,740,684</b>	<b>\$ 179,918,559</b>	

**Notes:**

1. Revised Project Budget equals the Original Budget plus all approved changes to the budget.
2. 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.
3. The project status will be reported as CLOSED when the Actual Expenditures to Date equals the Forecast of Final Costs, TMA work order system ties to Banner, and no additional expenditures or work are anticipated on the project.
4. A project whose status has been reported as CLOSED to the Board will be removed from the report for the next Board meeting.
5. Original budget was \$515,620, increased to \$644,920, for architectural and engineering services, within the scope and authorization of the President.  
Phase 1 construction manager budget is \$11,230,423 per 12/2/15 Board approval.  
Phase 2 & 3 construction manager budget is \$8,338,080 per 12/5/16 Board approval.
6. The November 30, 2017 Construction Report reflects activity as of calendar month end not fiscal month end.