

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 (through Winter 2020) enrollment, measured by student credit hour production, is 1.1% below prior year actual but exceeded budget by .7%. Financial aid distributions are tracking slightly below budget, resulting in year-to-date net tuition revenues slightly over budget. Spring enrollment may be at risk due to the national health crisis and is being monitored closely. Monthly State appropriation payments of \$4,857,500 began October 2019, 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 will be absorbed within the General Fund budget. Expenditures are tracking consistent with budget and historical spending patterns at this point in the year, with no major spending variances in any division or unit.

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 29, 2020 and February 28, 2019 (Attachment A)*.

Investment performance associated with the working capital pool for the quarter ended December 31, 2019 was positive but off from the quarterly benchmark by 66 basis points. Performance for the month of February was negative and off slightly from the monthly benchmark. The poor performance for the month is attributable to the significant selloff in equities which saw the S&P 500 index drop nearly 13% in the last seven trading days in February. The selloff was driven by the concern surrounding the economic impact related to the coronavirus pandemic. Working capital cash as of March 27, 2020 is approximately \$13 million lower than on the same date last year, primarily due to the continuation of an equity selloff, where the S&P experienced a 22% decline for the month, as of March 27.

The University's endowment portfolio performance for the quarter ended December 31, 2019 was positive but short of the quarterly benchmark by 69 basis points. The February 29, 2020 endowment balance of \$108.1 million, was \$4.9 million higher than the February 28, 2019 balance. Due to the coronavirus market volatility, the endowment balance as of March 27, 2020 was \$12.2 million (11.2%) lower than the February 29, 2020 balance.

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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.

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. The Investment Advisors will update the Board on current market conditions and strategies.

4. Debt Management: The *Capital Debt Report, March 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 3.64%, is being managed according to the Board's policies and approvals.

The variable rate demand bond (VRDB) market and the bond market overall is volatile and changing daily. A surge of activity from investment firms looking to liquidate bond positions for safer money market funds and cash has dominated the municipal market activity. The significant outflow of funds from the municipal bond market has required remarketing agents to increase the interest rates paid on VRDBs to make them attractive for re-sale. The University has two debt issues impacted by the current VRDB re-marketing difficulties: Series 1998 Bonds (\$3.8 Million) and the Series 2008 Bonds (\$39.7 million). Both Bonds are remarketed weekly. The Series 2008 Bonds were issued as refunding bonds for the University's Series 2001 Bonds during the financial crisis of 2008-09, in reaction to its related impact on variable rate debt instruments at that time. Even though the University has a LIBOR based hedge connected to the Series 2008 Bonds, the LIBOR credit the University receives as part of the hedge transaction falls far short of offsetting re-marketing rates currently required to encourage investors to commit funds to the VRDB market at this time.

Rates on the Series 1998 Bonds have ranged from a low of 1.30% in early March 2020 to a high of 5.2% in mid-March, to a current rate of 4.72% as of March 25, 2020.

Rates on the Series 2008 Bonds have ranged from a low of 1.2% in early March 2020 to a high of 6.25% in mid-March, to a current rate of 4.75% as of March 25, 2020.

The current strategy for both of these Bonds, after consultation with the University's debt advisor (PFM), is to sit tight and see if the market settles down over the next few weeks. The University has a fully funded sinking fund that could be used to retire the Series 1998 Bonds if the market does not settle.

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5. **Construction Report:** The *Construction Report, March 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, February 29, 2020 and February 28, 2019
B. Capital Debt Report, March 31, 2020
C. Construction Report, March 31, 2020

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
February 29, 2020 and February 28, 2019

	Fair Market Value February 28, 2019	Fair Market Value February 29, 2020	Strategic Allocation 2/29/2020	Total Return Month Ending February 29, 2020	Benchmark Month Ending February 29, 2020	Total Return Qtr. Ending December 31, 2019	Benchmark Qtr. Ending December 31, 2019
Working Capital ⁽¹⁾							
Equity Funds	\$ 63,743,881	\$ 56,963,438	21.62%	-8.52%	-8.23%	5.46%	9.07%
Fixed Income Funds	143,599,464	153,281,867	58.18%	1.02%	1.17%	0.32%	0.42%
Cash and Cash Equivalents	46,162,040	53,194,196	20.19%	0.07%	0.07%	0.16%	0.17%
Working Capital Pool Total	<u>\$ 253,505,385</u>	<u>\$ 263,439,501</u>	<u>100.00%</u>	<u>-1.23%</u>	<u>-1.09%</u>	<u>1.13%</u>	<u>1.79%</u>
Endowment ⁽²⁾							
Equity Funds	72,390,926	72,471,844	67.02%			8.21%	9.10%
Fixed Income Funds	17,718,814	19,696,332	18.21%			0.33%	0.35%
Hedge Funds	7,190,854	6,132,065	5.67%			4.36%	2.89%
Real Assets	43,967	31,864	0.03%			0.00%	0.00%
Private Equity ⁽³⁾	5,164,127	6,893,737	6.37%			-0.39%	-0.39%
Cash	656,612	2,912,084	2.69%			0.44%	0.44%
Endowment Pool Total	<u>\$ 103,165,300</u>	<u>\$ 108,137,926</u>	<u>100.00%</u>			<u>5.90%</u>	<u>6.59%</u>

Comments:

The working capital pool is higher than the previous year primarily due to investment income.
The endowment pool is higher than the previous year due to investment income and gifts.

⁽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: Russell 2000, Russell Mid Cap Growth & Value, Russell 1000 Growth & Value, MSCI EAFE International MSCI Emerging Markets (Relative Weighted)

For Endowment Fixed Income: Barclays Government Corporate Index, Barclays US Tips, BoA-ML High Yield II, Citigroup World Government Bond (Relative Weighted)

For Endowment Hedge Funds: HFRI Fund Wgt Comp Index, HFRI Fund of funds Diversified Index, Barclay's CTA Index, HFRX Eq Hedge (Relative Weighted), BoA-ML High Yield II

For Endowment Real Assets: NAREIT and Lipper Glb Nat Res

For Endowment Cash: City Group 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, 2020**

	Amount	Rate of Interest	Interest Type	FY 20 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 3,720,000 ⁽²⁾	4.720%	Variable	\$ 72,818	2023	Aa2	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	39,700,000	3.373% ⁽³⁾	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	2,971,789							
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	4,454,625							
General Revenue Refunding Bonds, Series 2013B	14,130,000	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	2,847,884							
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, 5/3rd, Stifel
Unamortized Premium	17,253,929							
General Revenue Bonds, Series 2019	79,205,000	3.307%	Fixed	-	2050	A1	South Foundation, Varner, Dodge, Lepley, CHP, Research	BOAML, PNC
Unamortized Premium	18,986,496							
Other Capital Debt:								
2005 ESA II Loan	8,737,995	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	12,993,750	3.880%	Fixed	1,126,750	2031	A1	Combined Heat and Power Co-Generation System	
Unamortized Premium	1,184,921							
	<u>\$ 430,436,389</u>	<u>3.638%</u> ⁽¹⁾		<u>\$ 24,217,503</u>				

⁽¹⁾ Weighted Average Cost of Capital

⁽²⁾ Amount reflects \$880,000 principal of the Series 1998 Bonds redeemed due to unsuccessful remarketing activity.

⁽³⁾ The 3.373% interest rate is the synthetic fixed rate paid to the swap counterparty. The variable 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.

	Counterparty	Current Notional Amount	Termination Present Value	Expires	Counterparty Rating	Purpose/Comment
Debt-Based Derivatives:						
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 28,625,000	\$ 505,134	2031	Aa2	
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	41,465,000	(8,532,040)	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 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
March 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	South Student Housing Complex - Hillcrest Fund Number: 70224 Status: CLOSED Board of Trustees Approved: February 22, 2016 Completion Date: March 9, 2020	Yes	6/30/2016	\$ 3,720,860	\$ 78,000,000	\$ 77,993,649	\$ 77,993,649 - #70228 2016 General Revenue Bonds
2	Oakland Center Expansion Fund Number: 70232 Status: 99% completed; punch list items only Board of Trustees Approved: February 22, 2016 Projected Completion Date: May 2020	Yes	6/30/2016	\$ 3,281,000	\$ 47,326,974	\$ 46,826,614	\$ 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
3	SFH Renovation and Expansion Fund Number: 70009 Status: Design Phase - In Progress Board of Trustees Approved: April 8, 2019 Projected Completion Date: Spring 2022	Yes	6/30/2019	\$ 40,000,000	\$ 40,000,000	\$ 995,080	\$30,000,000 - State of MI Capital Outlay Appropriation \$10,000,000 - #70046 2019 General Revenue Bonds
4	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	\$ 329,001	\$ 5,760,000 - #70228 2016 General Revenue Bonds \$ 14,775,000 - #70046 2019 General Revenue Bonds
5	DH-2019 Renovation Fund Number: 70050 Status: Design 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	\$ 159,457	\$ 3,000,000 - #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 - # 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: March 2020	Yes	6/30/2019	\$ 55,000	\$ 1,816,035	\$ 1,619,562	\$ 1,816,035 - #45489 Residence Halls
8	CHP-HTHW Replace to Hill House Fund Number: 70053 Status: \$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	\$ -	\$ 1,168,840 - #70046 2019 General Revenue Bonds
9	Residence Hall Re-Keying Fund Number: 70296 Status: Completed, closeout in process Projected Completion Date: March 2020	No		\$ 950,000	\$ 950,000	\$ 297,372	\$ 950,000 - #45489 Residence Halls

Oakland University
CONSTRUCTION REPORT
 March 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: April 2020	No	\$ 200,000	\$ 865,000	\$ 630,191	\$ 865,000	\$ 865,000 - #24810 Plant Renewal Supplement
11	RAC Energy Saving Fund Number: 70250 Status: 88% Completed, additional work added Projected Completion Date: May 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: March 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: 60% Completed Projected Completion Date: June 2020	No	\$ 680,000	\$ 680,000	\$ 320,564	\$ 680,000	\$ 680,000 - #45489 Residence Hall Rooms
14	RAC-O'Rena West Bleachers Fund Number: 70055 Status: In Progress Projected Completion Date: August 2020	No	\$ 550,000	\$ 550,000	\$ -	\$ 550,000	\$ 550,000 - #24350 Capital Projects Supplement Fund
15	Katke Cousins Hole #17 Stormwater Enhancement Fund Number: 70015 Status: 95% Completed; additional work required in Spring 2020 Projected Completion Date: May 2020	No	\$ 500,000	\$ 500,000	\$ 411,583	\$ 500,000	\$ 500,000 - #42465 Katke Cousins Golf Course
TOTAL PROJECTS IN PROGRESS			\$ 56,974,215	\$ 198,901,890	\$ 131,877,256	\$ 198,895,539	

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.