

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) FY2017 full-year enrollment is projected to be slightly lower than FY2016, however, tuition revenue projections are comparable to budget due to relatively strong student credit hours. Monthly State appropriation payments, \$4,538,245, are being received according to State of Michigan's Public Act 249 of 2016. 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 Office of Budget and Financial Planning 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 Attachment A.

Investment performance associated with the working capital pool for the quarter ended December 31, 2016 was positive, yet off from benchmark. Equity investments underperformed against a positive yielding benchmark, while fixed income investments performed consistent to a negative benchmark.

The endowment portfolio realized positive investment income for the December 31, 2016 quarter end. Overall performance was down from benchmark due primarily to weaker equity results. The University's total endowment balance increased by more than \$4 million compared to the prior year balance.

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.

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

4. **Debt Management:** The *Capital Debt Report, December 31, 2016* (Attachment B) 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 3.661%, is being managed according to the Board's policies and approvals.

**Treasurer's Report
Oakland University
Board of Trustees Formal Session
February 13, 2017
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5. **Construction Report:** The *Construction Report, December 31, 2016* (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 Office of Budget and Financial Planning, Treasury Management, and Facilities Management, 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 February 13, 2017 Treasurer's Report.

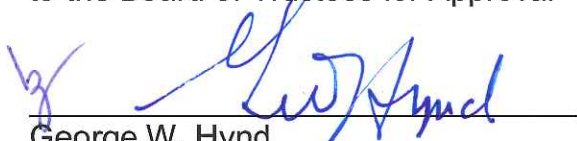
8. **Attachments:**
- A. Cash and Investments Report, December 31, 2016 and 2015
 - B. Capital Debt Report, December 31, 2016
 - C. Construction Report, December 31, 2016

Submitted to the President
on 1/31, 2017 by



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

Recommended on 2/1, 2017
to the Board of Trustees for Approval



George W. Hynd
President

**Oakland University
Cash and Investments Report
December 31, 2016 and 2015**

	Fair Market Value December 31, 2015	Fair Market Value December 31, 2016	Strategic Allocation 12/31/2016	Total Return Month Ending December 31, 2016	Benchmark Month Ending December 31, 2016	Total Return Qtr. Ending December 31, 2016	Benchmark Qtr. Ending December 31, 2016
Working Capital ⁽¹⁾							
Equity Funds	\$ 48,200,225	\$ 48,359,653	22.13%	2.28%	1.98%	2.25%	3.82%
Fixed Income Funds	91,036,198	107,262,381	49.09%	0.04%	0.07%	-0.93%	-0.91%
Cash and Cash Equivalents	68,068,949	62,866,595	28.77%	0.00%	0.00%	0.00%	0.00%
Working Capital Pool Total	<u>\$ 207,305,373</u>	<u>\$ 218,488,629</u>	<u>100.00%</u>	<u>0.52%</u>	<u>0.47%</u>	<u>0.04%</u>	<u>0.40%</u>
Endowment ⁽²⁾							
Equity Funds	\$ 53,421,815	\$ 58,023,633	67.87%			0.91%	3.10%
Fixed Income Funds	14,215,128	14,006,478	16.38%			-2.09%	-2.23%
Hedge Funds	7,987,729	7,845,745	9.18%			-0.24%	0.70%
Real Assets	3,858,625	3,986,036	4.66%			-0.50%	-1.01%
Private Equity ⁽³⁾	1,554,078	1,631,020	1.91%			3.58%	3.58%
Cash	30,477	4,831	0.01%			0.07%	0.07%
Endowment Pool Total	<u>\$ 81,067,853</u>	<u>\$ 85,497,741</u>	<u>100.00%</u>			<u>0.28%</u>	<u>1.82%</u>

Comments:

The working capital pool is higher than the previous year due to investment income of \$6.8 million, and an increase in tuition.
The endowment pool is higher than the prior year due to an increase 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. 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
December 31, 2016**

	Principal Remaining	Rate of Interest	Interest Type	FY 17 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.730%	Variable	\$ 6,624	2023	Aa3	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	46,355,000	3.373%	Variable/Hedged	3,069,066	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	42,505,000 ⁽¹⁾	4.075%	Fixed	2,953,600	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	56,825,000 ⁽²⁾	4.028%	Fixed	3,892,000	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	19,455,000	2.995%	Fixed	2,304,673	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	26,565,000 ⁽³⁾	3.562%	Fixed	1,969,900	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
General Revenue Refunding Bonds, Series 2016	113,130,000 ⁽⁴⁾	3.656%	Fixed	-	2047	A1	Housing, Oakland Center, Fitzgerald/Anibal House	Citigroup, PNC, Fifth Third, Stifel
Other Capital Debt:								
2005 ESA II Loan	11,705,888	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2013 Golf Equipment Lease	3,673	1.980%	Fixed	25,754	2017		Golf Equipment	
2014 Central Heating Co-Gen	14,130,000 ⁽⁵⁾	3.880%	Fixed	847,550	2031		Combined Heat and Power Co-Generation System	
2015 High Volume Digital Printer	46,761	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 335,321,322</u>	<u>3.661%</u> ⁽⁶⁾		<u>\$ 16,395,520</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 2016 Bonds were issued with an original issue premium of \$20,773,191, resulting in total bond proceeds of \$133,903,191.
⁽⁵⁾ The 2014 Certificates of Participation were issued with an original issue premium of \$1,729,013 resulting in total proceeds of \$15,954,013.
⁽⁶⁾ 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, 2016, the University recorded \$285,622,022 in qualified General Revenues, while the calculated debt service covenant requirement amounted to \$31,975,680. The University exceeds its debt covenant requirements by a multiple of 8.9.

	Counterparty	Current Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 31,035,000	\$ 881,585	Aa3	Yield curve swap paying around \$10-20K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	46,355,000	(7,296,795)	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 (0.75% annualized) drives 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
 December 31, 2016

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding		
Item Projects in Progress - over \$500,000								
1	South Student Housing Complex Fund Number: 70224 Status: Construction 20% Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 8,010,151	\$ 78,000,000	\$78,000,000 - 2016 General Revenue Bonds
2	Oakland Center Expansion Fund Number: 70232 Status: Design Phase Board of Trustees Approved: February 22, 2016 Projected Completion Date: January 2019	Yes	6/30/2016	\$ 3,281,000	\$ 44,000,000	\$ 1,066,137	\$ 44,000,000	\$ 40,000,000 - 2016 General Revenue Bonds \$ 4,000,000 - Chartwells
3	Central Heating Plant Project - CoGen Fund Number 70395 Status: Construction, waiting on punch list items & final invoices Board of Trustees Approved: October 7, 2013 Projected Completion Date: May 2016	Yes	12/1/2013	\$ 14,401,198	\$ 14,401,198	\$ 13,139,716	\$ 14,401,198	\$14,401,198 - 2014 Certificates of Participation
4	Vandenberg Hall Infrastructure Fund Number: 70361 Status: Completed, waiting on punch list items & final invoices Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: September 2016	Yes	6/30/2016	\$ 515,620	\$ 11,875,343	\$ 11,166,390	\$ 11,875,343	\$ 644,920 - #45489 Residence Halls (A&E) \$ 11,230,423 - #45489 Residence Halls (CM) * See Note 5
5	Elliott Hall Expansion Fund Number: 70233 Status: Design Phase Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ 626,785	\$ 1,968,500	\$ 1,968,500 - # TBD
6	Dodge Datacenter Generator Fund Number: 70248 Status: Construction 65% Board of Trustees Approved: June 6, 2016 Projected Completion Date: October 2017	Yes	6/30/2016	\$ 1,300,000	\$ 1,300,000	\$ 548,843	\$ 1,300,000	\$ 1,300,000 - #14362 FY16 Debt Services One Time Fund
7	Replace Blue Light Phones on Campus Fund Number 70325 Status: Construction 98% Project Completion Date: June 2016	No		\$ 281,292	\$ 855,637	\$ 756,574	\$ 855,637	\$ 855,637 - #24350 Capital Projects Supplement
8	Athletic-Lepley Pool Renovation Fund Number: 70241 Status: Design Phase Board of Trustees Approved: TBD Projected Completion Date: TBD	No		\$ 698,424	\$ 698,424	\$ 195,288	\$ 698,424	\$ 698,424 - #24350 Capital Projects Supplement
9	Pedestrian Exterior Lighting Fund Number: 70258 Status: Engineering Phase Projected Completion Date: October 2017	No		\$ 550,000	\$ 550,000	\$ -	\$ 550,000	\$ 550,000 - #14685, FY17 Debt Services One Time Fund

Oakland University
CONSTRUCTION REPORT
 December 31, 2016

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding	
Projects in Progress - over \$500,000							
10	O'Rena Technological Upgrades Fund Number: 70379 Status: Completed, waiting on final invoices Projected Completion Date: November 2015	No	\$ 377,800	\$ 502,066	\$ 466,496	\$ 502,066	\$ 377,800 - #34254 Golden Grizzlies Athletic Fund \$ 116,266 - #24350 Capital Projects Supplement \$ 8,000 - #42401 Instructional Technological Upgrades
10	TOTAL PROJECTS IN PROGRESS		\$ 27,094,694	\$ 154,151,168	\$ 35,976,380	\$ 154,151,168	

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 is 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.