

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration Division, Budget and Financial Planning, Treasury Management, and Facilities Management Departments
2. **General Fund Budget Performance:** Oakland University's (University) FY2016 full-year enrollment is projected to be comparable to budget, with year-to-date enrollment up approximately 1% over budget and tuition revenue tracking slightly above budget. Monthly State appropriation payments, \$4,396,736, are being received according to the State of Michigan's Public Act 85 of 2015. 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.

Attachment A reflects the status of the FY2016 General Fund budget increases relative to the University's three strategic goals and information technology upgrades.

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, January 31, 2016 and 2015* (Attachment B).

Investment performance associated with the working capital pool for the quarter ended December 31, 2015 was positive, with overall performance falling slightly short of the benchmark for the period. Performance for the month of January, despite being negative, was favorable to the benchmark. The December quarterly performance in equities was strong, followed by a volatile month of January, resulting in negative returns. Fixed income performance for the quarter, despite being down overall, was favorable to benchmark. The January fixed income performance was positive and consistent with the benchmark.

The University's endowment portfolio performance for the quarter ended December 31, 2015 was positive overall and favorable to the benchmark. Despite the strong fourth quarter performance, the endowment market value as of January 31, 2016 is down by nearly \$4 million, compared to January 31, 2015. Continued volatility in the equity, international, and real asset categories account for the lower market value.

Results from NACUBO's FY2015 annual endowment survey revealed that the University's endowment portfolio met or exceeded the average investment performance of similar sized university endowments for the one, three, five, and ten year time periods.

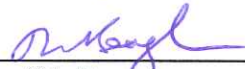
The University's investment managers continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

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Liquidity of both the working capital and endowment investments remains strong. The University's investments are being managed according to the Board's policies and approvals.

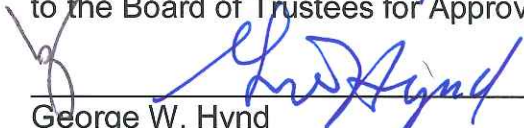
4. **Debt Management:** The *Capital Debt Report, January 31, 2016* (Attachment C) shows the University's outstanding principal, rate of interest, weighted average cost of capital, type of debt, annual debt service, maturity, and purpose of each debt issuance, and information about the University's two swap arrangements. The University's debt, which has a weighted average cost of capital of 3.644%, is being managed according to the Board's policies and approvals.
5. **Construction Report:** The *Construction Report, January 31, 2016* (Attachment D) 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. **Attachments:**
 - A. FY2016 General Fund Budget Increases Supporting Strategic Plan Goals
 - B. Cash and Investments Report, January 31, 2016 and 2015
 - C. Capital Debt Report, January 31, 2016
 - D. Construction Report, January 31, 2016

Submitted to the President
on 2/12, 2016 by



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

Recommended on 2/15, 2016
to the Board of Trustees for Approval



George W. Hynd
President

Oakland University
FY2016 General Fund Budget Increases
Supporting Strategic Plan Goals
February 22, 2016

Strategic Goal #1

Foster student success through a robust teaching and learning environment and comprehensive student services.

Financial Aid	\$4,160,237 Complete - strategy implemented and funds being disbursed
Faculty - CAS (3) SHS (1)	365,968 Complete -Criminal Justice, Psychology, Graphic Design, Public Health
Faculty - SECS (2)	256,680 Faculty positions in Electrical and Computer Engineering and Mechanical Engineering have been approved
Faculty - SBA (2)	356,500 Proposals for faculty with active research agendas are under review
Faculty - SON (2)	213,900 Faculty positions with records of research funding have been approved.
Faculty - SHS (1)	99,820 Faculty position in Health Sciences has been approved.
Academic Advisors (4)	326,480 Complete - (4) positions hired
Retention and General Education	525,260 Assistant Registrar hired, UTS position posted, part-time Grant Administrator increased to full-time, Elsevier Science Direct library collection electronic journals funded. Positions of Adviser and administrative support in CAS hired.
Handicapped Accomodations	125,000 Complete - funds allocated to Student Support Services
Graham Health Center Psychologists (2)	176,160 Complete - Psychologists hired
Oakland University Trustee Academic Success (OUTAS) Program	71,947 Complete - Retention Coordinator hired
	<u>\$6,677,952</u>

Strategic Goal #2

Be recognized as a strong research and scholarly environment focused on creative endeavors and on the discovery, dissemination and utilization of knowledge.

Library Collections	\$79,824 Complete - funds allocated
Specialized Labs and Teaching Spaces	197,660 SHS Instructional equipment ordered, other needs under consideration
Research Support and Equipment	300,000 SECS 3D printer maintenance; other needs are being evaluated
	<u>\$577,484</u>

Strategic Goal #3

Become a leader in serving the needs and aspirations of our communities and region through expanded community relationships, institutional reputation and visibility, and engagement.

Enhanced Career Services and Internships	\$350,000 Director, Employer Relations SECS and Career Consultant SBA positions funded. Director, Employer Relations SBA and Career Consultant SECS positions posted.
	<u>\$350,000</u>
One-Time Deferred IT Upgrades	\$5,360,000 Technical hardware install complete for DegreeWorks; Core committee training complete for Campus Reporting (Argos), implementation of role-based security in process; E-Builder training complete; quiet launch of Virtual Computing Lab to faculty & students in October, working on proposals to add academic survey tools; Internet 2 complete; for other initiatives - RFP's developed, software alternatives being reviewed, negotiating with vendors, and planning best strategic solutions.
	<u>\$5,360,000</u>

Oakland University
Cash and Investments Report
January 31, 2016 and 2015

	Fair Market Value January 31, 2015	Fair Market Value January 31, 2016	Strategic Allocation 1/31/2016	Total Return Month Ending January 31, 2016	Benchmark Month Ending January 31, 2016	Total Return Qtr. Ending December 31, 2015	Benchmark Qtr. Ending December 31, 2015
<u>Working Capital ⁽¹⁾</u>							
Equity Funds	\$ 39,673,760	\$ 49,575,035	21.73%	-4.14%	-4.96%	6.18%	7.04%
Fixed Income Funds	99,816,319	97,812,401	42.87%	0.83%	0.85%	-0.27%	-0.46%
Cash and Cash Equivalents	67,089,514	80,789,475	35.41%	0.00%	0.00%	0.00%	0.00%
Working Capital Pool Total	<u>\$ 206,579,593</u>	<u>\$ 228,176,911</u>	<u>100.00%</u>	<u>-0.71%</u>	<u>-0.90%</u>	<u>1.32%</u>	<u>1.44%</u>
 <u>Endowment ⁽²⁾</u>							
Equity Funds	\$ 53,424,531	\$ 49,979,537	64.57%			5.48%	5.01%
Fixed Income Funds	15,488,465	14,298,315	18.47%			-0.27%	-0.97%
Hedge Funds	6,570,833	8,012,768	10.35%			0.67%	0.56%
Real Assets	4,592,521	3,512,921	4.54%			0.02%	5.13%
Private Equity	744,429	1,568,511	2.03%			3.62%	3.62% ⁽³⁾
Cash	463,134	30,481	0.04%			0.01%	0.01%
Endowment Pool Total	<u>\$ 81,283,912</u>	<u>\$ 77,402,535</u>	<u>100.00%</u>			<u>3.65%</u>	<u>3.50%</u>

Comments:

The working capital pool is higher than the previous year mainly due to accumulated investment income and increases in enrollment and tuition.
The endowment pool is lower than the prior year due to declines in market values.

⁽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.

Benchmarks for Investments are:

For Equities: S&P Small cap 600 Index, S&P 500 (Relative Weighted)

For Fixed Income: Barclays Capital Aggregate Bond Index, Merrill Lynch 1-3 Treasury Index, Barclays Capital 1-3 year US Gov./Credit Bond Index (Relative Weighted)

For Overnight Sweep - Money Market Fund: Lipper Institutional Money Market Fund 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
January 31, 2016**

	Principal Remaining	Rate of Interest	Interest Type	FY 16 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.020%	Variable	\$ 2,668	2023	Aa3	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	47,855,000	3.373%	Variable/Hedged	3,067,640	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	43,340,000 ⁽¹⁾	4.075%	Fixed	2,948,650	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	57,860,000 ⁽²⁾	4.028%	Fixed	3,893,400	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	21,185,000	2.995%	Fixed	2,303,876	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	27,200,000 ⁽³⁾	3.562%	Fixed	1,968,950	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
Other Capital Debt:								
2005 ESA II Loan	12,479,162	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	229,216	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	43,679	1.980%	Fixed	44,149	2017		Golf Equipment	
2014 Central Heating Co-Gen	14,225,000 ⁽⁴⁾	3.880%	Fixed	-	2031		Combined Heat and Power Co-Generation System	
2015 High Volume Digital Printer	65,864	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 229,082,921</u>	<u>3.644% ⁽⁵⁾</u>		<u>\$ 15,643,920</u>				

⁽¹⁾ The 2012 Bonds were issued with an original issue premium of \$4,970,795, resulting in total bond proceeds of \$49,125,795.

⁽²⁾ The 2013A Bonds were issued with an original issue premium of \$7,141,047, resulting in total bond proceeds of \$65,001,047.

⁽³⁾ The 2014 Bonds were issued with an original issue premium of \$4,383,960, resulting in total bond proceeds of \$32,443,960.

⁽⁴⁾ The 2014 Certificates of Participation were issued with an original issue premium of \$1,729,013 resulting in total proceeds of \$15,954,013.

⁽⁵⁾ 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 annual debt service on senior debt and one times annual debt service on subordinate debt each fiscal year. At June 30, 2015, the University recorded \$255,183,910 in qualified General Revenues, while the calculated debt service covenant requirement amounted to \$31,129,123. The University exceeds its debt covenant requirements by a multiple of 8.2.

	Counterparty	Current Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 31,765,000	\$ 1,514,788	Aa3	Yield curve swap paying over \$30K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	47,855,000	(9,734,617)	Baa3	Current low variable rates = High termination costs.

The CMS is performing as expected because the yield curve is relatively normal at this time. Cumulative earnings on the CMS swap total \$3.9 million. Current extremely low variable interest rates (0.01% annualized) drive up present values to terminate.

The Termination Present Value is dynamic, changing daily depending on interest rates and eventually becoming zero at the end of the swap agreement.

This Interest Rate Swap fixes the interest rate paid on the bond issue at 3.373% for the life of the bond issue (and the swap agreement).

Oakland University's underlying credit rating, according to Moody's Investors Service's Global Rating Scale, is A1 - Stable.

Bond Ratings:

The rating on the variable rate bonds reflects the current rating of the letter of credit provider.

The rating on the fixed rate bonds reflects the University's underlying credit rating at the time the bonds were issued.

Oakland University
CONSTRUCTION REPORT
January 31, 2016

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	Engineering Center Fund Number 70494 Status: Completed, waiting on final invoices Board of Trustees Approved: October 31, 2011 Projected Completion Date: New building August 2014 Dodge Hall renovation February 2015	Yes	11/4/2011	\$ 74,551,700	\$ 74,551,700	\$73,263,945	\$ 74,551,700	\$44,551,700 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
2	Central Heating Plant Project - CoGen Fund Number 70395 Status: Construction 80% Board of Trustees Approved: October 7, 2013 Projected Completion Date: May 2016	Yes	12/1/2013	\$14,401,198	\$14,401,198	\$10,272,435	\$14,401,198	\$14,401,198 - 2014 Certificates of Participation
3	East Vandenberg Hall Renovation Fund Number: 70361 Status: Construction to start May 2016 Projected Completion Date: September 2016	No		\$ 515,620	\$ 11,875,343	\$ 509,575	\$ 11,875,343	\$ 644,920 - #45489 Residence Halls (A&E) \$11,230,423 - #45489 Residence Halls (CM) * See Note 5
4	Upper Field Expansion Fund Number 70469 Status: Completed, waiting on final invoices Board of Trustees Approved: February 12, 2013 Projected Completion Date: April 2015	Yes	6/30/2013	\$ 7,850,000	\$ 7,850,000	\$7,783,793	\$ 7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
5	Elliott Tower Fund Number: 70448 Status: CLOSED Board of Trustees Approved: December 21, 2012 Projected Completion Date: May 2015	Yes Updated	12/21/2012 6/30/2015	\$ 6,500,000	\$ 6,690,000	\$6,688,926	\$6,688,926	\$ 6,500,000 - #39641 Elliott Tower Gift \$ 190,000 - #23546 Unrestricted Gift Fund
6	Athletic Dome Replacement Fund Number: 70453 Status: CLOSED Board of Trustees Approved: May 7, 2014 Project Completion Date: December 2014	Yes Updated	6/30/2014 6/30/2015	\$ 4,900,000	\$ 5,083,875	\$5,083,874	\$5,083,874	\$ 4,900,000 - #24556 Athletic Dome Financing \$ 183,875 - #24556 Athletic Dome Financing
7	South Student Housing Complex Fund Number: 70224 Status: Design Phase Projected Completion Date: September 2018	Yes	TBD	\$3,720,860	\$3,720,860	\$0	\$3,720,860	\$ 3,720,860 - # 2016 General Revenue Bonds
8	Meadow Brook Road Culvert Fund Number: 70376 Status: CLOSED Board of Trustees Approved: March 6, 2015 Projected Completion Date: October 2015	Yes	6/30/2015	\$ 2,871,200	\$ 2,871,200	\$2,744,052	\$2,744,052	\$ 2,052,205 - Transferred from P-32 Parking Structure \$ 32,354 - Transferred from Library Drive Extension \$ 786,641 - #24350 Capital Project Supplement Fund

Oakland University
CONSTRUCTION REPORT
January 31, 2016

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
9	NFH Renovation of Communication Core Fund Number: 70956 Status: Completed, waiting on final invoices Board of Trustees Approved: December 3, 2012 Projected Completion Date: December 2015	Yes	12/21/2012	\$ 2,425,533	\$ 2,425,533	\$2,209,171	\$ 2,425,533	\$ 1,012,782 - #70956 IT Infrastructure Projects \$ 1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
10	Library Drive Extension Fund Number: 70466 Status: CLOSED Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes Updated	6/30/2013 6/30/2015	\$ 1,950,000	\$ 1,917,646	\$ 1,887,048	\$ 1,887,048	\$ 1,950,000 - 2013A General Revenue Bonds (\$ 32,354) - Transferred to Meadow Brook Road Culvert Project
11	Vandenberg Lower Level Dining Fund Number: 70323 Status: Completed, waiting on final invoices Board of Trustees Approved: May 7, 2014 Projected Completion Date: October 2014	Yes Updated	6/30/2014 6/30/2105	\$ 1,431,536	\$ 1,331,536	\$1,302,724	\$ 1,331,536	\$ 1,431,536 - #45489 Residence Halls Rooms (\$100,000) - #45489 Residence Halls Rooms
12	Furniture Replacement for Hill & Van Wagner Fund Number: 70378 Status: Implementation 90% Projected Completion Date: November 2015	No		\$ 856,915	\$ 856,915	\$790,207	\$ 856,915	\$ 856,915 - #45489 Residence Halls
13	Replace Blue Light Phones on Campus Fund Number 70325 Status: Construction 33% Project Completion Date: June 2016	No		\$281,292	\$855,637	\$290,487	\$855,637	\$ 855,637 - #24350 Capital Project Supplement
14	BRS HTHW Replacement Fund Number: 70447 Status: CLOSED Projected Completion Date: November 2014	No		\$ 750,000	\$ 750,000	\$674,587	\$674,587	\$ 750,000 - #24350 Capital Project Supplement
15	Walton Adams Marquee Sign Fund Number: 70373 Status: Completed, working on punch list and waiting on final invoices Projected Completion Date: May 2016	No		\$ 573,223	\$ 573,223	\$52,461	\$ 573,223	\$ 573,223 - #43841 MBMF Administrative
TOTAL PROJECTS IN PROGRESS				\$123,579,077	\$135,754,666	\$ 113,553,285	\$ 135,520,432	

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 and a plant fund is authorized for the project.
3. The project status will be reported as "completed" when the "actual expenditures to date" equals the "forecast", TMA work order system ties to Banner, and no additional expenditures or work is anticipated on the project.
4. A project whose status has been reported as complete 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.