

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 approximately 1.5% lower than the FY2018 budget. Pending final summer enrollment, FY2018 tuition revenue is projected to be slightly below budget. Monthly State appropriation payments, \$4,657,808, are being received according to the State of Michigan's Public Act 108 of 2017. General Fund expenditures are also 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. With both revenues and expenditures tracking slightly below budget, a balanced FY2018 fiscal year end budget is anticipated.

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, March 31, 2018 and 2017 (Attachment A)*.

Investment performance associated with the working capital pool for the quarter ended March 31, 2018 was favorable as compared to benchmark. Equities outperformed the quarterly benchmark while fixed assets fell slightly shy of the related benchmark. Performance for the month of March was consistent with the broader market and marginally better than the benchmark for the month.

The University's endowment portfolio performance for the quarter ended March 31, 2018 was consistent with the broader market and off slightly compared to benchmark. Strong performance in the Endowment's hedge fund asset class, which bettered its benchmark by over 300 basis points, protected the pool from experiencing weaker performance for the quarter. The March 2018 endowment balance was up nearly \$10 million compared to the March 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.

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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.

4. **Debt Management:** The *Capital Debt Report, April 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 3.677%, is being managed according to the Board's policies and approvals.

5. **Construction Report:** The *Construction Report, April 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. **Attachments:**

- A. Cash and Investments Report, March 31, 2018 and 2017
- B. Capital Debt Report, April 30, 2018
- C. Construction Report, April 30, 2018

Submitted to the President
on 5/29, 2018 by



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

Recommended on 5/29, 2018
to the Board of Trustees for Approval



Ora Hirsch Pescovitz
President

**Oakland University
Cash and Investments Report
March 31, 2018 and 2017**

	<u>Fair Market Value March 31, 2017</u>	<u>Fair Market Value March 31, 2018</u>	<u>Strategic Allocation 3/31/2018</u>	<u>Total Return Month Ending March 31, 2018</u>	<u>Benchmark Month Ending March 31, 2018</u>	<u>Total Return Qtr. Ending March 31, 2018</u>	<u>Benchmark Qtr. Ending March 31, 2018</u>
Working Capital ⁽¹⁾							
Equity Funds	\$ 50,259,565	\$ 60,746,933	26.69%	-1.26%	-2.54%	-0.64%	-0.76%
Fixed Income Funds	123,884,808	139,259,772	61.18%	0.28%	0.30%	-0.31%	-0.43%
Cash and Cash Equivalents	43,550,199	27,609,252	12.13%	0.11%	0.11%	0.18%	0.18%
Working Capital Pool Total	<u>\$ 217,694,572</u>	<u>\$ 227,615,957</u>	<u>100.00%</u>	<u>-0.16%</u>	<u>-0.48%</u>	<u>-0.34%</u>	<u>-0.44%</u>
Endowment ⁽²⁾							
Equity Funds	61,475,824	73,032,284	72.55%			-0.60%	-0.31%
Fixed Income Funds	13,956,980	15,946,127	15.84%			-1.26%	-1.45%
Hedge Funds	8,044,606	7,374,283	7.33%			3.76%	0.62%
Real Assets	4,005,601	1,229,597	1.22%			-0.27%	1.32%
Private Equity ⁽³⁾	1,689,327	3,077,212	3.06%			0.11%	0.11%
Cash	16	1	0.00%			0.33%	0.33%
Endowment Pool Total	<u>\$ 89,172,353</u>	<u>\$ 100,659,503</u>	<u>100.00%</u>			<u>-0.71%</u>	<u>-0.39%</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.

⁽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 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
April 30, 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>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	1.760%	Variable	\$ 31,694	2023	Aa3	Sharp Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	43,160,000	3.373%	Variable/Hedged	3,213,234	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	40,745,000	4.075%	Fixed	2,949,000	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	3,892,000	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
Unamortized Premium	4,854,492							
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	25,230,000	3.562%	Fixed	1,968,700	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	-	2047	A1	Housing, Oakland Center, Fitzgerald/Anibal House	Citigroup, PNC, 5/3rd, Stifel
Unamortized Premium	18,424,388							
Other Capital Debt:								
2005 ESA II Loan	10,532,212	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,797,500	3.880%	Fixed	936,850	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,305,213							
2015 High Volume Digital Printer	17,389	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 354,512,079</u>	<u>3.677%</u> ⁽¹⁾		<u>\$ 16,616,429</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 requirement.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 29,465,000	\$ 234,700	Aa3	Yield curve swap paying around \$10-\$20K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	43,160,000	(4,778,224)	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
 April 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	\$ 59,165,886	\$ 78,000,000	\$ 78,000,000 - 2016 General Revenue Bonds
South Student Housing Complex Fund Number: 70224 Status: Construction 89% Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018							
2	Yes	6/30/2016	\$ 3,281,000	\$ 46,635,000	\$ 19,430,385	\$ 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
Oakland Center Expansion Fund Number: 70232 Status: Construction 60% Board of Trustees Approved: February 22, 2016 Projected Completion Date: January 2019							
3	Yes	12/1/2013	\$ 14,401,198	\$ 14,401,198	\$ 13,496,716	\$ 14,401,198	\$ 14,401,198 - 2014 Certificates of Participation
Central Heating Plant Project - CoGen Fund Number 70395 Status: Completed, waiting on punch list items & final invoices Board of Trustees Approved: October 7, 2013 Projected Completion Date: August 2017							
4	Yes	6/30/2016	\$ 515,620	\$ 20,213,423	\$ 19,952,432	\$ 20,213,423	\$ 20,213,424 - #45489 Residence Halls * See Note 5
Vandenberg Hall Infrastructure 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							
5	Yes	On Hold	\$ 470,109	\$ 6,000,000	\$ 102,072	\$ 6,000,000	\$ 6,000,000 - 2016 General Revenue Bonds
Anibal & Fitzgerald Renovations Fund Number: 70233 Status: 5% Complete Board of Trustee Approved: October 24, 2016 Projected Completion Date: TBD							
6	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ 815,135	\$ 1,968,500	\$ 1,968,500 - # TBD
Business School Expansion Fund Number: 70233 Status: Design Phase - In Progress Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD							
7	Yes	6/30/2016	\$ 1,300,000	\$ 1,300,000	\$ 1,261,472	\$ 1,261,472	\$ 1,300,000 - #14362 FY16 Excess Debt Service
Dodge Datacenter Generator Fund Number: 70248 Status: 90% Completed Board of Trustees Approved: June 6, 2016 Projected Completion Date: September 2018							
8	No		\$ 960,000	\$ 960,000	\$ 311,485	\$ 960,000	\$ 960,000 - #24350 Capital Projects Supplement
SST - Sunset Terrace Renovations Fund Number: 70279 Status: 90% Completed Board of Trustees Approved: October 16, 2017 Projected Completion Date: June 2018							

Oakland University
CONSTRUCTION REPORT
 April 30, 2018

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
9 RAC Energy Saving Fund Number: 70250 Status: 30% Completed Projected Completion Date: September 2018	No	\$ 364,305	\$ 859,541	\$ 152,472	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
10 Athletic-Lepley Pool Renovation Fund Number: 70241 Status: Design Phase (On Hold) Projected Completion Date: TBD	No	\$ 698,424	\$ 698,424	\$ 337,934	\$ 698,424	\$ 698,424 - #24350 Capital Projects Supplement
11 CMP - Campus Firewall Project Fund Number: 70274 Status: Completed, waiting on final invoices Projected Completion Date: April 2018	No	\$ 622,000	\$ 622,000	\$ 611,136	\$ 622,000	\$ 622,000 - #24350 Capital Projects Supplement
12 Pedestrian Exterior Lighting Fund Number: 70258 Status: 90% Completed Projected Completion Date: September 2018	No	\$ 550,000	\$ 550,000	\$ 530,702	\$ 550,000	\$ 550,000 - #14685 FY17 Excess Debt Service
TOTAL PROJECTS IN PROGRESS		\$ 28,852,016	\$172,208,086	\$ 116,167,827	\$ 172,169,558	

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.