

**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, November 30 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 November was favorable overall 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 November 2018 endowment balance remained essentially unchanged compared to the November 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 and continued through the remainder of the 2018 calendar year. December 31, 2018 quarter ending results are still pending.

Preliminary results from NACUBO's FY2018 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.

**Treasurer's Report  
Oakland University  
Board of Trustees Formal Session  
February 7, 2019  
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4. **Debt Management:** The *Capital Debt Report, December 31, 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.

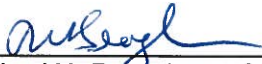
5. **Construction Report:** The *Construction Report, December 31, 2018* (Attachment C) includes budget information, source of funding, forecasted final costs, and comments for all ongoing capital projects over \$500,000, as required by Board policy. All projects have been properly approved and are within 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.

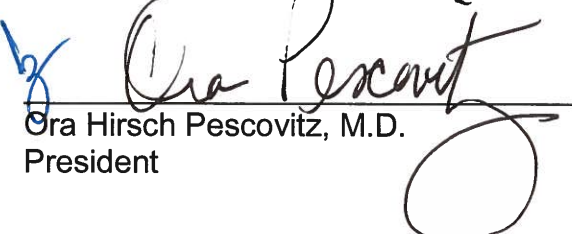
7. **Recommendation:**  
RESOLVED, that the Board of Trustees accepts the February 7, 2019 Treasurer's Report.

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

Submitted to the President  
on 1/24, 2019 by

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

Recommended on 1/24, 2019  
to the Board of Trustees for Approval

  
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Ora Hirsch Pescovitz, M.D.  
President

**Oakland University  
Cash and Investments Report  
November 30, 2018 and 2017**

	Fair Market Value November 30, 2017	Fair Market Value November 30, 2018	Strategic Allocation 11/30/2018	Total Return Month Ending November 30, 2018	Benchmark Month Ending November 30, 2018	Total Return Qtr. Ending September 30, 2018	Benchmark Qtr. Ending September 30, 2018
<b>Working Capital <sup>(1)</sup></b>							
Equity Funds	\$ 54,158,841	\$ 52,044,411	23.23%	2.52%	2.04%	7.12%	7.71%
Fixed Income Funds	123,464,808	136,281,636	60.82%	0.39%	0.42%	0.33%	0.16%
Cash and Cash Equivalents	31,602,477	35,740,072	15.95%	0.14%	0.14%	0.26%	0.26%
Working Capital Pool Total	<u>\$ 209,226,126</u>	<u>\$ 224,066,119</u>	<u>100.00%</u>	<u>0.84%</u>	<u>0.75%</u>	<u>1.67%</u>	<u>1.70%</u>
<b>Endowment <sup>(2)</sup></b>							
Equity Funds	70,144,795	70,694,908	69.97%			4.66%	5.27%
Fixed Income Funds	16,148,402	15,685,735	15.52%			0.35%	0.20%
Hedge Funds	7,143,495	7,191,614	7.12%			1.25%	0.13%
Real Assets	4,177,821	1,075,498	1.06%			-3.37%	0.76%
Private Equity <sup>(3)</sup>	2,346,912	5,378,145	5.32%			0.36%	0.36%
Cash	1,096,265	1,009,743	1.00%			0.48%	0.48%
Endowment Pool Total	<u>\$ 101,057,690</u>	<u>\$ 101,035,644</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 slightly lower than the previous year due to new gifts being offset by the net of investment income and spending distributions.

<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 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.

**Oakland University  
Capital Debt Report  
December 31, 2018**

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 19 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	1.720%	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, 5/3rd, Stifel
Unamortized Premium	18,424,388							
<b>Other Capital Debt:</b>								
2005 ESA II Loan	9,922,821	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,557,500	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	1,964	4.940%	Fixed	13,805	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 351,877,263</u>	<u>3.680%</u> <sup>(1)</sup>		<u>\$ 24,156,371</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.

	<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	\$ 29,465,000	\$ 466,506	Aa2	
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	43,160,000	(5,031,935)	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  
 December 31, 2018

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding		
<b>Item Projects in Progress - over \$500,000</b>								
1	<b>South Student Housing Complex - Hillcrest</b> Fund Number: 70224 Status: Completed, waiting on punch list, final invoices Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 77,145,596	\$ 78,000,000	\$ 78,000,000 - 2016 General Revenue Bonds
2	<b>Oakland Center Expansion</b> Fund Number: 70232 Status: Construction 98% Board of Trustees Approved: February 22, 2016 Projected Completion Date: February 2019	Yes	6/30/2016	\$ 3,281,000	\$ 46,635,000	\$ 43,098,867	\$ 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>Vandenberg Hall Infrastructure</b> Fund Number: 70361 Status: Completed, waiting on final invoices Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: May 2018	Yes	6/30/2016	\$ 515,620	\$ 20,213,423	\$ 20,122,822	\$ 20,148,423	\$ 20,213,423 - #45489 Residence Halls * See Note 5
4	<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
5	<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	\$ 1,014,019	\$ 1,968,500	\$ 1,968,500 - # TBD
6	<b>Fitzgerald Renovations</b> Fund Number: 70245 Status: Project On-Hold Board of Trustee Approved: October 24, 2016 & April 9, 2018 Projected Completion Date: TBD	Yes	6/30/2018	\$ 470,109	\$ 1,500,000	\$ 232,856	\$ 1,500,000	\$ 1,500,000 - 2016 General Revenue Bonds
7	<b>Dodge Datacenter Generator</b> Fund Number: 70248 Status: Closed Board of Trustees Approved: June 6, 2016 Projected Completion Date: September 2018	Yes	6/30/2016	\$ 1,300,000	\$ 1,300,000	\$ 1,286,843	\$ 1,286,843	\$ 1,286,843 - #14362 FY16 Excess Debt Service
8	<b>SST - Sunset Terrace Renovations</b> Fund Number: 70279 Status: Completed, waiting on final invoices Board of Trustees Approved: October 16, 2017 Projected Completion Date: July 2018	No		\$ 960,000	\$ 960,000	\$ 919,285	\$ 960,000	\$ 960,000 - #24350 Capital Projects Supplement
9	<b>Residence Hall Re-Keying</b> Fund Number: 70296 Status: 10% Completed Projected Completion Date: TBD	No		\$ 950,000	\$ 950,000	\$ -	\$ 950,000	\$ 950,000 - #45489 Residence Halls Rooms

Oakland University  
**CONSTRUCTION REPORT**  
 December 31, 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
10	<b>RAC Energy Saving</b> Fund Number: 70250 Status: 85% Completed Projected Completion Date: October 2018	No	\$ 364,305	\$ 859,541	\$ 547,082	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
11	<b>WH Renovation &amp; Expansion</b> Fund Number: 70285 Status: Design Phase - In Progress Projected Completion Date: TBD	No	\$ 833,710	\$ 833,710	\$ 106,500	\$ 833,710	\$ 833,710 - #24350 Capital Projects Supplement
12	<b>Athletic-Lepley Pool Renovation</b> 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	<b>CMP - Campus Firewall Project</b> Fund Number: 70274 Status: Closed Projected Completion Date: April 2018	No	\$ 622,000	\$ 622,000	\$ 620,708	\$ 620,708	\$ 620,708 - #24350 Capital Projects Supplement
14	<b>2018 Pavement Repairs</b> Fund Number: 70289 Status: Completed, waiting on final invoices Projected Completion Date: August 2018	No	\$ 604,300	\$ 604,300	\$ 587,979	\$ 604,300	\$ 506,300 - #24350 Capital Projects Supplement \$ 98,000 - #46504 Facilities Fund
15	<b>HTHW Tunnel Piping Repair</b> Fund Number: 70283 Status: 2% Completed Projected Completion Date: TBD	No	\$ 200,000	\$ 565,000	\$ 66,043	\$ 565,000	\$ 565,000 - #24810 Plant Renewal Supplement
16	<b>Pedestrian Exterior Lighting</b> Fund Number: 70258 Status: Completed, waiting on final invoices Projected Completion Date: September 2018	No	\$ 550,000	\$ 550,000	\$ 549,717	\$ 550,000	\$ 550,000 - #14685 FY17 Excess Debt Service
17	<b>HTHW Emergency Repairs PSS &amp; Hill House</b> Fund Number: 70007 Status: 90% Complete Projected Completion Date: TBD	No	\$ 544,600	\$ 544,600	\$ 35,550	\$ 544,600	\$ 544,600 - #24350 Capital Projects Supplement
<b>TOTAL PROJECTS IN PROGRESS</b>			<b>\$ 31,984,626</b>	<b>\$171,205,696</b>	<b>\$ 160,168,517</b>	<b>\$ 171,126,247</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.