

**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) FY2018 Fiscal Year Equated Students (FYES) enrollment, which reflects student credit hour production, for Fall 2017 was approximately one percent below budget in total, however, year-to-date tuition revenues are comparable to budget due to the combination of upper level, lower level, resident, non-resident, and graduate student credit hours. Monthly State appropriation payments are being received on schedule according to the State of Michigan's Public Act 108 of 2017. 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, October 31, 2017 and 2016* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended September 30, 2017 was positive but down slightly compared to benchmarks. Investment performance for the month of October was also positive and tracked consistent with benchmarks overall.

The University's endowment portfolio performance for the quarter ended September 30, 2017 was up overall, showing strong quarterly performance (3.96%) and slightly outperforming the benchmark overall. The endowment balance is up nearly \$15 million compared to the October 31, 2016 balance. In late November, the endowment climbed above the \$100 million mark for the first time in Oakland University history.

Results from NACUBO's FY2016 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 Advisors continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

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Oakland University  
Board of Trustees Formal Session  
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4. **Debt Management:** The *Capital Debt Report, November 30, 2017* (Attachment B) shows the University's 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 arrangements. The University's debt, which has a weighted average cost of capital of 3.667%, is being managed according to the Board's policies and approvals.


5. **Construction Report:** The *Construction Report, November 30, 2017* (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 Treasurer's Report.

8. **Attachments:**
- A. Cash and Investments Report, October 31, 2017 and 2016
  - B. Capital Debt Report, November 30, 2017
  - C. Construction Report, November 30, 2017

Submitted to the President  
on 12/5, 2017 by

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

Recommended on 12/6, 2017  
to the Board of Trustees for Approval

  
\_\_\_\_\_  
Ora Hirsch Pescovitz  
President

**Oakland University**  
**Cash and Investments Report**  
**October 31, 2017 and 2016**

	Fair Market Value October 31, 2016	Fair Market Value October 31, 2017	Strategic Allocation 10/31/2017	Total Return Month Ending October 31, 2017	Benchmark Month Ending October 31, 2017	Total Return Qtr. Ending September 30, 2017	Benchmark Qtr. Ending September 30, 2017
<b>Working Capital <sup>(1)</sup></b>							
Equity Funds	\$ 46,097,582	\$ 52,626,882	24.38%	2.28%	2.33%	3.40%	4.48%
Fixed Income Funds	111,194,950	123,473,578	57.19%	0.02%	0.00%	0.52%	0.42%
Cash and Cash Equivalents	45,395,480	39,792,136	18.43%	0.04%	0.04%	0.15%	0.16%
Working Capital Pool Total	<u>\$ 202,688,012</u>	<u>\$ 215,892,596</u>	<u>100.00%</u>	<u>0.57%</u>	<u>0.58%</u>	<u>1.14%</u>	<u>1.35%</u>
<b>Endowment <sup>(2)</sup></b>							
Equity Funds	56,443,070	68,255,216	69.06%			5.12%	5.01%
Fixed Income Funds	14,390,256	16,187,670	16.38%			0.96%	0.87%
Hedge Funds	7,825,897	7,502,136	7.59%			3.03%	2.38%
Real Assets	3,858,797	4,108,393	4.16%			1.37%	2.11%
Private Equity <sup>(3)</sup>	1,432,396	1,808,135	1.83%			0.00%	0.00%
Cash	72,872	971,188	0.98%			0.00%	0.00%
Endowment Pool Total	<u>\$ 84,023,288</u>	<u>\$ 98,832,738</u>	<u>100.00%</u>			<u>3.96%</u>	<u>3.90%</u>

Comments:

The working capital pool is higher than the previous year due to investment income of \$10.6 million.

The endowment pool is higher than the prior year due primarily to investment income.

<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 a new private equity investment is 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 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  
November 30, 2017**

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 18 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	0.980%	Variable	\$ 31,694	2023	Aa3	Sharp Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	44,790,000	3.373%	Variable/Hedged	3,213,234	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	41,840,000	4.075%	Fixed	2,949,000	2042	A1	Engineering Center	Barclay's and 5/3rd
Unamortized Premium	3,517,081							
General Revenue Bonds, Series 2013A	55,750,000	4.028%	Fixed	3,892,000	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
Unamortized Premium	5,275,890							
General Revenue Refunding Bonds, Series 2013B	17,705,000	2.995%	Fixed	2,298,598	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	25,910,000	3.562%	Fixed	1,968,700	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
Unamortized Premium	3,471,303							
General Revenue Refunding Bonds, Series 2016	113,130,000	3.656%	Fixed	-	2047	A1	Housing, Oakland Center, Fitzgerald/Anibal House	Citigroup, PNC, 5/3rd, Stifel
Unamortized Premium	19,587,939							
<b>Other Capital Debt:</b>								
2005 ESA II Loan	10,905,358	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	13,916,250	3.880%	Fixed	936,850	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,423,215							
2015 High Volume Digital Printer	26,776	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 361,648,812</u>	<u>3.667%</u> <sup>(1)</sup>		<u>\$ 16,616,429</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 requirement.

	<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	\$ 30,270,000	\$ 579,379	Aa3	Yield curve swap paying around \$10-\$20K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	44,790,000	(6,417,515)	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 realized earnings on the swap total \$4 million. Current extremely low variable interest rates (0.97% annualized) drive up the cost 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, 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  
**CONSTRUCTION REPORT**  
 November 30, 2017

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</b> Fund Number: 70224 Status: Construction 65% Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018	Yes	6/30/2016 \$ 3,720,860	\$ 78,000,000	\$ 44,976,591	\$ 78,000,000	\$ 78,000,000 - 2016 General Revenue Bonds
2	<b>Oakland Center Expansion</b> Fund Number: 70232 Status: Construction 25% Board of Trustees Approved: February 22, 2016 Projected Completion Date: January 2019	Yes	6/30/2016 \$ 3,281,000	\$ 46,635,000	\$ 9,651,818	\$ 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>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	\$ 13,241,716	\$ 14,401,198	\$ 14,401,198 - 2014 Certificates of Participation
4	<b>Vandenberg Hall Infrastructure</b> Fund Number: 70361 Status: Construction 99% Completed, waiting on punch list items Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: September 2018	Yes	6/30/2016 \$ 515,620	\$ 20,213,423	\$ 18,679,122	\$ 20,213,423	\$ 20,213,424 - #45489 Residence Halls * See Note 5
5	<b>2017 Parking Expansion</b> Fund Number: 70262 Status: Completed, waiting on punch list items & final invoices Board of Trustees Approved: February 13, 2017 Projected Completion Date: September 2017	Yes	6/30/2017 \$ 7,245,365	\$ 7,245,365	\$ 6,557,929	\$ 7,245,365	\$ 2,220,365 - #24350 Capital Projects Supplement \$ 495,000 - #70254 P17 & P38 Paving - Phase I \$ 4,530,000 - #14520 FY17 Excess Debt Service
6	<b>Anibal &amp; Fitzgerald Renovations</b> Fund Number: 70233 Status: Design Phase - On Hold Board of Trustee Approved: October 24, 2016 Projected Completion Date: TBD	Yes	On Hold \$ 470,109	\$ 6,000,000	\$ 82,896	\$ 6,000,000	\$ 6,000,000 - 2016 General Revenue Bonds
7	<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	\$ 654,889	\$ 1,968,500	\$ 1,968,500 - # TBD
8	<b>Dodge Datacenter Generator</b> Fund Number: 70248 Status: Completed, waiting on final invoices Board of Trustees Approved: June 6, 2016 Projected Completion Date: October 2017	Yes	6/30/2016 \$ 1,300,000	\$ 1,300,000	\$ 1,219,505	\$ 1,300,000	\$ 1,300,000 - #14362 FY16 Excess Debt Service

Oakland University  
**CONSTRUCTION REPORT**  
November 30, 2017

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>						
9	<b>SST - Sunset Terrace Renovations</b> Fund Number: 70279 Status: Design Phase Board of Trustees Approved: October 16, 2017 Projected Completion Date: May 2018	\$ 960,000	\$ 960,000	\$ -	\$ 960,000	\$ 960,000 - #24350 Capital Projects Supplement
10	<b>RAC Energy Saving</b> Fund Number: 70250 Status: 28% Completed Projected Completion Date: June 2018	\$ 364,305	\$ 859,541	\$ -	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
11	<b>Athletic-Lepley Pool Renovation</b> Fund Number: 70241 Status: Design Phase (On Hold) Board of Trustees Approved: TBD Projected Completion Date: TBD	\$ 698,424	\$ 698,424	\$ 337,934	\$ 698,424	\$ 698,424 - #24350 Capital Projects Supplement
12	<b>CMP - Campus Firewall Project</b> Fund Number: 70274 Status: 1% Completed Projected Completion Date: September 2018	\$ 622,000	\$ 622,000	\$ 611,136	\$ 622,000	\$ 622,000 - #24350 Capital Projects Supplement
13	<b>Pedestrian Exterior Lighting</b> Fund Number: 70258 Status: Completed, waiting on final invoices Projected Completion Date: December 2017	\$ 550,000	\$ 550,000	\$ 518,374	\$ 550,000	\$ 550,000 - #14685 FY17 Excess Debt Service
14	<b>O'Rena Technological Upgrades</b> Fund Number: 70379 Status: CLOSED Projected Completion Date: November 2015	\$ 377,800	\$ 504,066	\$ 503,992	\$ 503,992	\$ 377,800 - #34254 Golden Grizzlies Athletic Fund \$ 116,266 - #24350 Capital Projects Supplement \$ 10,000 - #42401 Instructional Technological Upgrades
<b>TOTAL PROJECTS IN PROGRESS</b>		<b>\$ 36,475,181</b>	<b>\$ 179,957,517</b>	<b>\$ 97,035,902</b>	<b>\$ 179,957,443</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.
6. The November 30, 2017 Construction Report reflects activity as of calendar month end not fiscal month end.