

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) final FY2019 Fiscal Year Equated Student (FYES) enrollment, which reflects student credit hour production, exceeded budget by 1.6%. Similarly, financial aid distributions also exceeded budget, resulting in net tuition revenue exceeding budget by \$2 million. A preliminary review of General Fund expenditures shows they were slightly below budget, with no major spending variances in any division or unit. Pending completion of the annual financial statement audit, the FY2019 General Fund Budget is expected to end the year in a balanced position. Monthly State appropriation payments of \$4,801,744 are being received according to the State of Michigan's Public Act 265 of 2018. The FY2020 General Fund Budget was approved by the Board of Trustees (Board) at their June 10, 2019 Formal Session.

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, June 30, 2019 and 2018* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended June 30, 2019 was positive and consistent with the quarterly benchmark. Performance for the month of June was positive but slightly short of the benchmark.

The University's endowment portfolio performance for the quarter ended June 30, 2019 was positive and exceeded the overall benchmark. The June 30, 2019 endowment balance was \$4.8 million higher than the June 30, 2018 balance.

NACUBO's FY2018 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 managers continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

4. **Debt Management:** The *Capital Debt Report, June 30, 2019* (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,

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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 3.69%, is being managed according to the Board's policies and approvals.

In June 2019 the Board authorized the issuance of General Revenue Bonds (Series 2019) for \$78 million, excluding bond issuance costs and capitalized interest. The issue date of the bonds is projected to be in late August or early September 2019.


5. **Construction Report:** The *Construction Report, June 30, 2019* (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 Treasurer's Report.

8. **Attachments:**
A. Cash and Investments Report, June 30, 2019 and 2018
B. Capital Debt Report, June 30, 2019
C. Construction Report, June 30, 2019

Submitted to the President
on 8/5, 2019 by



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

Recommended on 8/7, 2019
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Oakland University
Cash and Investments Report
June 30, 2019 and 2018

	<u>Fair Market Value June 30, 2018</u>	<u>Fair Market Value June 30, 2019</u>	<u>Strategic Allocation 6/30/2019</u>	<u>Total Return Month Ending June 30, 2019</u>	<u>Benchmark Month Ending June 30, 2019</u>	<u>Total Return Qtr. Ending June 30, 2019</u>	<u>Benchmark Qtr. Ending June 30, 2019</u>
Working Capital ⁽¹⁾							
Equity Funds	\$ 51,158,429	\$ 47,236,423	21.23%	5.88%	7.05%	4.04%	4.30%
Fixed Income Funds	109,650,214	125,374,910	56.34%	0.75%	0.73%	1.88%	1.92%
Cash and Cash Equivalents	45,587,914	49,907,121	22.43%	0.18%	0.19%	0.37%	0.39%
Working Capital Pool Total	<u>\$ 206,396,557</u>	<u>\$ 222,518,454</u>	<u>100.00%</u>	<u>1.72%</u>	<u>1.95%</u>	<u>2.00%</u>	<u>2.08%</u>
Endowment ⁽²⁾							
Equity Funds	72,733,439	73,876,431	69.21%			3.87%	3.69%
Fixed Income Funds	15,722,266	18,708,449	17.53%			3.13%	3.25%
Hedge Funds	7,375,156	7,545,392	7.07%			0.00% *	0.00% *
Real Assets	1,216,021	33,116	0.03%			0.00%	0.00%
Private Equity ⁽³⁾	4,910,418	6,082,749	5.70%			0.78%	0.78%
Cash	3	501,252	0.47%			0.58%	0.58%
Endowment Pool Total	<u>\$ 101,957,303</u>	<u>\$ 106,747,389</u>	<u>100.00%</u>			<u>3.40%</u>	<u>3.19%</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.

In accordance with the Endowment Management and Investment Policy, one endowment fund received a June spending distribution of \$269 from an alternative funding source.

⁽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 Gib Nat Res

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

Returns are reported net of fees, benchmarks are shown gross.

* Not available at time of publication

**Oakland University
Capital Debt Report
June 30, 2019**

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	Amount	Rate of Interest	Interest Type	FY 20 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	1.910%	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, 5/3rd, Stifel
Unamortized Premium	17,253,929							
Other Capital Debt:								
2005 ESA II Loan	9,455,596	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,365,000	3.880%	Fixed	1,126,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,184,921							
	<u>\$ 340,828,744</u>	<u>3.686%</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.

	Counterparty	Current Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 28,625,000	\$ 616,735	Aa2	
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	41,465,000	(6,425,100)	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
 June 30, 2019

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	\$ 77,800,663	\$ 78,000,000	\$ 78,000,000 - #70228 2016 General Revenue Bonds
Fund Number: 70224 Status: 99% Completed (additional work added) Board of Trustees Approved: February 22, 2016 Projected Completion Date: November 2019							
2	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 47,169,316	\$ 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
Fund Number: 70232 Status: Completed, waiting on punch list, final invoices Board of Trustees Approved: February 22, 2016 Projected Completion Date: February 2019							
3	Yes	6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 53,600	\$ 40,000,000	\$30,000,000 - State of MI Capital Outlay Appropriation \$10,000,000 - 2019 General Revenue Bonds
Fund Number: 70009 Status: Design Phase - In Progress Board of Trustees Approved: April 8, 2019 Projected Completion Date: Fall 2022							
4	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 221,933	\$ 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
Fund Number: 70285 Status: Design Phase - In Progress Board of Trustees Approved: February 7, 2019 Projected Completion Date: TBD							
5	Yes	6/30/2016	\$ 515,620	\$ 20,213,423	\$ 20,148,423	\$ 20,148,423	\$ 20,148,423 - #45489 Residence Halls * See Note 5
Fund Number: 70361 Status: Closed Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: May 2018							
6	Yes	12/1/2013	\$ 14,401,198	\$ 14,401,198	\$ 14,383,198	\$ 14,401,198	\$ 14,401,198 - #71177 2014 Certificates of Participation
Fund Number 70395 Status: Completed, waiting on final invoices Board of Trustees Approved: October 7, 2013 Projected Completion Date: August 2017							
7	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ 1,014,019	\$ 1,968,500	\$ 1,968,500 - # TBD
Fund Number: 70233 Status: On hold Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD							
8	Yes	6/30/2019	\$ 55,000	\$ 1,816,035	\$ 457,043	\$ 1,816,035	\$ 1,816,035 - #45489 Residence Halls
Fund Number: 70147 Status: 65% Complete Board of Trustee Approved: February 7, 2019 Projected Completion Date: August 2019							
9	No		\$ 960,000	\$ 960,000	\$ 932,565	\$ 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 2019							

Oakland University
CONSTRUCTION REPORT
 June 30, 2019

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 Residence Hall Re-Keying Fund Number: 70296 Status: 90% Completed Projected Completion Date: August 2019	No	\$ 950,000	\$ 950,000	\$ 194,246	\$ 950,000	\$ 950,000 - #45489 Residence Halls
11 RAC Energy Saving Fund Number: 70250 Status: 88% Completed Projected Completion Date: November 2019	No	\$ 364,305	\$ 859,541	\$ 702,082	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
12 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
13 HTHW Tunnel Piping Repair Fund Number: 70283 Status: 4% Completed Projected Completion Date: November 2019	No	\$ 200,000	\$ 565,000	\$ 153,162	\$ 565,000	\$ 565,000 - #24810 Plant Renewal
14 HTHW Emergency Repairs PSS & Hill House Fund Number: 70007 Status: Closed Projected Completion Date: March 2019	No	\$ 544,600	\$ 544,600	\$ 469,467	\$ 469,467	\$ 469,467 - #24350 Capital Projects Supplement
TOTAL PROJECTS IN PROGRESS		\$ 68,493,217	\$228,838,695	\$ 164,037,651	\$ 228,698,562	

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.