

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 5.7% below prior year actual and 3.0% above budget. Financial aid distributions are running close to budget and will have little impact on the anticipated positive revenue variance. 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 144 of 2022, the University is receiving monthly State appropriation payments of \$5,523,809 which began in October. The university has addressed the budgeted shortfall for fiscal year 2023 resulting from anticipated declines in enrollment with cost containment measures and budget reductions, and does not anticipate the need to utilize university reserves.

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, February 28, 2023 and 2022 (Attachment A)*.

Investment performance associated with the working capital pool for the month of February, 2023 was negative as both equities and fixed income investments were down, consistent with the broader market. Overall, the pool performed slightly better than the benchmark. Performance for the quarter ended December 31, 2022 was positive and also consistent with the broader market, with performance better than the quarterly benchmark by 30 basis points.

The University's endowment portfolio performance for the quarter ended December 31, 2022 was positive, generating strong returns for the quarter which were consistent with the overall benchmark.

Data from the NACUBO/TIAA FY2022 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance for similar sized university endowments for the five-, fifteen-, twenty-, and twenty-five-year time 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 (i.e., Commonfund for working capital and UBS for the

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endowment) continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

The exposure to the University's banking and invested assets resulting from the Silicon Valley Bank failure and subsequent liquidity issues faced by other banks has been minimal. While the disruption to the banking sector remains a fluid situation, the University's exposure to its financial pool of funds is inconsequential for the working capital pool and roughly 10 basis points (one-tenth of one percent) in the endowment pool. Finance and Administration personnel are having recurring discussions with the University's banking and investment banking partners to receive timely updates related to this matter.

4. Debt Management: The *Capital Debt Report, March 31, 2023* (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 3.56%, is being managed according to the Board's policies and approvals.

5. Construction Report: The *Construction Report, March 31, 2023* (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.

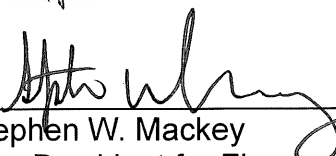
6. University Reviews/Approvals: The Treasurer's Report and attachments were prepared by the Budget and Financial Planning, Treasury Management, Controller, and Facilities Management Departments, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the 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, February, 2023 and 2022
B. Capital Debt Report, March 31, 2023
C. Construction Report, March 31, 2023

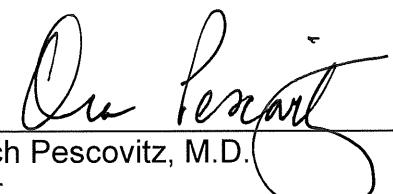
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Submitted to the President
on April 13, 2023 by

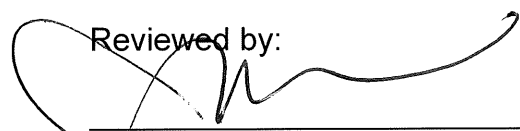


Stephen W. Mackey
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 4/16, 2023
to the Board of Trustees for Approval



Ora Hirsch Pescovitz, M.D.
President

Reviewed by:


Joshua D. Merchant, Ph.D.
Chief of Staff and
Secretary to the Board of Trustees

Oakland University
Cash and Investments Report
February 28, 2023 and 2022

Attachment A

	Fair Market Value February 28, 2022	Fair Market Value February 28, 2023	Strategic Allocation 2/28/2023	Total Return Month Ending February 28, 2023	Benchmark Month Ending February 28, 2023	Total Return Qtr. Ending December 31, 2022	Benchmark Qtr. Ending December 31, 2022
Working Capital ⁽¹⁾							
Equity Funds	\$ 82,883,292	\$ 59,961,700	21.05%	-2.77%	-2.44%	9.28%	7.56%
Fixed Income Funds	179,621,717	132,387,220	46.48%	-1.01%	-1.27%	0.99%	1.07%
Cash and Cash Equivalents	46,597,781	92,456,672	32.46%	0.23%	0.24%	0.20%	0.20%
Working Capital Pool Total	<u>\$ 309,102,790</u>	<u>\$ 284,805,592</u>	<u>100.00%</u>	<u>-0.98%</u>	<u>-1.03%</u>	<u>2.27%</u>	<u>1.97%</u>
Endowment ⁽²⁾							
Equity Funds	103,270,899	94,947,651	72.54%			9.83%	8.25%
Fixed Income Funds	21,254,327	20,620,795	15.75%			2.20%	2.12%
Hedge Funds	4,815,487	3,047,633	2.33%			2.17%	1.90%
Real Assets	26,901	17,378	0.01%			0.00%	0.00%
Private Equity ⁽³⁾	10,907,684	10,622,943	8.12%			0.00%	0.00%
Cash	3,385,260	1,639,518	1.25%			1.11%	0.89%
Endowment Pool Total	<u>\$ 143,660,559</u>	<u>\$ 130,895,918</u>	<u>100.00%</u>			<u>7.34%</u>	<u>7.39%</u>

Comments:

The working capital pool is lower than the previous year primarily due to CARES/HEERF funds received in FY2022.

The endowment pool is lower than the previous year primarily due to unrealized investment losses.

Returns listed are actual for the reporting period. Annualized returns would be greater. Cash accounts are earning 3-4%, annually.

⁽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. 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: Russell 2000, Russell 200 Growth, Russell Mid Cap Growth & Value, Russell 1000 Growth & Value, S&P 500, MSCI ACWI XUSus, MSCI - Emerging Markets (Relative Weighted)

For Endowment Fixed Income: Barclays Government Credit Index, Barclays Agg Bond, BoA-ML High Yield Master 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
March 31, 2023**

Attachment B

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 23 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Outstanding Bonds:								
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000	3.980%	Variable	\$ 97,367	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	33,950,000 ⁽¹⁾	3.373%	Variable/Hedged	3,200,870	2031	Aa2	AVN, Pawley, OC Exp., Elec. Upgr., Park. Deck I (Ref. 2001)	Lehman
General Revenue Refunding Bonds, Series 2013B	8,445,000	2.995%	Fixed	2,302,259	2026	A1	Recreation and Athletics Center (Ref. 2004 / 1995)	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	21,330,000	3.562%	Fixed	1,969,500	2039	A1	HHB, Infrastructure Projects (Ref. 2009 BAB)	JPM Chase
General Revenue Bonds, Series 2016	103,105,000	3.656%	Fixed	7,470,500	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
General Revenue Bonds, Series 2019	76,555,000	3.307%	Fixed	5,219,000	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
General Revenue Refunding Bonds, Series 2022A	31,390,000	3.469%	Fixed	2,158,383	2042	A1	Engineering Center (Ref. 2012)	BOA Securities
General Revenue Refunding Bonds, Series 2022B	44,795,000	3.956%	Fixed	1,262,970	2042	A1	Oakview, Parking Deck II, Upper Play Fields (Ref. 2013A)	BOA Securities
Subtotal Outstanding Bonds	<u>\$ 323,290,000</u>			<u>\$ 23,680,850</u>				
Other Capital Debt:								
2005 ESA II Loan	\$ 5,655,276	3.785%	Fixed	\$ 1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	10,906,250	3.880%	Fixed	1,403,375	2031	A1	Combined Heat and Power Co-Generation System	
Subtotal Other Capital Debt	<u>\$ 16,561,526</u>			<u>\$ 2,706,062</u>				
Total Bonds and Other Capital Debt	<u>\$ 339,851,526</u>	<u>3.562%</u> ⁽²⁾		<u>\$ 26,386,912</u>				
Total Unamortized Bond Premiums	\$ 39,808,507							

⁽¹⁾ 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.

⁽²⁾ 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 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 Derivative:						
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	33,950,000	\$ (1,653,987)	2031	Baa3	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
March 31, 2023

Attachment C

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	VAR-2019 Renovation Fund Number: 70023 Status: Construction in progress - 74% complete Board of Trustees Approved: December 7, 2020 Projected Completion Date: September 2023	Yes	12/31/2020	\$ 14,800	\$ 45,000,000	\$ 33,420,616	\$ 45,000,000	\$ 45,000,000 - #70046 2019 General Revenue Bonds
2	SFH Renovation and Expansion Fund Number: 70009 Status: Construction in progress Board of Trustees Approved: April 8, 2019, February 7, 2022 Projected Completion Date: June 2024	Yes	6/30/2019	\$ 40,000,000	\$ 44,200,000	\$ 13,371,763	\$ 44,200,000	\$ 30,000,000 - State of MI Capital Outlay Appropriation \$ 10,000,000 - #70046 2019 General Revenue Bonds \$ 4,200,000 - #24350 Capital Projects Supplement
3	1500 University Drive Fund Number: 71025 Status: Design Phase - In progress Board of Trustees Approved: April 14, 2022 Projected Completion Date: August 2024	Yes	6/30/2022	\$ 25,000,000	\$ 25,000,000	\$ 9,376,226	\$ 25,000,000	\$ 25,000,000 - TBD
4	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: Construction in progress - 98% complete Board of Trustees Approved: February 7, 2019 Projected Completion Date: April 2023	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 19,264,960	\$ 20,535,000	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 14,775,000 - #70046 2019 General Revenue Bonds
5	OU Research Facility Fund Number: 70058 Status: Construction in progress Board of Trustees Approved: June 21, 2021 Projected Completion Date: August 2023	Yes	12/31/2020	\$ 75,000	\$ 20,315,800	\$ 18,656,243	\$ 20,315,800	\$ 11,790,800 - #24350 Capital Projects Supplement - Renovation \$ 4,809,200 - #70046 2019 General Revenue Bonds - Renovation \$ 3,715,800 - #70046 2019 General Revenue Bonds - Purchase
6	ODH - OUWBSOM Renovation Fund Number: 71017 Status: Design Phase - In progress Board of Trustees Approved: June 13, 2022 Projected Completion Date: August 2024	Yes	6/30/2022	\$ 9,700,000	\$ 9,700,000	\$ 221,496	\$ 9,700,000	\$ 9,700,000 - #22484 OUWBSM Dean's Discretionary Fund
7	MBH Visitor Center/Event Venues Fund Number: 70078 Status: Design Phase - In progress Board of Trustees Approved: February 7, 2022 Projected Completion Date: TBD	Yes	6/30/2022	\$ 50,000	\$ 5,500,000	\$ 321,073	\$ 5,500,000	\$ 5,325,330 - #24557 MBH Welc Ctr & Tent Venue Financing \$ 110,177 - #70203 MBE Maintenance Reserve \$ 64,493 - #30286 MBE Interpretive Facilities Fund
8	CHP-HTHW Replace to Hill House 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	\$ 4,974,875	\$ 5,000,000	\$ 5,000,000 - #70046 2019 General Revenue Bonds

Oakland University
CONSTRUCTION REPORT
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Attachment C

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	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
10	KL - OUWB Improvements Fund Number: 71043 Status: Design Phase - In progress Projected Completion Date: Summer 2024	No		\$ 30,000	\$ 995,605	\$ -	\$ 995,605	\$ 995,605 - #22400 PPAP IA New Programs
11	EH - Renovation 2022 Fund Number: 71033 Status: Design Phase - In progress Projected Completion Date: September 2023	No		\$ 931,938	\$ 931,938	\$ 7,070	\$ 931,938	\$ 755,107 - #10997,11386,11624,11622 Various SBA Funds \$ 176,831 - #38005 SBA Gift Fund
12	RAC Energy Saving Fund Number: 70250 Status: 97% complete Projected Completion Date: April 2023	No		\$ 364,305	\$ 859,541	\$ 771,546	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
13	Main Campus Bldgs Exhaust Fan Replacement Fund Number: 70081 Status: Construction Phase - 90% complete Projected Completion Date: May 2023	No		\$ 776,000	\$ 776,000	\$ 730,128	\$ 776,000	\$ 776,000 - #24355 Pandemic Reserve Fund
14	MSC-LED Lighting Fund Number: 70067 Status: Construction in progress - 96% complete Projected Completion Date: April 2023	No		\$ 386,945	\$ 521,929	\$ 502,960	\$ 521,929	\$ 383,899 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
15	Replace Water Main Phase II Fund Number: 71005 Status: Construction to begin in May 2023 Projected Completion Date: June 2023	No		\$ 510,000	\$ 701,000	\$ 54,665	\$ 701,000	\$ 701,000 - #24810 Plant Renewal Supplement
16	Wilson Hall Parking Lot P-2 Fund Number: 71024 Status: Construction Phase - 98% complete Projected Completion Date: Spring 2023	No		\$ 52,000	\$ 775,711	\$ 586,177	\$ 775,711	\$ 775,711 - #24350 Capital Projects Supplement
17	RAC-Baseball Field Turf Project Fund Number: 71042 Status: Construction in progress Projected Completion Date: April 2023	No		\$ 550,000	\$ 550,000	\$ 221,466	\$ 550,000	\$ 550,000 - #30791 Baseball Facility Development
18	HVAC Replacements & Improvements Fund Number: 71028 Status: Design Phase - In progress Projected Completion Date: Summer 2024	No		\$ 53,500	\$ 524,000	\$ 39,920	\$ 524,000	\$ 524,000 - #24355 Pandemic Reserve Fund

Oakland University
CONSTRUCTION REPORT
March 31, 2023

Attachment C

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
19	PH - Roof Replace & Replace Phase 1 Fund Number: 71048 Status: Project currently out for bid Projected Completion Date: May 2023	No	\$ 506,038	\$ 506,038	\$ -	\$ 506,038	\$ 506,038 - #24350 Capital Projects Supplement
TOTAL PROJECTS IN PROGRESS			\$ 82,291,576	\$ 184,361,062	\$ 103,555,703	\$ 184,361,062	

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.