

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 enrollment, measured by student credit hours, is 8.9% below prior year actual and 7.2% below budget. Financial aid distributions are running slightly below budget, which will offset some of the anticipated revenue shortfalls. A review of General Fund expenditures to date shows no major spending variances in any division or unit. The University received a one-time supplemental allocation of \$2,084,800 in addition to monthly State appropriation payments of \$4,910,264 which began in October, in accordance with the State of Michigan's Public Act 86 of 2021. Planning is underway to address the revenue shortfall resulting from lower than budgeted enrollment, including the use of the supplemental appropriation, cost containment measures, budget reductions, reserves, and use of the Higher Education Emergency Relief Fund (HEERF) grant from the federal government.

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, February 28, 2022 and 2021* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended December 31, 2021 was positive and consistent with the benchmark. Performance for month of February was negative but slightly better (11 basis points) than the associated benchmark for the month.

The University's endowment portfolio performance for the quarter ended December 31, 2021 was positive but trailed the quarterly benchmark by 74 basis points. The February 28, 2022 endowment balance of \$143.7 million was \$4.9 million higher than the February 28, 2021 balance.

Data from the NACUBO/TIAA FY2021 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

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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, February 28, 2022* (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 swap arrangement. The University's debt, which has a weighted average cost of capital of 3.596%, is being managed according to the Board's policies and approvals.

On March 23, 2022, the refunding of Series 2012 and Series 2013A (Forward Delivery) was completed. Combined savings for these transactions will be approximately \$11 million over the next 20 years. As part of the refunding process, Moody's Investor Service maintained the University's overall credit rating at A1, with an outlook of "Stable".

5. Construction Report: The *Construction Report, March 31, 2022* (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.

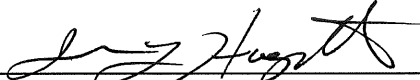
6. University Reviews/Approvals: The Treasurer's Report and attachments were prepared by the Budget and Financial Planning, Treasury Management, Controller, and Facilities Management Departments, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the 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, February 28, 2022 and 2021
B. Capital Debt Report, February 28, 2022
C. Construction Report, March 31, 2022


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Submitted to the President
on 4-8, 2022 by

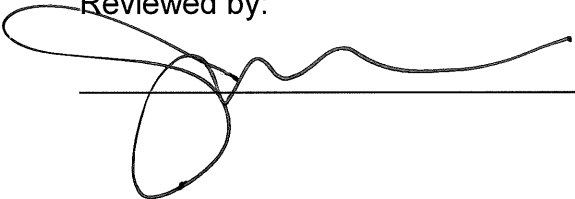


James L. Hargett, CPA
Interim Vice President for Finance and
Administration and Treasurer
to the Board of Trustees

Recommended on 4/11, 2022
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Reviewed by:


Oakland University
Cash and Investments Report
February 28, 2022 and 2021

Attachment A

	Fair Market Value February 28, 2021	Fair Market Value February 28, 2022	Strategic Allocation 2/28/2022	Total Return Month Ending February 28, 2022	Benchmark Month Ending February 28, 2022	Total Return Qtr. Ending December 31, 2021	Benchmark Qtr. Ending December 31, 2021
Working Capital ⁽¹⁾							
Equity Funds	\$ 70,420,772	\$ 82,883,292	26.81%	-2.52%	-2.99%	11.15%	11.03%
Fixed Income Funds	151,364,213	179,621,717	58.11%	-0.63%	-0.59%	-0.45%	-0.38%
Cash and Cash Equivalents	54,810,297	46,597,781	15.08%	0.01%	0.01%	0.05%	0.05%
Working Capital Pool Total	<u>\$ 276,595,282</u>	<u>\$ 309,102,790</u>	<u>100.00%</u>	<u>-1.04%</u>	<u>-1.15%</u>	<u>2.24%</u>	<u>2.25%</u>
Endowment ⁽²⁾							
Equity Funds	98,201,062	103,270,899	71.89%			5.58%	6.68%
Fixed Income Funds	21,473,168	21,254,327	14.79%			0.32%	0.01%
Hedge Funds	7,645,948	4,815,487	3.35%			-3.26%	2.02%
Real Assets	16,318	26,901	0.02%			0.00%	0.00%
Private Equity ⁽³⁾	7,878,083	10,907,684	7.59%			-0.01%	-0.01%
Cash	3,511,057	3,385,260	2.36%			0.00%	0.00%
Endowment Pool Total	<u>\$ 138,725,636</u>	<u>\$ 143,660,559</u>	<u>100.00%</u>			<u>3.94%</u>	<u>4.68%</u>

Comments:

The working capital pool is higher than the previous year primarily from investment income and net CARES / HEERF activity
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. Investments for private equities are in various of stages funding with more than half of committed capital having already been provided.

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 Government Credit Index, Barclays Agg Bond, BoA-ML High Yield II, Barclays Bloomberg US Tips (Relative Weighted)

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
February 28, 2022**

Attachment B

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 22 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000	0.210%	Variable	\$ 3,385	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	35,945,000 ⁽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	36,770,000	4.075%	Fixed	2,951,500	2042	A1	Engineering Center	Barclay's, 5/3rd
Unamortized Premium	2,468,128							
General Revenue Bonds, Series 2013A	49,575,000	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	22,190,000	3.562%	Fixed	1,965,250	2039	A1	HHB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,294,114							
General Revenue Refunding Bonds, Series 2016	105,310,000	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	77,880,000	3.307%	Fixed	3,305,125	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
Unamortized Premium	17,095,814						CHP, Anibal Fitzgerald	
Other Capital Debt:								
2005 ESA II Loan	6,808,997	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	11,781,667	3.880%	Fixed	1,323,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	934,170							
	<u>\$ 401,926,812</u>	<u>3.596%</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.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Expires</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivative:						
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	35,945,000	\$ (4,647,631)	2031	Baa3	Current low variable rates = High termination costs.

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
March 31, 2022

Attachment C

Item	Projects in Progress - over \$500,000	JCOS		Original	Revised	Actual	Forecast of	Source of Funding
		Approval/Notification	Required	Budget	Project	Expenditures	Final Cost	
					Budget	to Date		
1	Oakland Center Expansion Fund Number: 70232 Status: Closed Board of Trustees Approved: February 22, 2016 Projected Completion Date: March 2022	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 47,090,299	\$ 47,090,299	\$ 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 in progress Board of Trustees Approved: December 7, 2020 Projected Completion Date: August 2023	Yes	12/31/2020	\$ 14,800	\$ 45,000,000	\$ 8,836,134	\$ 45,000,000	\$ 45,000,000 - #70046 2019 General Revenue Bonds
3	SFH Renovation and Expansion Fund Number: 70009 Status: Contract awarding in process Board of Trustees Approved: April 8, 2019, February 7, 2022 Projected Completion Date: March 2024	Yes	6/30/2019	\$ 40,000,000	\$ 44,200,000	\$ 2,143,174	\$ 44,200,000	\$ 30,000,000 - State of MI Capital Outlay Appropriation \$ 10,000,000 - #70046 2019 General Revenue Bonds \$ 4,200,000 - #24350 Capital Projects Supplement
4	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: Construction in progress - 75% complete Board of Trustees Approved: February 7, 2019 Projected Completion Date: September 2022	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 15,136,389	\$ 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: Construction in progress Board of Trustees Approved: June 21, 2021 Projected Completion Date: October 2022	Yes	12/31/2020	\$ 75,000	\$ 18,215,800	\$ 6,505,731	\$ 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	\$ 4,787,899	\$ 5,000,000	\$ 5,000,000 - #70046 2019 General Revenue Bonds
7	DH-2019 Renovation Fund Number: 70050 Status: Complete; Closeout in progress Board of Trustee Approved: August 12, 2019 Projected Completion Date: April 2022	Yes	12/31/2019	\$ 3,000,000	\$ 3,000,000	\$ 2,937,508	\$ 3,000,000	\$ 3,000,000 - #70046 2019 General Revenue Bonds
8	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
9	Main Campus Buildings Dampers Replacement Fund Number: 70044 Status: Complete; Closeout in progress Projected Completion Date: April 2022	No		\$ 970,000	\$ 970,000	\$ 596,254	\$ 970,000	\$ 970,000 - #35571 CARES / HEERF Grant

Oakland University
CONSTRUCTION REPORT
 March 31, 2022

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	Sharf Patio Expansion Fund Number: 70090 Status: Construction in progress - 95% Complete Projected Completion Date: May 2022	No	\$ 250,000	\$ 940,000	\$ 821,052	\$ 940,000	\$ 940,000 - #44254 - Steve Sharf Clubhouse
11	HAM-HVAC Unit Replacement Fund Number: 70100 Status: Complete; Closeout in progress Projected Completion Date: April 2022	No	\$ 389,400	\$ 874,000	\$ 670,630	\$ 874,000	\$ 874,000 - #35571 CARES / HEERF Grant
12	HTHW Tunnel Piping Repair Fund Number: 70283 Status: Closed Projected Completion Date: February 2022	No	\$ 200,000	\$ 865,000	\$ 845,855	\$ 845,855	\$ 865,000 - #24810 Plant Renewal Supplement
13	RAC Energy Saving Fund Number: 70250 Status: 92% Complete Projected Completion Date: December 2022	No	\$ 364,305	\$ 859,541	\$ 720,395	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
14	Main Campus Bldgs Exhaust Fan Replacement Fund Number: 70081 Status: Construction Phase - 90% Complete Projected Completion Date: September 2022	No	\$ 776,000	\$ 776,000	\$ 486,457	\$ 776,000	\$ 776,000 - #35571 CARES / HEERF Grant
15	Housing-Network Upgrades Fund Number: 70060 Status: Work in progress Projected Completion Date: June 2022	No	\$ 175,000	\$ 655,000	\$ 645,906	\$ 655,000	\$ 655,000 - #35571 CARES / HEERF Grant
16	MSC-LED Lighting Fund Number: 70067 Status: Bidding phase in progress Projected Completion Date: December 2022	No	\$ 386,945	\$ 524,975	\$ 24,532	\$ 524,975	\$ 386,945 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
17	Replace Water Main Phase II Fund Number: 71005 Status: Bidding phase in progress Projected Completion Date: December 2022	No	\$ 701,000	\$ 701,000	\$ 22,917	\$ 701,000	\$ 701,000 - #24810 Plant Renewal Supplement
TOTAL PROJECTS IN PROGRESS			\$ 53,874,500	\$ 192,411,790	\$ 93,305,653	\$ 192,155,970	

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.