

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 slightly above budget, which will offset some of 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. Planning is underway to address the budgeted shortfall for fiscal year 2023 resulting from anticipated declines in enrollment, including cost containment measures, budget reductions, and reserves.

A monthly budget monitoring process managed by the Budget and Financial Planning Office helps ensure budget management accountability.

3. **Investment Performance:** The results of the University's working capital and endowment investment activities for FY2023 is presented in Attachment A.

Investment performance associated with the working capital pool for the month of December, 2022 was negative and better than the benchmark. Performance for the quarter ended December 31, 2022 was positive and also better than the benchmark.

The University's endowment portfolio performance for the quarter ended December 31, 2022 was positive and comparable with the quarterly benchmark.

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, December 31, 2022* (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 3.62%, is being managed according to the Board's policies and approvals.

**Treasurer's Report
Oakland University
Board of Trustees Formal Session
February 6, 2023
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On December 8, 2022 the Series 2022B Bonds were issued. The proceeds will refund the callable outstanding principal of the Series 2013A Bonds in March, 2023. The 2022B Bonds were priced in March, 2022 locking in an interest rate of 3.956%. The refunding will result in a cash savings of \$4.2 million.

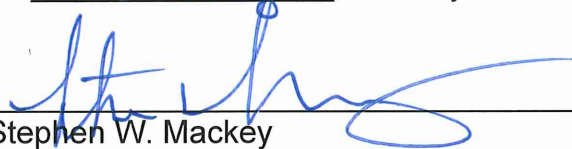
5. Construction Report: The *Construction Report, January 31, 2023* (Attachment C) includes budget information, source of funding, forecasted final costs, and comments for all ongoing capital projects over \$500,000, as required by Board policy. All projects have been properly approved and are within 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.

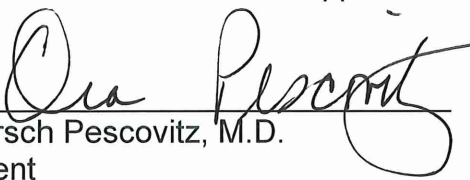
- 8. Attachments:**
- A. Cash and Investments Report, December 31, 2022
 - B. Capital Debt Report, December 31, 2022
 - C. Construction Report, January 31, 2023

Submitted to the President
on 30 January, 2023 by




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

Recommended on 1/31, 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
December 31, 2022 and 2021

	Fair Market Value December 31, 2021	Fair Market Value December 31, 2022	Strategic Allocation 12/31/2022	Total Return Month Ending December 31, 2022	Benchmark Month Ending December 31, 2022	Total Return Qtr. Ending December 31, 2022	Benchmark Qtr. Ending December 31, 2022
Working Capital ⁽¹⁾							
Equity Funds	\$ 79,754,119	\$ 59,395,776	19.10%	-4.30%	-5.76%	9.28%	7.56%
Fixed Income Funds	177,434,822	131,543,086	42.30%	-0.03%	0.01%	0.99%	1.07%
Cash and Cash Equivalents	106,674,311	120,062,006	38.61%	0.07%	0.08%	0.23%	0.24%
Working Capital Pool Total	<u>\$ 363,863,252</u>	<u>\$ 311,000,868</u>	<u>100.00%</u>	<u>-0.81%</u>	<u>-1.06%</u>	<u>2.28%</u>	<u>1.99%</u>
Endowment ⁽²⁾							
Equity Funds	113,409,852	90,542,899	71.98%			9.83%	8.25%
Fixed Income Funds	21,896,265	20,503,305	16.30%			2.20%	2.12%
Hedge Funds	6,187,648	3,707,736	2.95%			2.17%	1.90%
Real Assets	28,002	17,378	0.01%			0.00%	0.00%
Private Equity ⁽³⁾	10,861,400	10,797,752	8.58%			0.00%	0.00%
Cash	1,345,113	211,190	0.17%			0.13%	0.47%
Endowment Pool Total	<u>\$ 153,728,280</u>	<u>\$ 125,780,260</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%, annual.

⁽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
December 31, 2022**

	<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>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000	3.670%	Variable	\$ 38,397	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	35,945,000 ⁽²⁾	3.373%	Variable/Hedged	3,422,714	2031	Aa2	AVN, Pawley, OC Expansion, Elec. Upgrade, Parking Deck I	Lehman
General Revenue Bonds, Series 2013A	49,575,000 ⁽³⁾	4.028%	Fixed	1,863,500	2043	A1	Oakview, Parking Deck II, Upper Play Fields	BOAML, 5/3rd
Unamortized Premium	3,394,634							
General Revenue Refunding Bonds, Series 2013B	8,445,000	2.995%	Fixed	2,302,259	2026	A1	Recreation and Athletics Center	5/3rd, BOAML
General Revenue Refunding Bonds, Series 2014	22,190,000	3.562%	Fixed	2,071,255	2039	A1	HNB, Infrastructure Projects	JPM Chase
Unamortized Premium	2,043,327							
General Revenue Refunding Bonds, Series 2016	105,310,000	3.656%	Fixed	7,503,022	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
Unamortized Premium	13,984,413							5/3rd, Stifel
General Revenue Bonds, Series 2019	77,880,000	3.307%	Fixed	5,200,417	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
Unamortized Premium	16,054,134						CHP, Anibal Fitzgerald	
General Revenue Refunding Bonds, Series 2022A	32,155,000	3.469%	Fixed	2,366,279	2042	A1	Engineering Center	BOA Securities
Unamortized Premium	5,282,125							
General Revenue Refunding Bonds, Series 2022B	44,795,000	3.956%	Fixed	2,366,279	2042	A1	Refunding the 2013A Bonds in March, 2023	BOA Securities
Unamortized Premium	4,743,299							
Other Capital Debt:								
2005 ESA II Loan	5,925,727	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	11,117,500	3.880%	Fixed	1,403,375	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	6,634,561							
	<u>\$ 449,194,720</u>	<u>3.616%</u> ⁽¹⁾		<u>\$ 29,840,185</u>				

⁽¹⁾ Weighted Average Cost of Capital, includes the 2013A Bonds until they are refunded in March, 2023.

⁽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.

⁽³⁾ The General Revenue Series 2013A Bonds will be refunded in March, 2023.

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	35,945,000	\$ (1,395,048)	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
January 31, 2023

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 - 68% complete Board of Trustees Approved: December 7, 2020 Projected Completion Date: September 2023	Yes	12/31/2020	\$ 14,800	\$ 45,000,000	\$ 29,057,568	\$ 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	\$ 9,284,061	\$ 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	\$ 8,576,135	\$ 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	\$ 19,171,095	\$ 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	\$ 17,595,728	\$ 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	\$ 175,397	\$ 9,700,000	\$ 9,700,000 - #22484 OUWBSOM 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	\$ 245,761	\$ 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	\$ 4,951,962	\$ 5,000,000	\$ 5,000,000 - #70046 2019 General Revenue Bonds

Oakland University
CONSTRUCTION REPORT
January 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	
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	EH - Renovation 2022 Fund Number: 71033 Status: Design Phase - In progress Projected Completion Date: September 2023	No		\$ 931,938	\$ 931,938	\$ 2,828	\$ 931,938	\$ 755,107 - #10997,11386,11624,11622 Various SBA Funds \$ 176,831 - #38005 SBA Gift Fund
11	RAC Energy Saving Fund Number: 70250 Status: 92% complete Projected Completion Date: March 2023	No		\$ 364,305	\$ 859,541	\$ 771,546	\$ 859,541	\$ 859,541 - #14685 FY17 Excess Debt Service
12	Main Campus Bldgs Exhaust Fan Replacement Fund Number: 70081 Status: Construction Phase - 90% complete Projected Completion Date: May 2023	No		\$ 776,000	\$ 776,000	\$ 700,663	\$ 776,000	\$ 776,000 - #35571 CARES / HEERF Grant
13	MSC-LED Lighting Fund Number: 70067 Status: Construction in progress - 92% complete Projected Completion Date: March 2023	No		\$ 386,945	\$ 521,929	\$ 480,912	\$ 521,929	\$ 383,899 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
14	Replace Water Main Phase II Fund Number: 71005 Status: Construction to begin in Spring 2023 Projected Completion Date: August 2023	No		\$ 510,000	\$ 701,000	\$ 54,665	\$ 701,000	\$ 701,000 - #24810 Plant Renewal Supplement
15	Wilson Hall Parking Lot P-2 Fund Number: 71024 Status: Construction Phase - 95% complete Projected Completion Date: Spring 2023	No		\$ 52,000	\$ 775,711	\$ 531,848	\$ 775,711	\$ 775,711 - #24350 Capital Projects Supplement
16	RAC-Baseball Field Turf Project Fund Number: 71042 Status: Construction in progress Projected Completion Date: November 2023	No		\$ 550,000	\$ 550,000	\$ 194,237	\$ 550,000	\$ 550,000 - #30791 Baseball Facility Development
TOTAL PROJECTS IN PROGRESS				\$ 81,702,038	\$ 182,335,419	\$ 92,828,925	\$ 182,335,419	

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.