

## 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 FY2022 enrollment, measured by student credit hours, is 9.2% below prior year actual and 7.5% below budget. Financial aid distributions were slightly below budget, which will offset some of the revenue shortfalls. A review of General Fund expenditures shows they were below budget, with no major spending variances in any division or unit. Monthly State appropriation payments of \$4,910,264, in addition to one-time supplemental allocations of \$2,084,800 were received in accordance with the State of Michigan's Public Act 86 of 2021. Pending completion of the annual financial statements audit, the FY2022 General Fund Budget is expected to end the year in deficit. This will be resolved with a transfer in from university reserves.

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, 2022 and 2021* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended June 30, 2022 was negative and slightly better than the quarterly benchmark for the period. Investment results for the month of June were also negative, and better than the performance of the monthly benchmark. The University's endowment portfolio performance for the quarter ended June 30, 2022 was negative and slightly shy of the quarterly benchmark. The June 30, 2022 endowment balance of \$125.1 million was \$22.3 million lower than the June 30, 2021 balance.

Final 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 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, June 30, 2022* (Attachment B) shows the University's amount of outstanding principal, unamortized premiums, rate of

**Treasurer's Report  
Oakland University  
Board of Trustees Formal Session  
August 8, 2022  
Page 2**

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 3.545%, is being managed according to the Board's policies and approvals.

5. **Construction Report:** The *Construction Report, July 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, Interim 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, 2022 and 2021
  - B. Capital Debt Report, June 30, 2022
  - C. Construction Report, July 31, 2022


Submitted to the President  
on Aug. 4, 2022 by

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

Recommended on 8/4, 2022  
to the Board of Trustees for Approval

  
\_\_\_\_\_  
Ora Hirsch Pescovitz, M.D.  
President

Reviewed by

  
\_\_\_\_\_  
Joshua D. Merchant, Ph. D.  
Chief of Staff and  
Secretary to the Board of Trustees

**Oakland University**  
**Cash and Investments Report**  
**June 30, 2022 and 2021**

Attachment A

	Fair Market Value June 30, 2021	Fair Market Value June 30, 2022	Strategic Allocation 6/30/2022	Total Return Month Ending June 30, 2022	Benchmark Month Ending June 30, 2022	Total Return Qtr. Ending June 30, 2022	Benchmark Qtr. Ending June 30, 2022
<b>Working Capital <sup>(1)</sup></b>							
Equity Funds	\$ 63,767,386	\$ 57,416,432	21.21%	-6.19%	-8.25%	-12.24%	-16.10%
Fixed Income Funds	146,875,690	133,419,570	49.29%	-0.79%	-0.87%	-1.92%	-1.75%
Cash and Cash Equivalents	54,089,176	79,868,837	29.50%	0.05%	0.04%	0.10%	0.09%
Working Capital Pool Total	<u>\$ 264,732,252</u>	<u>\$ 270,704,839</u>	<u>100.00%</u>	<u>-1.69%</u>	<u>-2.17%</u>	<u>-3.51%</u>	<u>-4.25%</u>
<b>Endowment <sup>(2)</sup></b>							
Equity Funds	108,711,982	88,059,151	70.38%			-15.85%	-15.66%
Fixed Income Funds	21,782,763	19,641,763	15.70%			-5.56%	-4.69%
Hedge Funds	6,450,482	3,954,648	3.16%			-10.35%	-4.32%
Real Assets	25,582	29,013	0.02%			0.00%	0.00%
Private Equity <sup>(3)</sup>	8,850,044	11,864,259	9.48%			0.00%	0.00%
Cash	1,598,837	1,573,588	1.26%			0.01%	0.12%
Endowment Pool Total	<u>\$ 147,419,689</u>	<u>\$ 125,122,423</u>	<u>100.00%</u>			<u>-12.60%</u>	<u>-12.37%</u>

Comments:

The working capital pool is comparable to the previous year.

The endowment pool is lower than the previous year primarily due to unrealized investment losses.

<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. 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: HFR1 Fund Wgt Comp Index, HFR1 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  
June 30, 2022**

Attachment B

<b>Bonded Indebtedness:</b>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 23 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000	0.920%	Variable	\$ 38,397	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	35,945,000 <sup>(2)</sup>	3.373%	Variable/Hedged	3,422,714	2031	Aa2	AVN, Pawley, OC Expansion, Elec. Upgrade, Parking Deck I	Lehman
General Revenue Bonds, Series 2013A	49,575,000	4.028%	Fixed	1,863,500	2043	A1	Oakview, Parking Deck II, Upper Play Fields	BOAML, 5/3rd
Unamortized Premium	3,394,634							
General Revenue Refunding Bonds, Series 2013B	8,445,000	2.995%	Fixed	2,302,259	2026	A1	Recreation and Athletics Center	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	22,190,000	3.562%	Fixed	2,071,255	2039	A1	HHB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,043,327							
General Revenue Refunding Bonds, Series 2016	105,310,000	3.656%	Fixed	7,503,022	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
Unamortized Premium	13,984,413							5/3rd, Stifel
General Revenue Bonds, Series 2019	77,880,000	3.307%	Fixed	5,200,417	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
Unamortized Premium	16,054,134						CHP, Anibal Fitzgerald	
General Revenue Refunding Bonds, Series 2022A	32,155,000	3.469%	Fixed	2,366,279	2042	A1	Engineering Center	BOA Securities
Unamortized Premium	5,282,125							
<b>Other Capital Debt:</b>								
2005 ESA II Loan	6,459,023	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	11,540,000	3.880%	Fixed	1,403,375	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	6,634,561							
	<u>\$ 400,612,218</u>	<u>3.545%</u> <sup>(1)</sup>		<u>\$ 27,473,906</u>				

<sup>(1)</sup> Weighted Average Cost of Capital

<sup>(2)</sup> 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.

<b>Debt-Based Derivative:</b>	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Expires</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	35,945,000	\$ (2,757,800)	2031	Baa3	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**  
 July 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	
1	<b>VAR-2019 Renovation</b> 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	\$ 18,026,940	\$ 45,000,000	\$ 45,000,000 - #70046 2019 General Revenue Bonds
2	<b>SFH Renovation and Expansion</b> Fund Number: 70009 Status: Construction in progress 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	\$ 3,036,711	\$ 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
3	<b>1500 University Drive</b> Fund Number: 71025 Status: Building purchase in progress Board of Trustees Approved: April 14, 2022 Projected Completion Date: TBD	Yes	6/30/2022	\$ 25,000,000	\$ 25,000,000	\$ 500,023	\$ 25,000,000	\$ 25,000,000 - TBD
4	<b>WH Renovation &amp; Expansion (Project S.U.C.C.E.S.S.)</b> Fund Number: 70285 Status: Construction in progress - 90% complete Board of Trustees Approved: February 7, 2019 Projected Completion Date: September 2022	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 17,561,454	\$ 20,535,000	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 14,775,000 - #70046 2019 General Revenue Bonds
5	<b>OU Research Facility</b> Fund Number: 70058 Status: Construction in progress Board of Trustees Approved: June 21, 2021 Projected Completion Date: August 2023	Yes	12/31/2020	\$ 75,000	\$ 20,315,800	\$ 12,600,939	\$ 20,315,800	\$ 11,790,800 - #24350 Capital Projects Supplement - Renovation \$ 4,809,200 - #70046 2019 General Revenue Bonds - Renovation \$ 3,715,800 - #70046 2019 General Revenue Bonds - Purchase
6	<b>ODH - OUWBSOM Renovation</b> Fund Number: 71017 Status: Bid Phase - In Progress Board of Trustees Approved: June 13, 2022 Projected Completion Date: June 2024	Yes	6/30/2022	\$ 9,700,000	\$ 9,700,000	\$ 64,375	\$ 9,700,000	\$ 9,700,000 - #22484 OUWBSM Dean's Discretionary Fund
7	<b>MBH Visitor Center/Event Venues</b> Fund Number: 70078 Status: Design Phase - In Progress Board of Trustees Approved: February 7, 2022 Projected Completion Date: TBD	Yes	6/30/2022	\$ 50,000	\$ 5,500,000	\$ 159,833	\$ 5,500,000	\$ 5,325,330 - #24557 MBH Welc Ctr & Tent Venue Financing \$ 110,177 - #70203 MBE Maintenance Reserve \$ 64,493 - #30286 MBE Interpretive Facilities Fund
8	<b>CHP-HTHW Replace to Hill House</b> 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	\$ 4,837,307	\$ 5,000,000	\$ 5,000,000 - #70046 2019 General Revenue Bonds
9	<b>DH-2019 Renovation</b> Fund Number: 70050 Status: Complete; Closeout in progress Board of Trustee Approved: August 12, 2019 Projected Completion Date: August 2022	Yes	12/31/2019	\$ 3,000,000	\$ 3,000,000	\$ 2,932,867	\$ 3,000,000	\$ 3,000,000 - #70046 2019 General Revenue Bonds

**Oakland University**  
**CONSTRUCTION REPORT**  
 July 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	<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	\$ 1,034,519	\$ 1,968,500	\$ 1,968,500 - # TBD
11	<b>Main Campus Buildings Dampers Replacement</b> Fund Number: 70044 Status: Complete; Closeout in progress Projected Completion Date: August 2022	No		\$ - 970,000	\$ 970,000	\$ 661,627	\$ 970,000	\$ 970,000 - #35571 CARES / HEERF Grant
12	<b>Sharf Patio Expansion</b> Fund Number: 70090 Status: Complete; Closeout in progress Projected Completion Date: August 2022	No		\$ 250,000	\$ 940,000	\$ 917,194	\$ 940,000	\$ 940,000 - #44254 - Steve Sharf Clubhouse
13	<b>EH - Renovation 2022</b> Fund Number: 71033 Status: Design Phase - In Progress Projected Completion Date: TBD	No		\$ 931,938	\$ 931,938	\$ -	\$ 931,938	\$ 755,107 - #10997,11386,11624,11622 Various SBA Funds \$ 176,831 - #38005 SBA Gift Fund
14	<b>HAM-HVAC Unit Replacement</b> Fund Number: 70100 Status: Complete; Closeout in progress Projected Completion Date: August 2022	No		\$ 389,400	\$ 874,000	\$ 711,655	\$ 874,000	\$ 874,000 - #35571 CARES / HEERF Grant
15	<b>RAC Energy Saving</b> Fund Number: 70250 Status: 92% Complete Projected Completion Date: December 2022	No		\$ 364,305	\$ 859,541	\$ 771,546	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
16	<b>Main Campus Bldgs Exhaust Fan Replacement</b> Fund Number: 70081 Status: Construction Phase - 90% Complete Projected Completion Date: September 2022	No		\$ 776,000	\$ 776,000	\$ 529,623	\$ 776,000	\$ 776,000 - #35571 CARES / HEERF Grant
17	<b>Housing-Network Upgrades</b> Fund Number: 70060 Status: Closed Projected Completion Date: July 2022	No		\$ 175,000	\$ 655,000	\$ 645,906	\$ 655,000	\$ 655,000 - #35571 CARES / HEERF Grant
18	<b>MSC-LED Lighting</b> Fund Number: 70067 Status: Bidding phase in progress Projected Completion Date: December 2022	No		\$ 386,945	\$ 521,929	\$ 27,578	\$ 521,929	\$ 383,899 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
19	<b>Replace Water Main Phase II</b> Fund Number: 71005 Status: Construction to begin in Spring 2023 Projected Completion Date: August 2023	No		\$ 510,000	\$ 701,000	\$ 51,640	\$ 701,000	\$ 701,000 - #24810 Plant Renewal Supplement
<b>TOTAL PROJECTS IN PROGRESS</b>				\$ 85,884,438	\$ 187,448,708	\$ 65,071,737	\$ 187,448,708	

**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.