

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) final FY2021 enrollment, measured by student credit hours, is 4.5% below prior year actual but exceeded budget. Financial aid distributions were slightly below budget and a preliminary review of General Fund expenditures shows no major spending variances in any division or unit. Monthly State appropriation payments of \$4,855,771 are being received on schedule, in accordance with the State of Michigan's Public Act 165 of 2020. Pending completion of the annual financial statements audit, the FY2021 General Fund Budget is expected to end the year in a balanced position.

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, 2021 and 2020* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended June 30, 2021 was positive and slightly higher than the quarterly benchmark for the period. Investment results for the month of June were positive, matching the performance of the monthly benchmark. The University's endowment portfolio performance for the quarter ended June 30, 2021 was positive and slightly shy of the quarterly benchmark by 49 basis points. The June 30, 2021 endowment balance of \$147.4 million was \$38.2 million higher than the June 30, 2020 balance.

Final data from the NACUBO / TIAA FY2020 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance for both similar sized university endowments and all university endowments, regardless of size, for all measured periods; one, three, five, ten, fifteen, and twenty 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 (i.e. Commonfund for working capital and UBS for the endowment) continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

4. **Debt Management:** The *Capital Debt Report, July 31, 2021* (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, purpose of each debt issuance, and information about the University's two swap

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Oakland University
Board of Trustees Formal Session
August 12, 2021
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arrangements. The University's debt, which has a weighted average cost of capital of 3.595%, is being managed according to the Board's policies and approvals.


5. **Construction Report:** The *Construction Report, July 31, 2021* (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.

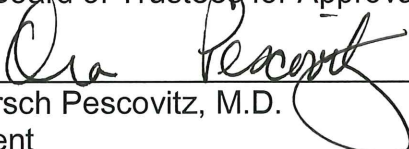
8. **Attachments:**
A. Cash and Investments Report, June 30, 2021 and 2020
B. Capital Debt Report, July 31, 2021
C. Construction Report, July 31, 2021

Submitted to the President
on 8/5, 2021 by

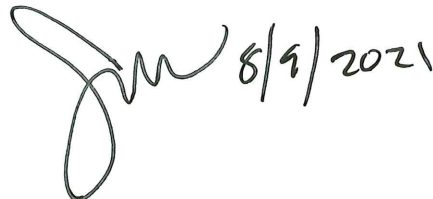


John W. Beaghan, CMA
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 8/9, 2021
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President


8/9/2021

Oakland University
Cash and Investments Report
June 30, 2021 and 2020

	Fair Market Value June 30, 2020	Fair Market Value June 30, 2021	Strategic Allocation 6/30/2021	Total Return Month Ending June 30, 2021	Benchmark Month Ending June 30, 2021	Total Return Qtr. Ending June 30, 2021	Benchmark Qtr. Ending June 30, 2021
Working Capital ⁽¹⁾							
Equity Funds	\$ 47,968,272	\$ 63,767,386	24.09%	2.11%	2.33%	8.13%	8.55%
Fixed Income Funds	119,716,150	146,875,690	55.48%	0.18%	0.09%	0.72%	0.50%
Cash and Cash Equivalents	68,003,557	54,089,176	20.43%	0.01%	0.01%	0.03%	0.03%
Working Capital Pool Total	<u>\$ 235,687,979</u>	<u>\$ 264,732,252</u>	<u>100.00%</u>	<u>0.61%</u>	<u>0.61%</u>	<u>2.37%</u>	<u>2.34%</u>
Endowment ⁽²⁾							
Equity Funds	74,666,814	108,711,982	73.74%			6.60%	7.39%
Fixed Income Funds	19,823,731	21,782,763	14.78%			2.36%	1.83%
Hedge Funds	6,493,603	6,450,482	4.38%			0.75%	4.76%
Real Assets	23,743	25,582	0.02%			0.00%	0.00%
Private Equity ⁽³⁾	7,249,769	8,850,044	6.00%			1.03%	1.03%
Cash	994,713	1,598,837	1.08%			0.00%	0.00%
Endowment Pool Total	<u>\$ 109,252,372</u>	<u>\$ 147,419,689</u>	<u>100.00%</u>			<u>5.23%</u>	<u>5.72%</u>

Comments:

The working capital pool is higher than the previous year primarily from investment income.
The endowment pool is higher than the previous year due to gifts and investment income.

⁽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 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: MSCI AC World NR

For Endowment Fixed Income: Barclays Capital US Aggregate Bond Index

For Endowment Hedge Funds: HFRI Fund Wgt Comp Index, HFRI Fund of funds Comp Index, HFRX Equity Hedge, BoA-ML High Yield II (Relative Weighted)

For Endowment Real Assets: Lipper Glb Nat Res

For Endowment Cash: US T-Bill (90 Day)

Returns are reported net of fees, benchmarks are shown gross. All returns and benchmarks represent weighted average calculations based on month end balances.

**Oakland University
Capital Debt Report
July 31, 2021**

	Amount	Rate of Interest	Interest Type	FY 22 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000	0.030%	Variable	\$ 3,385	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	37,860,000 ⁽²⁾	3.373%	Variable/Hedged	3,165,797	2031	Aa2	AVN, Pawley, OC Expansion, Elec. Upgrade, Parking Deck I	Lehman
General Revenue Bonds, Series 2012	37,830,000	4.075%	Fixed	2,951,500	2042	A1	Engineering Center	Barclay's, 5/3rd
Unamortized Premium	2,468,128							
General Revenue Bonds, Series 2013A	50,920,000	4.028%	Fixed	3,891,000	2043	A1	Oakview, Parking Deck II, Upper Play Fields	BOAML, 5/3rd
Unamortized Premium	3,730,331							
General Revenue Refunding Bonds, Series 2013B	10,390,000	2.995%	Fixed	2,301,561	2026	A1	Recreation and Athletics Center	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	23,005,000	3.562%	Fixed	1,965,250	2039	A1	HHB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,294,114							
General Revenue Refunding Bonds, Series 2016	107,410,000	3.656%	Fixed	7,470,500	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC, 5/3rd, Stifel
Unamortized Premium	15,033,591							
General Revenue Bonds, Series 2019	79,205,000	3.307%	Fixed	3,305,125	2050	A1	South Foundation, Varner, Dodge, Lepley, CHP, Research	BOAML, PNC
Unamortized Premium	17,095,814							
Other Capital Debt:								
2005 ESA II Loan	7,410,943	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	12,204,583	3.880%	Fixed	1,323,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	934,170							
	<u>\$ 411,511,674</u>	<u>3.595%</u> ⁽¹⁾		<u>\$ 27,680,556</u>				

⁽¹⁾ Weighted Average Cost of Capital

⁽²⁾ The 3.373% interest rate is the synthetic fixed interest rate paid to the swap counterparty. The variable interest rate for the bonds resets weekly and is hedged with a LIBOR based rate.

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	Expires	Counterparty Rating	Purpose/Comment
Debt-Based Derivative:						
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	37,860,000	\$ (6,517,831)	2031	Baa3	Current low variable rates = High termination costs.

The Constant Maturity Swap, CMS was terminated April 26, 2021. The extinguishment value of \$1,069,000 was received bringing the total CMS proceeds to over \$6 million.

The Interest Rate Swap fixes the interest rate paid to the counterparty 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 agreement.

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
 July 31, 2021

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	Oakland Center Expansion Fund Number: 70232 Status: Completed; closeout in process Board of Trustees Approved: February 22, 2016 Projected Completion Date: August 2021	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 47,090,299	\$ 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
2	VAR-2019 Renovation Fund Number: 70023 Status: Construction documents in process Board of Trustees Approved: December 7, 2020 Projected Completion Date: August 2023	Yes	12/31/2020	\$ 14,800	\$ 45,000,000	\$ 1,362,929	\$ 45,000,000	\$ 45,000,000 - #70046 2019 General Revenue Bonds
3	SFH Renovation and Expansion Fund Number: 70009 Status: Final design pending State approval Board of Trustees Approved: April 8, 2019 Projected Completion Date: August 2023	Yes	6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 2,103,069	\$ 40,000,000	\$ 30,000,000 - State of MI Capital Outlay Appropriation \$ 10,000,000 - #70046 2019 General Revenue Bonds
4	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: Construction in progress Board of Trustees Approved: February 7, 2019 Projected Completion Date: August 2022	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 7,607,292	\$ 20,535,000	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 14,775,000 - #70046 2019 General Revenue Bonds
5	OU Research Facility Fund Number: 70058 Status: Purchase complete; construction documents in process Board of Trustees Approved: June 21, 2021 Projected Completion Date: September 2022	Yes	12/31/2020	\$ 75,000	\$ 18,215,800	\$ 4,002,808	\$ 18,215,800	\$ 9,690,800 - #24350 Capital Projects Supplement - Renovation \$ 4,809,200 - #70046 2019 General Revenue Bonds - Renovation \$ 3,715,800 - #70046 2019 General Revenue Bonds - Purchase
6	CHP-HTHW Replace to Hill House Fund Number: 70053 Status: Construction in progress Board of Trustees Approved: August 3, 2020 Projected Completion Date: September 2023	Yes	6/30/2020	\$ 488,840	\$ 5,000,000	\$ 2,783,278	\$ 5,000,000	\$ 5,000,000 - #70046 2019 General Revenue Bonds
7	Fitzgerald / Anibal House Renovation Fund Number: 70061 Status: Construction in progress Board of Trustee Approved: April 6, 2020 Projected Completion Date: August 2021	Yes	6/30/2020	\$ 2,000,000	\$ 3,700,000	\$ 3,295,051	\$ 3,700,000	\$ 3,700,000 - #70046 2019 General Revenue Bonds
8	DH-2019 Renovation Fund Number: 70050 Status: Construction in progress Board of Trustee Approved: August 12, 2019 Projected Completion Date: August 2021	Yes	12/31/2019	\$ 3,000,000	\$ 3,000,000	\$ 2,404,036	\$ 3,000,000	\$ 3,000,000 - #70046 2019 General Revenue Bonds
9	Business School Expansion 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	\$ 1,034,519	\$ 1,968,500	\$ 1,968,500 - # TBD

Oakland University
CONSTRUCTION REPORT
July 31, 2021

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	Main Campus Buildings Dampers Replacement Fund Number: 70044 Status: Design phase in progress Projected Completion Date: December 2021	No	\$ 970,000	\$ 970,000	\$ 3,491	\$ 970,000	\$ 970,000 - #35571 CARES / HEERF Grant
11	Sharf Patio Expansion Fund Number: 70090 Status: Construction documents in process Projected Completion Date: October 2021	No	\$ 250,000	\$ 925,000	\$ 77,317	\$ 925,000	\$ 925,000 - #44254 - Steve Sharf Clubhouse
12	HAM-HVAC Unit Replacement Fund Number: 70100 Status: Construction in progress Projected Completion Date: December 2021	No	\$ 389,400	\$ 874,000	\$ 20,482	\$ 874,000	\$ 874,000 - #35571 CARES / HEERF Grant
13	HTHW Tunnel Piping Repair Fund Number: 70283 Status: Completed; closeout in process Projected Completion Date: September 2021	No	\$ 200,000	\$ 865,000	\$ 842,977	\$ 865,000	\$ 865,000 - #24810 Plant Renewal Supplement
14	RAC Energy Saving Fund Number: 70250 Status: 92% Complete Projected Completion Date: December 2021	No	\$ 364,305	\$ 859,541	\$ 720,395	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
15	Main Campus Bldgs Exhaust Fan Replacement Fund Number: 70081 Status: Design phase in progress Projected Completion Date: December 2021	No	\$ 776,000	\$ 776,000	\$ 11,896	\$ 776,000	\$ 776,000 - #35571 CARES / HEERF Grant
16	CMP-Replace Water Lines-HH to NFH Fund Number: 70146 Status: CLOSED Projected Completion Date: July 2021	No	\$ 382,000	\$ 682,000	\$ 665,217	\$ 665,217	\$ 682,000 - #24810 Plant Renewal Supplement
17	Housing-Network Upgrades Fund Number: 70060 Status: Work in progress Projected Completion Date: September 2021	No	\$ 175,000	\$ 655,000	\$ 372,238	\$ 655,000	\$ 655,000 - #35571 CARES / HEERF Grant
18	MSC-LED Lighting Fund Number: 70067 Status: Design phase in progress Projected Completion Date: June 2022	No	\$ 386,945	\$ 524,975	\$ 24,532	\$ 524,975	\$ 386,945 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
TOTAL PROJECTS IN PROGRESS			\$ 55,555,500	\$ 191,877,790	\$ 74,421,826	\$ 191,861,007	

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.