

**Treasurer's Report
Oakland University
Board of Trustees Formal Session
February 2, 2024**

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 1.6% below prior year actual and .5% above budget. Financial aid distributions are tracking close to budget as well, resulting in year-to-date net tuition revenues on budget. 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 103 of 2023, the University is receiving monthly State appropriation payments of \$6,571,700, which began in October.

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, 2023 and 2022* (Attachment A).

Investment performance associated with the working capital pool for the month of December, 2023 was positive but underperformed against the overall benchmark by 25 basis points. Performance for the quarter was also positive, driven by strong equity performance for the period. The overall quarterly performance was shy of the related benchmark by 30 basis points.

The University's endowment pool performance for the quarter ended December 31, 2023 was positive and very strong, also driven by a rally in equities for the period. The overall quarterly performance was shy of the related benchmark by 36 basis points. The December 31, 2023 endowment balance of \$142.7 million was \$16.9 million higher than the December 31, 2022 balance.

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.

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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 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, 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, December 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 Vice President for Finance and Administration and Treasurer to the Board of Trustees, Chief of Staff and Secretary to the Board, and President.

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

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

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Submitted to the President
on 1/29, 2024 by




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

Recommended on 1/29, 2024
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, 2023 and 2022

Attachment A

	Fair Market Value December 31, 2022	Fair Market Value December 31, 2023	Strategic Allocation 12/31/2023	Total Return Month Ending December 31, 2023	Benchmark Month Ending December 31, 2023	Total Return Qtr. Ending December 31, 2023	Benchmark Qtr. Ending December 31, 2023
Working Capital ⁽¹⁾							
Equity Funds	\$ 59,395,776	\$ 69,466,283	19.91%	3.08%	4.54%	9.78%	11.69%
Fixed Income Funds	131,543,086	164,021,932	47.02%	1.98%	1.88%	3.88%	3.70%
Cash and Cash Equivalents	120,062,006	115,337,486	33.06%	0.25%	0.25%	0.74%	0.76%
Working Capital Pool Total	<u>\$ 311,000,868</u>	<u>\$ 348,825,701</u>	<u>100.00%</u>	<u>1.62%</u>	<u>1.87%</u>	<u>4.02%</u>	<u>4.32%</u>
Endowment ⁽²⁾							
Equity Funds	90,542,899	107,032,040	74.99%			11.61%	12.02%
Fixed Income Funds	20,503,305	21,739,509	15.23%			6.37%	6.76%
Hedge Funds	3,707,736	3,241,809	2.27%			8.04%	0.00%
Real Assets	17,378	19,760	0.01%			0.00%	0.00%
Private Equity ⁽³⁾	10,797,752	10,305,678	7.22%			0.00%	0.00%
Cash	211,190	395,404	0.28%			1.24%	1.38%
Endowment Pool Total	<u>\$ 125,780,260</u>	<u>\$ 142,734,200</u>	<u>100.00%</u>			<u>9.68%</u>	<u>10.04%</u>

Comments:

The working capital pool is slightly higher than the previous year and reflects the net impact of investment income, tuition revenue, and operating expenses.

The endowment pool is higher than the previous year and reflects the net impact of investment income, spending distributions and new gifts.

Returns listed are actual for the reporting period. Cash accounts are earning 2-5%, 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: BoA Merrill Lynch 1-3 Year Treasury Index, Barclays Capital US Aggregate Bond Index (Relative Weighted)

For Cash and Cash Equivalents: BoA Merrill Lynch 0-3 Month Treasury Bill Index

For Endowment Equities: Russell 2000, Russell 2000 Growth, Russell Mid Cap Growth, Russell Midcap Value, Russell 1000 Growth, Russell 1000 Value, S&P 500, MSCI EAFE Free, MSCI ACWI xUS, MSCI World Smidcap, 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: 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, 2023**

Attachment B

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>Est. FY 24 Prin. + Int.</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Outstanding Bonds:								
1998 Variable Rate Demand Bonds	\$ -		Variable	\$ 3,735,835	2023	Aa2	Sharf Golf Course	Comerica
2008 General Revenue Refunding Bonds	33,950,000 ⁽¹⁾	3.373%	Variable/Hedged	3,121,499	2031	Aa2	AVN, Pawley, OC Exp., Elec. Upgr., Park. Deck I (Ref. 2001)	Lehman
2013B General Revenue Refunding Bonds	6,435,000	2.995%	Fixed	2,307,127	2026	A1	Recreation and Athletics Center (Ref. 2004 / 1995)	5/3rd, BOAML
2014 General Revenue Refunding Bonds	21,330,000	3.562%	Fixed	1,966,500	2039	A1	HHB, Infrastructure Projects (Ref. 2009 BAB)	JPM Chase
2016 General Revenue Bonds	103,105,000	3.656%	Fixed	7,470,250	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
2019 General Revenue Bonds	76,555,000	3.307%	Fixed	5,207,750	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
2022A General Revenue Refunding Bonds	31,390,000	3.469%	Fixed	2,009,500	2042	A1	Engineering Center (Ref. 2012)	BOA Securities
2022B General Revenue Refunding Bonds	44,795,000	3.956%	Fixed	3,364,750	2042	A1	Oakview, Parking Deck II, Upper Play Fields (Ref. 2013A)	BOA Securities
Subtotal Outstanding Bonds	<u>\$ 317,560,000</u>			<u>\$ 29,183,211</u>				
Other Capital Debt:								
2005 ESA II Loan	\$ 4,828,422	3.785%	Fixed	\$ 1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	10,315,000	3.880%	Fixed	1,294,750	2031	A1	Combined Heat and Power Co-Generation System	
Subtotal Other Capital Debt	<u>\$ 15,143,422</u>			<u>\$ 2,597,437</u>				
Total Bonds and Other Capital Debt	<u>\$ 332,703,422</u>	<u>3.560%</u> ⁽²⁾		<u>\$ 31,780,648</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 SOFR 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	\$ (808,357)	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
December 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: Complete; Closeout in progress Board of Trustees Approved: December 7, 2020 Projected Completion Date: April 2024	Yes	12/31/2020	\$ 14,800	\$ 45,000,000	\$ 41,699,366	\$ 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: December 2024	Yes	6/30/2019	\$ 40,000,000	\$ 44,200,000	\$ 32,865,245	\$ 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	Oakland West Campus (OWC) Fund Number: 71025 Status: Construction in progress Board of Trustees Approved: April 14, 2022 Projected Completion Date: December 2024	Yes	6/30/2022	\$ 25,000,000	\$ 25,000,000	\$ 13,776,614	\$ 25,000,000	\$ 11,000,000 - #24355 Pandemic Reserve Fund \$ 3,800,000 - #31524 Corewell Nursing Infrastructure Fund \$ 778,600 - #24350 Capital Projects Supplement Fund \$ 21,400 - #30382 OU Cares Gift Fund \$ 9,400,000 - TBD
4	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: Complete; Closeout in progress Board of Trustees Approved: February 7, 2019 Projected Completion Date: October 2023	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 20,360,314	\$ 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: Complete; Closeout in progress Board of Trustees Approved: June 21, 2021 Projected Completion Date: November 2023	Yes	12/31/2020	\$ 75,000	\$ 20,315,800	\$ 19,419,508	\$ 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: Construction in progress Board of Trustees Approved: June 13, 2022 Projected Completion Date: December 2024	Yes	6/30/2022	\$ 9,700,000	\$ 9,700,000	\$ 2,894,855	\$ 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: June 2025	Yes	6/30/2022	\$ 50,000	\$ 5,500,000	\$ 445,692	\$ 5,500,000	\$ 5,087,694 - #24557 MBH Welc Ctr & Tent Venue Financing \$ 110,177 - #70203 MBE Maintenance Reserve \$ 302,129 - #30286 MBE Interpretive Facilities Fund
8	OWC - Athletics Training Facility Fund Number: 71065 Status: Design Phase - In progress Board of Trustees Approved: September 11, 2023 Projected Completion Date: December 2025	Yes	6/30/2024	\$ 5,000,000	\$ 5,000,000	-	\$ 5,000,000	\$ 5,000,000 - #24354 Student Athlete Development Center Reserve
9	KL - OUWB Improvements Fund Number: 71043 Status: Construction in progress Projected Completion Date: July 2024	No		\$ 30,000	\$ 995,605	\$ 68,224	\$ 995,605	\$ 995,605 - #22400 PPAP IA New Programs

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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	EH - Renovation 2022 Fund Number: 71033 Status: Construction in progress Projected Completion Date: December 2024	No	\$ 931,938	\$ 931,938	\$ 414,884	\$ 931,938	\$ 755,107 - #10997,11386,11624,11622 Various SBA Funds \$ 176,831 - #38005 SBA Gift Fund
11	GC - Golf Course Bridges Fund Number: 71050 Status: Construction in progress Projected Completion Date: July 2024	No	\$ 900,000	\$ 900,000	\$ 159,077	\$ 900,000	\$ 900,000 - #44256 Katke-Cousins G.C. - Maintenance
12	RAC Inclusive Locker Room Fund Number: 71018 Status: Complete; Closeout in progress Projected Completion Date: June 2024	No	\$ 200,000	\$ 840,000	\$ 602,081	\$ 840,000	\$ 840,000 - #70213 Campus Recreation Capital Reserves
13	DH - 2022 Lab Renovation Fund Number: 71041 Status: Construction in progress Projected Completion Date: June 2024	No	\$ 200,000	\$ 799,000	\$ 601,635	\$ 799,000	\$ 799,000 - #14615 OUWBSM-Office of Research
14	Wilson Hall Parking Lot P-2 Fund Number: 71024 Status: Construction in progress - 98% complete Projected Completion Date: June 2024	No	\$ 52,000	\$ 775,711	\$ 715,089	\$ 775,711	\$ 775,711 - #24350 Capital Projects Supplement
15	Replace Water Main Phase II Fund Number: 71005 Status: Construction complete; Closeout in progress Projected Completion Date: March 2024	No	\$ 510,000	\$ 701,000	\$ 452,011	\$ 701,000	\$ 701,000 - #24810 Plant Renewal Supplement
16	ODH SOM Supplemental Improvements Fund Number: 71057 Status: Construction in progress Projected Completion Date: August 2024	No	\$ 700,000	\$ 700,000	\$ 125,364	\$ 700,000	\$ 700,000 - #22484 Dean's Discretionary Fund
17	BRSF Boiler Replacement Fund Number: 71052 Status: Design Phase - In progress Projected Completion Date: July 2024	No	\$ 650,000	\$ 650,000	\$ 10,235	\$ 650,000	\$ 650,000 - #24350 Capital Projects Supplement
18	RAC-Baseball Field Turf Project Fund Number: 71042 Status: Construction complete; Closeout in progress Projected Completion Date: March 2024	No	\$ 550,000	\$ 560,000	\$ 523,669	\$ 560,000	\$ 560,000 - #30791 Baseball Facility Development
19	BRS Washers Replacement Fund Number: 71066 Status: Construction in Progress Projected Completion Date: TBD	No	\$ 460,000	\$ 560,000	\$ -	\$ 560,000	\$ 360,000 - #24350 Capital Projects Supplement \$ 100,000 - #14615 OUWBSM-Office of Research \$ 100,000 - #40609 Clinical Research Lab
20	HVAC Replacements & Improvements Fund Number: 71028 Status: Bidding phase - In progress Projected Completion Date: September 2024	No	\$ 53,500	\$ 524,000	\$ 54,485	\$ 524,000	\$ 524,000 - #24355 Pandemic Reserve Fund

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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
21	PH - Roof Replace & Restore Phase 1 Fund Number: 71048 Status: Construction complete; Closeout in progress Projected Completion Date: February 2024	No	\$ 506,038	\$ 536,038	\$ -	\$ 536,038	\$ 506,038 - #24350 Capital Projects Supplement \$ 30,000 - #24810 Plant Renewal Supplement
22	MSC-LED Lighting Fund Number: 70067 Status: CLOSED Projected Completion Date: September 2023	No	\$ 386,945	\$ 521,929	\$ 503,805	\$ 503,805	\$ 383,899 - #24350 Capital Projects Supplement \$ 138,030 - #14982 Purchased Utilities
23	ATH - Softball Field Turf Replacement Fund Number: 71047 Status: Construction complete; Closeout in progress Projected Completion Date: March 2024	No	\$ 50,000	\$ 500,000	\$ 405,595	\$ 500,000	\$ 500,000 - #34254 Golden Grizzly Athletic Fund
TOTAL PROJECTS IN PROGRESS			\$ 86,853,931	\$ 185,746,021	\$ 136,097,748	\$ 185,727,897	

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.