

## 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) actual year-to-date (through Summer II and Fall 2019) enrollment, measured by student credit hour production, is 1.5% below prior year actual but exceeds budget by 1.5%. Financial aid distributions are tracking on 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 \$395,500 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, October 31, 2019 and 2018* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended September 30, 2019 was positive and slightly higher (9 basis points) than the quarterly benchmark. Performance for the month of October was positive but off (34 basis points) from the benchmark for the month.

The University's endowment portfolio performance for the quarter ended September 30, 2019 was positive and exceeded the overall benchmark by 42 basis points for the quarter. The October 31, 2019 endowment balance of \$108 million, was \$9.1 million higher than the October 31, 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 Advisors continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

4. **Debt Management:** The *Capital Debt Report, October 31, 2019* (Attachment B) shows the University's amount of outstanding principal, unamortized premiums, rate of

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Oakland University  
Board of Trustees Formal Session  
December 9, 2019  
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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, November 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, Controller, 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, October 31, 2019 and 2018  
B. Capital Debt Report, October 31, 2019  
C. Construction Report, November 30, 2019

Submitted to the President  
on 12/2, 2019 by

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

Recommended on 12/5, 2019  
to the Board of Trustees for Approval

  
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Ora Hirsch Pescovitz, M.D.  
President

**Oakland University**  
**Cash and Investments Report**  
**October 31, 2019 and 2018**

	Fair Market Value October 31, 2018	Fair Market Value October 31, 2019	Strategic Allocation 10/31/2019	Total Return Month Ending October 31, 2019	Benchmark Month Ending October 31, 2019	Total Return Qtr. Ending September 30, 2019	Benchmark Qtr. Ending September 30, 2019
<b>Working Capital <sup>(1)</sup></b>							
Equity Funds	\$ 50,767,907	\$ 48,600,081	18.75%	0.63%	2.17%	2.27%	1.70%
Fixed Income Funds	135,757,450	161,985,168	62.51%	0.23%	0.32%	0.95%	0.98%
Cash and Cash Equivalents	44,051,817	48,550,915	18.74%	0.03%	0.03%	0.32%	0.32%
Working Capital Pool Total	<u>\$ 230,577,174</u>	<u>\$ 259,136,164</u>	<u>100.00%</u>	<u>0.27%</u>	<u>0.61%</u>	<u>1.09%</u>	<u>1.00%</u>
<b>Endowment <sup>(2)</sup></b>							
Equity Funds	68,739,215	74,356,028	68.86%			0.17%	-0.21%
Fixed Income Funds	15,651,999	19,066,534	17.66%			1.71%	2.26%
Hedge Funds	7,478,988	6,085,318	5.64%			4.51%	0.83%
Real Assets	1,124,312	32,940	0.03%			0.00%	0.00%
Private Equity <sup>(3)</sup>	5,784,849	6,462,722	5.99%			-1.33%	-1.33%
Cash	116,072	1,975,881	1.83%			0.54%	0.54%
Endowment Pool Total	<u>\$ 98,895,435</u>	<u>\$ 107,979,423</u>	<u>100.00%</u>			<u>0.65%</u>	<u>0.23%</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.

<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 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 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.

**Oakland University  
Capital Debt Report  
October 31, 2019**

	Amount	Rate of Interest	Interest Type	FY 20 Debt Service	Expires	Bond Rating	Purpose	Underwriter
<b>Bonded Indebtedness:</b>								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	1.130%	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							
<b>Other Capital Debt:</b>								
2005 ESA II Loan	9,139,172	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,200,000	3.880%	Fixed	1,126,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,184,921							
	<u>\$ 438,538,816</u>	<u>3.600%</u> <sup>(1)</sup>		<u>\$ 24,217,503</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 requirements.

	Counterparty	Current Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
<b>Debt-Based Derivatives:</b>					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 28,625,000	\$ 502,895	Aa2	
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	41,465,000	(6,966,258)	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**  
**November 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
1	<b>South Student Housing Complex - Hillcrest</b> Fund Number: 70224 Status: Completed, closeout in process Board of Trustees Approved: February 22, 2016 Projected Completion Date: November 2019	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 77,979,726	\$ 78,000,000	\$ 78,000,000 - #70228 2016 General Revenue Bonds
2	<b>Oakland Center Expansion</b> Fund Number: 70232 Status: Completed, waiting on final invoices Board of Trustees Approved: February 22, 2016 Projected Completion Date: February 2019	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 46,760,982	\$ 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	<b>SFH Renovation and Expansion</b> Fund Number: 70009 Status: Schematic Design approved and construction manager chosen Board of Trustees Approved: April 8, 2019 Projected Completion Date: Fall 2022	Yes	6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 333,167	\$ 40,000,000	\$ 30,000,000 - State of MI Capital Outlay Appropriation \$ 10,000,000 - 2019 General Revenue Bonds
4	<b>WH Renovation &amp; Expansion (Project S.U.C.C.E.S.S.)</b> 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	\$ 229,633	\$ 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	<b>DH-2019 Renovation</b> 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	<b>Business School Expansion</b> 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	<b>Ann V. Nicholson Apartments - Exterior Renovation</b> Fund Number: 70147 Status: Completed, waiting on punch list items and final invoices Board of Trustee Approved: February 7, 2019 Projected Completion Date: August 2019	Yes	6/30/2019	\$ 55,000	\$ 1,816,035	\$ 1,618,297	\$ 1,816,035	\$ 1,816,035 - #45489 Residence Halls
8	<b>SST - Sunset Terrace Renovations</b> Fund Number: 70279 Status: Closed Board of Trustees Approved: October 16, 2017 Projected Completion Date: December 2019	No		\$ 960,000	\$ 960,000	\$ 928,543	\$ 928,543	\$ 960,000 - #24350 Capital Projects Supplement
9	<b>Residence Hall Re-Keying</b> Fund Number: 70296 Status: 99% Completed Projected Completion Date: December 2019	No		\$ 950,000	\$ 950,000	\$ 279,915	\$ 950,000	\$ 950,000 - #45489 Residence Halls

**Oakland University**  
**CONSTRUCTION REPORT**  
**November 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	<b>HTHW Tunnel Piping Repair</b> Fund Number: 70283 Status: 15% Completed Projected Completion Date: April 2020	No	\$ 200,000	\$ 865,000	\$ 310,827	\$ 865,000	\$ 865,000 - #24810 Plant Renewal Supplement
11	<b>RAC Energy Saving</b> 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	<b>Athletic-Lepley Pool Renovation</b> Fund Number: 70241 Status: Closed - New Lepley project initiated in 2019	No	\$ 698,424	\$ 698,424	\$ 337,934	\$ 337,934	\$ 698,424 - #24350 Capital Projects Supplement
13	<b>CMP-Replace Water Lines-HH to NFH</b> Fund Number: 70146 Status: 99% Completed, waiting on punch list items and final invoices Projected Completion Date: December 2019	No	\$ 382,000	\$ 682,000	\$ 280,288	\$ 682,000	\$ 682,000 - #24810 Plant Renewal Supplement
14	<b>AVN Interior Room Renovations</b> 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
15	<b>Katke Cousins Hole #17 Stormwater Enhancement</b> Fund Number: 70015 Status: 80% Completed, additional work required in November Projected Completion Date: February 2020	No	\$ 500,000	\$ 500,000	\$ 195,359	\$ 500,000	\$ 500,000 - #42465 Katke Cousins Golf Course
<b>TOTAL PROJECTS IN PROGRESS</b>			<b>\$ 57,593,799</b>	<b>\$ 198,841,474</b>	<b>\$ 131,188,501</b>	<b>\$ 198,449,527</b>	

**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.