

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) FY2020 enrollment, measured by student credit hour production, is -.3% below prior year actual but exceeded budget by 1.5%. Financial aid distributions are below budget, resulting in year-to-date net tuition revenues slightly over budget. Monthly State appropriation payments of \$4,857,500 are being received on schedule, in accordance with State of Michigan's Public Act 62 of 2019. The annual State appropriation is \$392,400 less than what the University budgeted for FY2020; the shortfall has been absorbed within the General Fund budget. Expenditures are tracking below budget, primarily due to a COVID-19 related spending pause and hiring freeze. With both revenues and expenditures tracking positively against budget, a balanced FY2020 fiscal year end budget is anticipated.

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, 2020 and 2019* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended March 31, 2020 was negative and off from the quarterly benchmark by 94 basis points. The negative quarterly performance was attributable to the selloff in equities which began in February and continued through March. The selloff was driven by concern surrounding the economic impact related to the COVID-19 pandemic. Performance for the month of April was positive and slightly ahead of the monthly benchmark, as equities rallied from the February and March selloff.

The University's endowment portfolio performance for the quarter ended March 31, 2020 was down significantly (-15%) consistent with the benchmark and driven largely by the market volatility related to the economic disruption associated with the country's response to COVID-19. The April 30, 2020 endowment balance of \$104 million, was \$3.2 million lower than the April 30, 2019 balance. The recovery in equities in April continued through the month of May and the endowment balance as of June 5, 2020 was \$112.3 million, \$9.5 million higher than the May 31, 2019 balance of \$102.8 million.

NACUBO's FY2019 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance of similar sized university endowments for all measured periods; one, three, five, and ten years.

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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. 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, May 31, 2020* (Attachment B) shows the University's amount of outstanding principal, unamortized premiums, 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 3.6%, is being managed according to the Board's policies and approvals.

The volatility experienced throughout February and March in the variable rate demand bond (VRDB) market has subsided, with remarketing rates for VRDB bonds now significantly lower than their March highs and comparable to pre-COVID-19 market rates.

5. **Construction Report:** The *Construction Report, May 31, 2020* (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, 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.

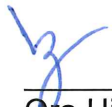
8. **Attachments:**
A. Cash and Investments Report, April 30, 2020 and 2019
B. Capital Debt Report, May 31, 2020
C. Construction Report, May 31, 2020

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Submitted to the President
on _____, 2020 by

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

Recommended on _____, 2020
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Oakland University
Cash and Investments Report
April 30, 2020 and 2019

	Fair Market Value April 30, 2019	Fair Market Value April 30, 2020	Strategic Allocation 4/30/2020	Total Return Month Ending April 30, 2020	Benchmark Month Ending April 30, 2020	Total Return Qtr. Ending March 31, 2020	Benchmark Qtr. Ending March 31, 2020
Working Capital ⁽¹⁾							
Equity Funds	\$ 61,533,698	\$ 50,785,680	20.11%	11.46%	12.82%	-18.84%	-19.60%
Fixed Income Funds	145,136,668	133,176,583	52.74%	1.32%	0.58%	0.82%	2.92%
Cash and Cash Equivalents	48,294,080	68,554,827	27.15%	0.02%	0.02%	0.18%	0.24%
Working Capital Pool Total	<u>\$ 254,964,446</u>	<u>\$ 252,517,090</u>	<u>100.00%</u>	<u>3.01%</u>	<u>2.89%</u>	<u>-3.50%</u>	<u>-2.44%</u>
Endowment ⁽²⁾							
Equity Funds	75,663,556	68,831,176	66.19%			-21.64%	-21.37%
Fixed Income Funds	17,838,363	19,332,339	18.59%			0.47%	3.15%
Hedge Funds	7,429,830	5,833,669	5.61%			-0.09%	-11.46%
Real Assets	38,192	31,864	0.03%			0.00%	0.00%
Private Equity ⁽³⁾	5,764,922	7,177,371	6.90%			-0.71%	-0.71%
Cash	421,389	2,790,152	2.68%			0.14%	0.47%
Endowment Pool Total	<u>\$ 107,156,251</u>	<u>\$ 103,996,571</u>	<u>100.00%</u>			<u>-15.00%</u>	<u>-14.25%</u>

Comments:

The working capital pool is lower than the previous year primarily due to housing refunds.

The endowment pool is lower than the previous 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. Funding of new private equity investments are 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 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 Capital US Aggregate Bond Index

For Endowment Hedge Funds: HFRI Fund Wgt Comp Index, HFRI 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
May 31, 2020**

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 20 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000	0.150%	Variable	\$ 72,818	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	39,700,000 ⁽²⁾	3.373%	Variable/Hedged	3,126,234	2031	Aa2	AVN, Pawley, OC Expansion, Elec. Upgrade, Parking Deck I	Lehman
General Revenue Bonds, Series 2012	38,840,000	4.075%	Fixed	2,950,800	2042	A1	Engineering Center	Barclay's, 5/3rd
Unamortized Premium	2,714,467							
General Revenue Bonds, Series 2013A	52,215,000	4.028%	Fixed	3,889,300	2043	A1	Oakview, Parking Deck II, Upper Play Fields	BOAML, 5/3rd
Unamortized Premium	4,081,823							
General Revenue Refunding Bonds, Series 2013B	12,280,000	2.995%	Fixed	2,306,664	2026	A1	Recreation and Athletics Center	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	23,785,000	3.562%	Fixed	1,966,250	2039	A1	HHB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,562,067							
General Revenue Refunding Bonds, Series 2016	109,410,000	3.656%	Fixed	7,476,000	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
Unamortized Premium	16,123,550							5/3rd, Stifel
General Revenue Bonds, Series 2019	79,205,000	3.307%	Fixed	-	2050	A1	South Foundation, Varner, Dodge, Lepley, CHP, Research	BOAML, PNC
Unamortized Premium	18,130,450							
Other Capital Debt:								
2005 ESA II Loan	8,575,747	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	12,911,250	3.880%	Fixed	1,126,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,061,535							
	<u>\$ 425,315,889</u>	<u>3.597%</u> ⁽¹⁾		<u>\$ 24,217,503</u>				

⁽¹⁾ Weighted Average Cost of Capital

⁽²⁾ 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.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Expires</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:						
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 27,745,000	\$ 798,993	2031	Aa2	
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	39,700,000	(8,628,134)	2031	Baa3	Current low variable rates = High termination costs.

The CMS is performing as expected with total swap proceeds exceeding \$5 million.

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 agreements.

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
 May 31, 2020

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	Oakland Center Expansion Fund Number: 70232 Status: 99% completed; punch list items only Board of Trustees Approved: February 22, 2016 Projected Completion Date: June 2020	Yes 6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 46,911,287	\$ 47,326,974	\$ 40,000,000 - #70228 2016 General Revenue Bonds \$ 6,058,874 - #70215 Chartwells \$ 615,695 - #14520 FY17 Excess Debt Service \$ 519,305 - #24350 Capital Projects Supplement \$ 133,100 - OU Credit Union
2	SFH Renovation and Expansion Fund Number: 70009 Status: On Hold; Design Complete; State Funding On Hold Board of Trustees Approved: April 8, 2019 Projected Completion Date: TBD	Yes 6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 1,310,982	\$ 40,000,000	\$30,000,000 - State of MI Capital Outlay Appropriation \$10,000,000 - #70046 2019 General Revenue Bonds
3	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: Design Phase - In Progress Board of Trustees Approved: February 7, 2019 Projected Completion Date: August 2022	Yes 6/30/2019	\$ 833,710	\$ 20,535,000	\$ 384,955	\$ 20,535,000	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 14,775,000 - #70046 2019 General Revenue Bonds
4	DH-2019 Renovation Fund Number: 70050 Status: Pre-Construction Phase - In Progress Board of Trustee Approved: August 12, 2019 Projected Completion Date: June 2021	Yes 12/31/2019	\$ 3,000,000	\$ 3,000,000	\$ 285,703	\$ 3,000,000	\$ 3,000,000 - #70046 2019 General Revenue Bonds
5	Fitzgerald House - 1st Floor Renovation Fund Number: 70061 Status: Pre-Construction Phase - In Progress Board of Trustee Approved: April 6, 2020 Projected Completion Date: March 2021	Yes 6/30/2020	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 2,000,000 - #70046 2019 General Revenue Bonds
6	Business School Expansion 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
7	Ann V. Nicholson Apartments - Exterior Renovation Fund Number: 70147 Status: Completed, closeout in process Board of Trustee Approved: February 7, 2019 Projected Completion Date: June 2020	Yes 6/30/2019	\$ 55,000	\$ 1,816,035	\$ 1,682,811	\$ 1,816,035	\$ 1,816,035 - #45489 Residence Halls
8	CHP-HTHW Replace to Hill House Fund Number: 70053 Status: Construction documents being completed for bidding; \$488,840 A&E; \$680,000 HTHW Phase I (both within the President's authorization limit); Upon final design, total project budget will be \$5,000,000 and will be presented to the Board for approval. Projected Completion Date: July 2023	Yes 6/30/2020	\$ 488,840	\$ 1,168,840	\$ 123,427	\$ 1,168,840	\$ 1,168,840 - #70046 2019 General Revenue Bonds
9	Residence Hall Re-Keying Fund Number: 70296 Status: CLOSED Completion Date: April 29, 2020	No	\$ 950,000	\$ 950,000	\$ 297,372	\$ 297,372	\$ 297,372 - #45489 Residence Halls

Oakland University
CONSTRUCTION REPORT
 May 31, 2020

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	HTHW Tunnel Piping Repair Fund Number: 70283 Status: 95% Completed Projected Completion Date: August 2020	No	\$ 200,000	\$ 865,000	\$ 794,904	\$ 865,000	\$ 865,000 - #24810 Plant Renewal Supplement
11	RAC Energy Saving Fund Number: 70250 Status: 92% Completed Projected Completion Date: July 2020	No	\$ 364,305	\$ 859,541	\$ 599,247	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
12	CMP-Replace Water Lines-HH to NFH Fund Number: 70146 Status: 99% Completed, waiting on final invoices Projected Completion Date: August 2020	No	\$ 382,000	\$ 682,000	\$ 660,417	\$ 682,000	\$ 682,000 - #24810 Plant Renewal Supplement
13	AVN Interior Room Renovations Fund Number: 70031 Status: 95% Completed Projected Completion Date: June 2020	No	\$ 680,000	\$ 680,000	\$ 414,699	\$ 680,000	\$ 680,000 - #45489 Residence Hall Rooms
14	Katke Cousins Hole #17 Stormwater Enhancement Fund Number: 70015 Status: 95% Completed; additional work required in Spring 2020 Projected Completion Date: August 2020	No	\$ 500,000	\$ 500,000	\$ 411,583	\$ 500,000	\$ 500,000 - #42465 Katke Cousins Golf Course
TOTAL PROJECTS IN PROGRESS			\$ 54,703,355	\$ 122,351,890	\$ 54,911,906	\$ 121,699,262	

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.