

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) FY2016 year-to-date enrollment is up approximately .5% over budget and student credit hour production is strong, therefore, tuition revenue is 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, April 30, 2016 and 2015* (Attachment B).

Investment performance associated with the working capital pool for the quarter ended March 31, 2016 was positive, with both equities and fixed income categories outperforming their respective benchmarks for the period. Performance for the month of April was off slightly from the benchmark, with equities falling short of benchmark and fixed income exceeding its benchmark.

The University's endowment portfolio performance for the quarter ended March 31, 2016 was down overall, despite positive performance in the fixed income asset class. Equities remained relatively flat, while hedge funds and real assets categories were negative and down from benchmark. Continued volatility in capital markets, particularly in the energy, commodities, and international sectors have dampened the performance of the pool.

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, April 30, 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 3.651%, is being managed according to the Board's policies and approvals.

Pricing of the Series 2016 Bonds, to fund the new student housing project, Oakland Center Expansion, and Anibal Hall and Fitzgerald Hall renovations, is scheduled for early June. Moody's Investors Service has issued its credit opinion, assigning an A1 Stable credit rating for the Bonds. In their report Moody's stated "*The A1 rating reflects the university's strong reputation and growing presence in the state of Michigan (Aa1 stable) with rising enrollment, strong operating performance and good growth in cash and investments while significantly investing in programs and facilities.*"

5. **Construction Report:** The *Construction Report, April 30, 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, April 30, 2016 and 2015
- C. Capital Debt Report, April 30, 2016
- D. Construction Report, April 30, 2016

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Submitted to the President
on 5/26, 2016 by



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

Recommended on 5/26, 2016
to the Board of Trustees for Approval



George W. Hynd
President

Oakland University
FY2016 General Fund Budget Increases
Supporting Strategic Plan Goals
May 31, 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 are 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	Faculty positions in Business Administration have been approved
Faculty - SON (2)	213,900	Faculty positions in Nursing have been approved
Faculty - SHS (1)	99,820	Faculty position in Health Sciences has been approved
Academic Advisors (4)	326,480	Complete - Advisors have been 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. Advisor and administrative support in CAS hired.
Handicapped Accommodations	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	Complete -SHS Instructional equipment ordered, SON simulation lab equipment ordered
Research Support and Equipment	300,000	Complete - SECS 3D printer maintenance, support of SECS student tutors, SBA computer lab, SBA ACHIEVE support
	<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	Complete - Director, Employer Relations SECS; Career Consultant SBA; Director, Employer Relations SBA; & Career Consultant SECS positions hired. SON Clinical Placement Coordinator approved and posted.
	<u>\$350,000</u>	
One-Time Deferred IT Upgrades	\$5,360,000	Technical hardware install complete and initial training held for DegreeWorks; Intelligent Learning kick off held - target launch Feb. 2017; Production launch of Campus Reporting (Argos), reports actively being developed and moved to production; 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
April 30, 2016 and 2015

	Fair Market Value April 30, 2015	Fair Market Value April 30, 2016	Strategic Allocation 4/30/2016	Total Return Month Ending April 30, 2016	Benchmark Month Ending April 30, 2016	Total Return Qtr. Ending March 31, 2016	Benchmark Qtr. Ending March 31, 2016
Working Capital ⁽¹⁾							
Equity Funds	\$ 43,209,318	\$ 50,690,733	26.59%	-0.65%	0.39%	2.54%	1.35%
Fixed Income Funds	100,085,749	98,774,244	51.82%	0.19%	0.16%	1.82%	1.29%
Cash and Cash Equivalents	25,376,944	41,147,066	21.59%	0.00%	0.00%	0.00%	0.00%
Working Capital Pool Total	<u>\$ 168,672,011</u>	<u>\$ 190,612,043</u>	<u>100.00%</u>	<u>-0.08%</u>	<u>0.19%</u>	<u>1.47%</u>	<u>0.92%</u>
Endowment ⁽²⁾							
Equity Funds	\$ 56,735,897	\$ 53,672,075	66.11%			-0.02%	0.31%
Fixed Income Funds	15,254,259	14,417,089	17.76%			2.10%	3.95%
Hedge Funds	7,595,175	7,650,641	9.42%			-2.25%	-0.79%
Real Assets	4,900,087	3,943,831	4.86%			-5.23%	5.21%
Private Equity	784,429	1,385,171	1.71%			0.93%	0.93% ⁽³⁾
Cash	60,452	120,549	0.15%			0.06%	0.06%
Endowment Pool Total	<u>\$ 85,330,300</u>	<u>\$ 81,189,355</u>	<u>100.00%</u>			<u>-0.11%</u>	<u>1.10%</u>

Comments:

The working capital pool is higher than the previous year mainly due to a \$5.5 million receipt from Chartwells 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
April 30, 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	0.420%	Variable	\$ 2,668	2023	Aa3	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	46,355,000	3.373%	Variable/Hedged	3,067,640	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	42,505,000 ⁽¹⁾	4.075%	Fixed	2,948,650	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	56,825,000 ⁽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	26,565,000 ⁽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	12,270,919	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	208,258	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	32,840	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	60,740	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 224,832,757</u>	<u>3.651%</u> ⁽⁵⁾		<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	\$ 31,035,000	\$ 1,352,428	Aa3	Yield curve swap paying around \$20K-\$30K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	46,355,000	(9,741,395)	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 (0.40% 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
 April 30, 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	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 54,760	\$ 78,000,000	\$78,000,000 - 2016 General Revenue Bonds
South Student Housing Complex Fund Number: 70224 Status: Design Phase Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018							
2	Yes	11/4/2011	\$ 74,551,700	\$ 74,551,700	\$ 74,197,907	\$ 74,551,700	\$44,551,700 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
Engineering Center Fund Number 70494 Status: Completed, waiting on final invoices to occur June 2016 Board of Trustees Approved: October 31, 2011 Projected Completion Date: New building August 2014 Dodge Hall renovation February 2015							
3	Yes	12/1/2013	\$ 14,401,198	\$ 14,401,198	\$ 12,342,382	\$ 14,401,198	\$14,401,198 - 2014 Certificates of Participation
Central Heating Plant Project - CoGen Fund Number 70395 Status: Construction 95% Board of Trustees Approved: October 7, 2013 Projected Completion Date: May 2016							
4	Yes	6/30/2016	\$ 515,620	\$ 11,875,343	\$ 545,900	\$ 11,875,343	\$ 644,920 - #45489 Residence Halls (A&E) \$ 11,230,423 - #45489 Residence Halls (CM) * See Note 5
East Vandenberg Hall Renovation Fund Number: 70361 Status: Construction to start May 2016 Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: September 2016							
5	Yes	6/30/2013	\$ 7,850,000	\$ 7,850,000	\$ 7,829,041	\$ 7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
Upper Field Expansion Fund Number 70469 Status: Completed, waiting on final invoices due to warranty work Board of Trustees Approved: February 12, 2013 Projected Completion Date: April 2015							
6	Yes	6/30/2016	\$ 3,281,000	\$ 3,281,000	\$ -	\$ 3,281,000	\$ 3,281,000 - 2016 General Revenue Bonds
Oakland Center Expansion Fund Number: 70232 Status: Design Phase Board of Trustees Approved: February 22, 2016 Projected Completion Date: January 2019							
7	Yes	6/30/2016	\$ 1,968,500	\$ 1,968,500	\$ -	\$ 1,968,500	\$ 1,968,500 - # TBD
Elliott Hall Expansion Fund Number: 70233 Status: Design Phase Board of Trustee Approved: Engineering only February 22, 2016 Projected Completion Date: TBD							
8	Yes	12/21/2012	\$ 2,425,533	\$ 2,425,533	\$ 2,209,354	\$ 2,209,354	\$ 1,012,782 - #70956 IT Infrastructure Projects \$ 1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
NFH Renovation of Communication Core Fund Number: 70956 Status: CLOSED Board of Trustees Approved: December 3, 2012 Projected Completion Date: December 2015							

Oakland University
CONSTRUCTION REPORT
 April 30, 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	Vandenberg Lower Level Dining Fund Number: 70323 Status: CLOSED 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	\$ 1,308,364	\$ 1,308,364	\$ 1,431,536 - #45489 Residence Halls Rooms \$ (100,000) - #45489 Residence Halls Rooms
10	Furniture Replacement for Hill & Van Wagner Fund Number: 70378 Status: Completed, waiting on final invoices Projected Completion Date: November 2015	No		\$ 856,915	\$ 856,915	\$ 818,427	\$ 856,915	\$ 856,915 - #45489 Residence Halls
11	Replace Blue Light Phones on Campus Fund Number 70325 Status: Construction 40% Project Completion Date: June 2016	No		\$ 281,292	\$ 855,637	\$ 290,487	\$ 855,637	\$ 855,637 - #24350 Capital Project Supplement
12	Athletic-Lepley Pool Renovation Fund Number: 70241 Status: Design Phase Board of Trustees Approved: TBD Projected Completion Date: TBD	NoYes		\$ 698,424	\$ 698,424	\$ -	\$ 698,424	\$ 698,424 - #24350 Capital Projects Supplement
13	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	\$ 505,446	\$ 573,223	\$ 573,223 - #43841 MBMF Administrative
TOTAL PROJECTS IN PROGRESS				\$108,834,941	\$120,669,009	\$ 100,047,308	\$ 120,429,658	

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.