

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) FY2019 Fiscal Year Equated Student (FYES) enrollment, which reflects student credit hour production, is approximately 2.3% over budget year-to-date. Accordingly, financial aid distributions are also over budget, primarily due to a higher than anticipated yield, strong retention of scholarship students, and the higher than projected FYES enrollment, resulting in year-to-date net tuition revenues approximately \$3.8 million over budget. Monthly State appropriation payments, \$4,801,744, are being received on schedule per the State of Michigan's Public Act 265 of 2018. General Fund expenditures are tracking consistent with 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, October 31, 2018 and 2017* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended September 30, 2018 was positive and consistent with benchmarks. Performance for the month of October was negative overall but favorable compared to benchmarks.

The University's endowment portfolio performance for the quarter ended September 30, 2018 was up overall, providing returns that fell slightly short of the overall benchmark for the quarter. The October 2018 endowment balance remained essentially unchanged compared to the October 2017 balance. The flat year-over-year endowment balance is largely due to the broader market sell-off in equities which began in October 2018.

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.

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Oakland University
Board of Trustees Formal Session
December 10, 2018
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4. **Debt Management:** The *Capital Debt Report, November 30, 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 3.68%, is being managed according to the Board's policies and approvals.


5. **Construction Report:** The *Construction Report, November 30, 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. **Recommendation:**
RESOLVED, that the Board of Trustees accepts the December 10, 2018 Treasurer's Report.

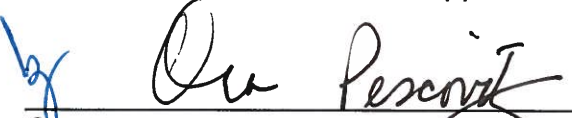
8. **Attachments:**
- A. Cash and Investments Report, October 31, 2018 and 2017
 - B. Capital Debt Report, November 30, 2018
 - C. Construction Report, November 30, 2018

Submitted to the President
on 12/3, 2018 by



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

Recommended on 12/5, 2018
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Oakland University
Cash and Investments Report
October 31, 2018 and 2017

	Fair Market Value October 31, 2017	Fair Market Value October 31, 2018	Strategic Allocation 10/31/2018	Total Return Month Ending October 31, 2018	Benchmark Month Ending October 31, 2018	Total Return Qtr. Ending September 30, 2018	Benchmark Qtr. Ending September 30, 2018
Working Capital ⁽¹⁾							
Equity Funds	\$ 52,626,882	\$ 50,767,907	22.02%	-5.65%	-6.84%	7.12%	7.71%
Fixed Income Funds	123,473,578	135,757,450	58.88%	-0.19%	-0.13%	0.33%	0.16%
Cash and Cash Equivalents	39,792,136	44,051,817	19.11%	0.14%	0.14%	0.26%	0.26%
Working Capital Pool Total	<u>\$ 215,892,596</u>	<u>\$ 230,577,174</u>	<u>100.00%</u>	<u>-1.33%</u>	<u>-1.56%</u>	<u>1.67%</u>	<u>1.70%</u>
Endowment ⁽²⁾							
Equity Funds	68,255,216	68,739,215	69.51%			4.66%	5.27%
Fixed Income Funds	16,187,670	15,652,000	15.83%			0.35%	0.20%
Hedge Funds	7,019,265	7,478,988	7.56%			1.25%	0.13%
Real Assets	4,108,393	1,124,312	1.14%			-3.37%	0.76%
Private Equity ⁽³⁾	2,291,005	5,784,849	5.85%			0.36%	0.36%
Cash	971,188	116,072	0.12%			0.48%	0.48%
Endowment Pool Total	<u>\$ 98,832,738</u>	<u>\$ 98,895,435</u>	<u>100.00%</u>			<u>3.42%</u>	<u>3.82%</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.

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
November 30, 2018**

	Amount	Rate of Interest	Interest Type	FY 19 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	1.700%	Variable	\$ 52,256	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	43,160,000	3.373%	Variable/Hedged	3,178,158	2031	Aa2	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	40,745,000	4.075%	Fixed	2,953,200	2042	A1	Engineering Center	Barclay's and 5/3rd
Unamortized Premium	3,238,675							
General Revenue Bonds, Series 2013A	54,620,000	4.028%	Fixed	3,893,050	2043	A1	Oakview, Parking, Playing Fields	BOAML and 5/3rd
Unamortized Premium	4,854,492							
General Revenue Refunding Bonds, Series 2013B	15,935,000	2.995%	Fixed	2,301,915	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	25,230,000	3.562%	Fixed	1,966,500	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
Unamortized Premium	3,152,210							
General Revenue Refunding Bonds, Series 2016	113,130,000	3.656%	Fixed	7,466,500	2047	A1	Hillcrest, Oakland Center, Other Capital Projets	Citigroup, PNC,
Unamortized Premium	18,424,388							5/3rd, Stifel
Other Capital Debt:								
2005 ESA II Loan	9,999,837	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,589,583	3.880%	Fixed	1,028,300	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,305,213							
2015 High Volume Digital Printer	3,920	4.940%	Fixed	13,805	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 351,988,318</u>	<u>3.680%</u> ⁽¹⁾		<u>\$ 24,156,371</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.

Counterparty	Current Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment	
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 29,465,000	\$ 362,343	Aa2	Yield curve swap paying around \$10-\$20K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	43,160,000	(4,326,282)	Baa3	Current low variable rates = High termination costs.

The CMS is performing as expected with cumulative realized earnings on the swap totaling \$4 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
 November 30, 2018

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding	
Item Projects in Progress - over \$500,000							
1	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 77,124,031	\$ 78,000,000	\$ 78,000,000 - 2016 General Revenue Bonds
Fund Number: 70224 Status: Completed, waiting on punch list, final invoices Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018							
2	Yes	6/30/2016	\$ 3,281,000	\$ 46,635,000	\$ 38,972,443	\$ 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
Fund Number: 70232 Status: Construction 98% Board of Trustees Approved: February 22, 2016 Projected Completion Date: February 2019							
3	Yes	6/30/2016	\$ 515,620	\$ 20,213,423	\$ 19,952,460	\$ 20,148,423	\$ 20,213,423 - #45489 Residence Halls * See Note 5
Fund Number: 70361 Status: Completed, waiting on final invoices Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: May 2018							
4	Yes	12/1/2013	\$ 14,401,198	\$ 14,401,198	\$ 13,496,716	\$ 14,401,198	\$ 14,401,198 - 2014 Certificates of Participation
Fund Number 70395 Status: Completed, waiting on punch list items & final invoices Board of Trustees Approved: October 7, 2013 Projected Completion Date: August 2017							
5	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ 1,014,019	\$ 1,968,500	\$ 1,968,500 - # TBD
Fund Number: 70233 Status: Design Phase - In Progress Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD							
6	Yes	6/30/2018	\$ 470,109	\$ 1,500,000	\$ 232,856	\$ 1,500,000	\$ 1,500,000 - 2016 General Revenue Bonds
Fund Number: 70245 Status: Project On-Hold Board of Trustee Approved: October 24, 2016 & April 9, 2018 Projected Completion Date: TBD							
7	Yes	6/30/2016	\$ 1,300,000	\$ 1,300,000	\$ 1,286,843	\$ 1,300,000	\$ 1,300,000 - #14362 FY16 Excess Debt Service
Fund Number: 70248 Status: 95% Completed Board of Trustees Approved: June 6, 2016 Projected Completion Date: September 2018							
8	No		\$ 960,000	\$ 960,000	\$ 915,691	\$ 960,000	\$ 960,000 - #24350 Capital Projects Supplement
Fund Number: 70279 Status: Completed, waiting on final invoices Board of Trustees Approved: October 16, 2017 Projected Completion Date: July 2018							
9	No		\$ 950,000	\$ 950,000	\$ -	\$ 950,000	\$ 950,000 - #45489 Residence Halls Rooms
Fund Number: 70296 Status: 10% Completed Projected Completion Date: TBD							

Oakland University
CONSTRUCTION REPORT
 November 30, 2018

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
Item Projects in Progress - over \$500,000						
10	RAC Energy Saving Fund Number: 70250 Status: 75% Completed Projected Completion Date: October 2018	\$ 364,305	\$ 859,541	\$ 469,828	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
11	WH Renovation & Expansion Fund Number: 70285 Status: Design Phase - In Progress Projected Completion Date: TBD	\$ 833,710	\$ 833,710	\$ 51,500	\$ 833,710	\$ 833,710 - #24350 Capital Projects Supplement
12	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
13	CMP - Campus Firewall Project Fund Number: 70274 Status: Completed, Fund Closure Initiated Projected Completion Date: April 2018	\$ 622,000	\$ 622,000	\$ 620,708	\$ 622,000	\$ 622,000 - #24350 Capital Projects Supplement
14	2018 Pavement Repairs Fund Number: 70289 Status: 99% Completed, Waiting on Punch List Items & Final Inv. Projected Completion Date: August 2018	\$ 604,300	\$ 604,300	\$ 531,068	\$ 604,300	\$ 506,300 - #24350 Capital Projects Supplement \$ 98,000 - #46504 Facilities Fund
15	HTHW Tunnel Piping Repair Fund Number: 70283 Status: 2% Completed Projected Completion Date: TBD	\$ 200,000	\$ 565,000	\$ 28,818	\$ 565,000	\$ 565,000 - #24810 Plant Renewal Supplement
16	Pedestrian Exterior Lighting Fund Number: 70258 Status: 95% Completed Projected Completion Date: September 2018	\$ 550,000	\$ 550,000	\$ 531,434	\$ 550,000	\$ 550,000 - #14685 FY17 Excess Debt Service
TOTAL PROJECTS IN PROGRESS		\$ 31,440,026	\$170,661,096	\$ 155,566,349	\$ 170,596,096	

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.