

## 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) actual year-to-date enrollment, measured by student credit hours, is 8.9% below prior year actual and 7.8% below budget. Financial aid distributions are running slightly below budget, which will offset some of the anticipated revenue shortfalls. A preliminary review of General Fund expenditures to date shows no major spending variances in any division or unit. In accordance with the State of Michigan's Public Act 86 of 2021, the University received a one-time supplemental allocation of \$2,084,800 in addition to monthly State appropriation payments of \$4,910,264 which began in October. Planning is underway to address the revenue shortfall resulting from lower than budgeted enrollment, including the use of the supplemental appropriation, cost containment measures, budget reductions, reserves, and use of the Higher Education Emergency Relief Fund (HEERF) grant from the federal government.

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, December 31, 2021 and 2020* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended December 31, 2021 was positive and consistent with the benchmark. Performance for month of December was also positive and exceeded the monthly benchmark by 34 basis points.

The University's endowment portfolio performance for the quarter ended December 31, 2021 was positive but off from the quarterly benchmark by 74 basis points. The December 31, 2021 endowment balance of \$153.7 million was \$23.7 million higher than the December 31, 2020 balance.

Data from the NACUBO/TIAA FY2020 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance for both similar sized university endowments and all university endowments, regardless of size, for all measured periods; one, three, five, ten, fifteen, and twenty years.

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

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Oakland University  
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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, December 31, 2021* (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, purpose of each debt issuance, and information about the University's swap arrangement. The University's debt, which has a weighted average cost of capital of 3.596%, is being managed according to the Board's policies and approvals.

The Treasury Management department is in the process of refunding the University's Series 2012 and Series 2013A debt issues. The refinancing is expected to be completed by April 2022, the results of which are expected to save the University approximately \$20 million over the next twenty years.

**5. Construction Report:** The *Construction Report, December 31, 2021* (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.

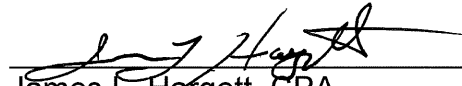
**6. University Reviews/Approvals:** The Treasurer's Report and attachments were prepared by the Budget and Financial Planning, Treasury Management, Controller, and Facilities Management Departments, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.

**7. Recommendation:**  
RESOLVED, that the Board of Trustees accepts the Treasurer's Report.

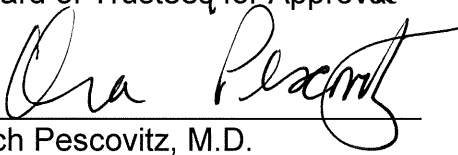
**8. Attachments:**  
A. Cash and Investments Report, December 31, 2021 and 2020  
B. Capital Debt Report, December 31, 2021  
C. Construction Report, December 31, 2021

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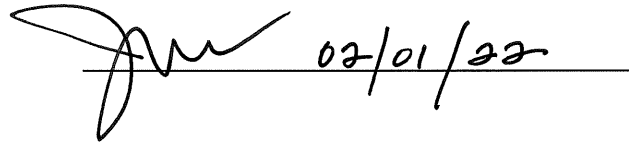
Submitted to the President  
on 2/1, 2022 by

  
James L. Hargett, CPA  
Interim Vice President for Finance and  
Administration and Treasurer  
to the Board of Trustees

Recommended on 2/1, 2022  
to the Board of Trustees for Approval

  
Ora Hirsch Pescovitz, M.D.  
President

Reviewed by:

  
02/01/22

**Oakland University  
Cash and Investments Report  
December 31, 2021 and 2020**

Attachment A

	Fair Market Value December 31, 2020	Fair Market Value December 31, 2021	Strategic Allocation 12/31/2021	Total Return Month Ending December 31, 2021	Benchmark Month Ending December 31, 2021	Total Return Qtr. Ending December 31, 2021	Benchmark Qtr. Ending December 31, 2021
<b>Working Capital <sup>(1)</sup></b>							
Equity Funds	\$ 61,563,069	\$ 79,754,119	21.92%	5.92%	4.48%	11.15%	11.03%
Fixed Income Funds	146,338,991	177,434,822	48.76%	-0.21%	-0.25%	-0.45%	-0.38%
Cash and Cash Equivalents	94,383,947	106,674,311	29.32%	0.02%	0.02%	0.05%	0.05%
Working Capital Pool Total	<u>\$ 302,286,007</u>	<u>\$ 363,863,252</u>	<u>100.00%</u>	<u>1.20%</u>	<u>0.86%</u>	<u>2.24%</u>	<u>2.25%</u>
<b>Endowment <sup>(2)</sup></b>							
Equity Funds	94,544,094	113,409,852	73.77%			5.58%	6.68%
Fixed Income Funds	20,307,697	21,896,265	14.24%			0.32%	0.01%
Hedge Funds	7,282,494	6,187,648	4.03%			-3.26%	2.02%
Real Assets	17,276	28,002	0.02%			0.00%	0.00%
Private Equity <sup>(3)</sup>	7,623,515	10,861,400	7.07%			-0.01%	-0.01%
Cash	229,236	1,345,113	0.87%			0.00%	0.00%
Endowment Pool Total	<u>\$ 130,004,312</u>	<u>\$ 153,728,280</u>	<u>100.00%</u>			<u>3.94%</u>	<u>4.68%</u>

Comments:

The working capital pool is higher than the previous year primarily from investment income, net CARES / HEERF activity, and due to the timing of disbursements. The endowment pool is higher than the previous year due to gifts and 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. Investments for private equities are in various of stages funding with more than half of committed capital having already been provided.

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 Government Credit Index, Barclays Agg Bond, BoA-ML High Yield II, Barclays Bloomberg US Tips (Relative Weighted)

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  
December 31, 2021**

**Attachment B**

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 22 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	\$ 3,720,000	0.110%	Variable	\$ 3,385	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	37,860,000 <sup>(2)</sup>	3.373%	Variable/Hedged	3,165,797	2031	Aa2	AVN, Pawley, OC Expansion, Elec. Upgrade, Parking Deck I	Lehman
General Revenue Bonds, Series 2012	37,830,000	4.075%	Fixed	2,951,500	2042	A1	Engineering Center	Barclay's, 5/3rd
Unamortized Premium	2,468,128							
General Revenue Bonds, Series 2013A	50,920,000	4.028%	Fixed	3,891,000	2043	A1	Oakview, Parking Deck II, Upper Play Fields	BOAML, 5/3rd
Unamortized Premium	3,730,331							
General Revenue Refunding Bonds, Series 2013B	10,390,000	2.995%	Fixed	2,301,561	2026	A1	Recreation and Athletics Center	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	23,005,000	3.562%	Fixed	1,965,250	2039	A1	HHB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,294,114							
General Revenue Refunding Bonds, Series 2016	107,410,000	3.656%	Fixed	7,470,500	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC, 5/3rd, Stifel
Unamortized Premium	15,033,591							
General Revenue Bonds, Series 2019	79,205,000	3.307%	Fixed	3,305,125	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
Unamortized Premium	17,095,814						CHP, Anibal Fitzgerald	
<b>Other Capital Debt:</b>								
2005 ESA II Loan	6,982,338	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	11,902,500	3.880%	Fixed	1,323,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	934,170							
	<u>\$ 410,780,986</u>	<u>3.596%</u> <sup>(1)</sup>		<u>\$ 27,680,556</u>				

<sup>(1)</sup> Weighted Average Cost of Capital

<sup>(2)</sup> 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>
<b>Debt-Based Derivative:</b>						
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	37,860,000	\$ (5,413,837)	2031	Baa3	Current low variable rates = High termination costs.

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 agreement.

**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**  
12/31/2021

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	<b>Oakland Center Expansion</b> Fund Number: 70232 Status: Completed; closeout in process Board of Trustees Approved: February 22, 2016 Projected Completion Date: February 2022	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 47,090,299	\$ 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	<b>VAR-2019 Renovation</b> Fund Number: 70023 Status: Construction in progress Board of Trustees Approved: December 7, 2020 Projected Completion Date: August 2023	Yes	12/31/2020	\$ 14,800	\$ 45,000,000	\$ 3,723,632	\$ 45,000,000	\$ 45,000,000 - #70046 2019 General Revenue Bonds
3	<b>SFH Renovation and Expansion</b> Fund Number: 70009 Status: Project bidding in process Board of Trustees Approved: April 8, 2019 Projected Completion Date: March 2024	Yes	6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 1,721,180	\$ 40,000,000	\$ 30,000,000 - State of MI Capital Outlay Appropriation \$ 10,000,000 - #70046 2019 General Revenue Bonds
4	<b>WH Renovation &amp; Expansion (Project S.U.C.C.E.S.S.)</b> Fund Number: 70285 Status: Construction in progress - 65% complete Board of Trustees Approved: February 7, 2019 Projected Completion Date: August 2022	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 13,084,965	\$ 20,535,000	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 14,775,000 - #70046 2019 General Revenue Bonds
5	<b>OU Research Facility</b> Fund Number: 70058 Status: Construction in progress Board of Trustees Approved: June 21, 2021 Projected Completion Date: September 2022	Yes	12/31/2020	\$ 75,000	\$ 18,215,800	\$ 4,484,998	\$ 18,215,800	\$ 9,690,800 - #24350 Capital Projects Supplement - Renovation \$ 4,809,200 - #70046 2019 General Revenue Bonds - Renovation \$ 3,715,800 - #70046 2019 General Revenue Bonds - Purchase
6	<b>CHP-HTHW Replace to Hill House</b> Fund Number: 70053 Status: Construction in progress Board of Trustees Approved: August 3, 2020 Projected Completion Date: September 2023	Yes	6/30/2020	\$ 488,840	\$ 5,000,000	\$ 3,975,911	\$ 5,000,000	\$ 5,000,000 - #70046 2019 General Revenue Bonds
7	<b>Fitzgerald / Anibal House Renovation</b> Fund Number: 70061 Status: Closed Board of Trustee Approved: April 6, 2020 Projected Completion Date: December 2021	Yes	6/30/2020	\$ 2,000,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000 - #70046 2019 General Revenue Bonds
8	<b>DH-2019 Renovation</b> Fund Number: 70050 Status: Complete; Closeout in progress Board of Trustee Approved: August 12, 2019 Projected Completion Date: February 2022	Yes	12/31/2019	\$ 3,000,000	\$ 3,000,000	\$ 2,912,595	\$ 3,000,000	\$ 3,000,000 - #70046 2019 General Revenue Bonds
9	<b>Business School Expansion</b> 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

**Oakland University**  
**CONSTRUCTION REPORT**  
12/31/2021

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	<b>Main Campus Buildings Dampers Replacement</b> Fund Number: 70044 Status: Construction in progress - 95% Complete Projected Completion Date: February 2022	No	\$ 970,000	\$ 970,000	\$ 523,643	\$ 970,000	\$ 970,000 - #35571 CARES / HEERF Grant
11	<b>Sharf Patio Expansion</b> Fund Number: 70090 Status: Construction in progress - 95% Complete Projected Completion Date: May 2022	No	\$ 250,000	\$ 940,000	\$ 615,536	\$ 940,000	\$ 940,000 - #44254 - Steve Sharf Clubhouse
12	<b>HAM-HVAC Unit Replacement</b> Fund Number: 70100 Status: Construction in progress - 95% complete Projected Completion Date: February 2022	No	\$ 389,400	\$ 874,000	\$ 600,631	\$ 874,000	\$ 874,000 - #35571 CARES / HEERF Grant
13	<b>HTHW Tunnel Piping Repair</b> Fund Number: 70283 Status: Completed; Closeout in process Projected Completion Date: February 2022	No	\$ 200,000	\$ 865,000	\$ 845,855	\$ 865,000	\$ 865,000 - #24810 Plant Renewal Supplement
14	<b>RAC Energy Saving</b> Fund Number: 70250 Status: 92% Complete Projected Completion Date: March 2022	No	\$ 364,305	\$ 859,541	\$ 720,395	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
15	<b>Main Campus Bldgs Exhaust Fan Replacement</b> Fund Number: 70081 Status: Construction in progress - 90% complete Projected Completion Date: September 2022	No	\$ 776,000	\$ 776,000	\$ 408,160	\$ 776,000	\$ 776,000 - #35571 CARES / HEERF Grant
16	<b>Housing-Network Upgrades</b> Fund Number: 70060 Status: Work in progress Projected Completion Date: June 2022	No	\$ 175,000	\$ 655,000	\$ 645,906	\$ 655,000	\$ 655,000 - #35571 CARES / HEERF Grant
17	<b>MSC-LED Lighting</b> Fund Number: 70067 Status: Bidding phase in progress Projected Completion Date: June 2022	No	\$ 386,945	\$ 524,975	\$ 24,532	\$ 524,975	\$ 386,945 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
18	<b>Replace Water Main Phase II</b> Fund Number: 71005 Status: Bidding phase in progress Projected Completion Date: December 2022	No	\$ 510,000	\$ 510,000	-	\$ 510,000	\$ 510,000 - #24810 Plant Renewal Supplement
<b>TOTAL PROJECTS IN PROGRESS</b>			<b>\$ 55,683,500</b>	<b>\$ 191,720,790</b>	<b>\$ 86,112,757</b>	<b>\$ 191,720,790</b>	

**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.