

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration, Budget and Financial Planning, Treasury Management, and Facilities Management

2. **General Fund Budget Performance:** Oakland University's (University) final FY2016 combined enrollment for the Summer, Fall and Winter semesters was up approximately 1% over budget, setting another enrollment record. Monthly State appropriation payments, \$4,396,736, are being received according to the State of Michigan's Public Act 85 of 2015. General Fund expenditures were consistent with budget and historical spending patterns, with no major spending variances in any division or unit. Pending the completion of the annual financial statement audit, the FY2016 General Fund budget is expected to end the year in a balanced position. The FY2017 General Fund budget was approved by the Board of Trustees (Board) at their June 2016 Formal Session and has been implemented.

Attachment A reflects the final status report of the FY2016 General Fund budget increases relative to the University's three strategic goals and information technology upgrades.

A monthly budget monitoring process managed by the Office of Budget and Financial Planning 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, June 30, 2016 and 2015* (Attachment B).

Investment performance associated with the working capital pool for the quarter ended June 30, 2016 was positive, with both equities and fixed income categories outperforming their respective benchmarks for the period. Performance for the month of June was also positive, with equities outperforming the benchmark and fixed income performing consistent with its benchmark.

The University's endowment portfolio performance for the quarter ended June 30, 2016 was up overall compared to benchmarks. Individual asset class performance was mixed, with equities and hedge funds exceeding benchmarks, while fixed income and real assets were down compared to benchmarks.

The University's investment managers continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time. At the Board's October 24, 2016 meeting, representatives from the Commonfund and UBS will be present to provide their annual investment update to the Board.

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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 and approvals.

4. **Debt Management:** The *Capital Debt Report, June 30, 2016* (Attachment C) shows the University's outstanding principal, 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 3.656%, is being managed according to the Board's policies and approvals.

On June 2, the University completed the pricing for its Series 2016, 30-year fixed rate debt issuance (rated A-1 Stable by Moody's) for the new student housing project, Oakland Center Expansion, and Anibal Hall and Fitzgerald Hall renovations. Proceeds of the sale totaled roughly \$134 million, which included \$21 million of bond premium proceeds. The par amount of the issue was \$113 million. The true interest cost is 3.656%, which matches the University's current overall cost of capital for all existing debt obligations.

5. **Construction Report:** The *Construction Report, June 30, 2016* (Attachment D) 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 Office of Budget and Financial Planning, Treasury Management, and Facilities Management, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.

7. **Attachments:**

- A. FY2016 General Fund Budget Increases Supporting Strategic Plan Goals – June 30, 2016 – Final Report
- B. Cash and Investments Report, June 30, 2016 and 2015
- C. Capital Debt Report, June 30, 2016
- D. Construction Report, June 30, 2016


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Submitted to the President
on 8/2, 2016 by



John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 8/3, 2016
to the Board of Trustees for Approval



George W. Hynd
President

Oakland University
FY2016 General Fund Budget Increases
Supporting Strategic Plan Goals
June 30, 2016 - Final Report

Strategic Goal #1

Foster student success through a robust teaching and learning environment and comprehensive student services.

Financial Aid	\$4,160,237	Complete - strategy implemented and funds have been disbursed.
Faculty - CAS (3) SHS (1)	365,968	Complete - Faculty in Criminal Justice, Psychology, Graphic Design, Public Health hired.
Faculty - SECS (2)	256,680	Complete - Faculty in Electrical and Computer Engineering and Mechanical Engineering hired.
Faculty - SBA (2)	356,500	Complete - Two visiting faculty in Supply Chain Management and Business Analytics for Fall 2016.
Faculty - SON (2)	213,900	Complete - one SON faculty and one visiting faculty hired.
Faculty - SHS (1)	99,820	Complete - Faculty in Health Sciences hired.
Academic Advisors (4)	326,480	Complete - Advisors hired.
Retention and General Education	525,260	Complete - Assistant Registrar and UTS Systems Engineer hired, part-time Grant Administrator increased to full-time, Elsevier Science Direct library collection electronic journals funded. Advisor and administrative support in CAS hired. Financial Aid staffing support.
Handicapped Accommodations	125,000	Complete - funds allocated to Student Support Services.
Graham Health Center Psychologists (2)	176,160	Complete - Psychologists hired.
Oakland University Trustee Academic Success (OUTAS) Program	71,947	Complete - Retention Coordinator hired.
	<u>\$6,677,952</u>	

Strategic Goal #2

Be recognized as a strong research and scholarly environment focused on creative endeavors and on the discovery, dissemination and utilization of knowledge.

Library Collections	\$79,824	Complete - funds allocated.
Specialized Labs and Teaching Spaces	197,660	Complete - SHS Instructional equipment, SON simulation lab equipment, SECS teaching assistants.
Research Support and Equipment	300,000	Complete - SECS 3D printer maintenance, support of SECS student tutors, SBA computer lab, SBA ACHIEVE support.
	<u>\$577,484</u>	

Strategic Goal #3

Become a leader in serving the needs and aspirations of our communities and region through expanded community relationships, institutional reputation and visibility, and engagement.

Enhanced Career Services and Internships	\$350,000	Complete - Director, Employer Relations SECS; Career Consultant SBA; Director, Employer Relations SBA; & Career Consultant SECS positions hired. SON Clinical Placement Coordinator candidate selected.
	<u>\$350,000</u>	
One-Time Deferred IT Upgrades	\$5,360,000	Completed Technical hardware install and initial training, student access launch planned for 2Q17 for DegreeWorks; installation of Intelligent Learning servers complete, working on network configuration - target launch Feb. 2017; Completed Production launch of Campus Reporting (Argos), reports actively being developed and moved to production; E-Builder training and soft-launch complete; quiet launch of Virtual Computing Lab to faculty & students in October, working on proposals to add academic survey tools; Internet 2 complete; purchase in process for PSAP 911 Upgrade; for other initiatives - RFP's developed, software alternatives being reviewed, negotiating with vendors, and planning best strategic solutions.
	<u>\$5,360,000</u>	

Oakland University
Cash and Investments Report
June 30, 2016 and 2015

	Fair Market Value June 30, 2015	Fair Market Value June 30, 2016	Strategic Allocation 6/30/2016	Total Return Month Ending June 30, 2016	Benchmark Month Ending June 30, 2016	Total Return Qtr. Ending June 30, 2016	Benchmark Qtr. Ending June 30, 2016
Working Capital ⁽¹⁾							
Equity Funds	\$ 43,394,254	\$ 49,684,424	25.97%	1.65%	0.26%	3.35%	2.46%
Fixed Income Funds	84,652,259	97,527,355	50.97%	0.80%	0.82%	1.29%	0.94%
Cash and Cash Equivalents	30,295,121	44,121,562	23.06%	0.00%	0.00%	0.00%	0.00%
Working Capital Pool Total	<u>\$ 158,341,634</u>	<u>\$ 191,333,341</u>	<u>100.00%</u>	<u>0.84%</u>	<u>0.49%</u>	<u>1.57%</u>	<u>1.15%</u>
Endowment ⁽²⁾							
Equity Funds	\$ 56,063,976	\$ 54,749,722	66.62%			2.59%	2.02%
Fixed Income Funds	15,329,928	14,475,551	17.61%			1.57%	2.88%
Hedge Funds	7,491,043	7,852,946	9.55%			2.83%	0.59%
Real Assets	4,600,325	3,738,534	4.55%			5.14%	9.05%
Private Equity ⁽³⁾	736,928	1,370,416	1.67%			-4.07%	-4.07%
Cash	0	0	0.00%			0.05%	0.05%
Endowment Pool Total	<u>\$ 84,222,199</u>	<u>\$ 82,187,168</u>	<u>100.00%</u>			<u>2.40%</u>	<u>2.25%</u>

Comments:

The working capital pool is higher than the previous year due to a \$5.5 million receipt from Chartwells, investment income of \$6.5 million, timing of \$6.8 million for PPAP payments and increases in tuition and enrollment.

The endowment pool is lower than the prior year due to declines in market values due to the volatile investment market.

⁽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 a new private equity investment is in process and returns are in the initial phase of the "J" curve.

Benchmarks for Investments are:

For Equities: S&P Small cap 600 Index, S&P 500 (Relative Weighted)

For Fixed Income: Barclays Capital Aggregate Bond Index, Merrill Lynch 1-3 Treasury Index, Barclays Capital 1-3 year US Gov./Credit Bond Index (Relative Weighted)

For Overnight Sweep - Money Market Fund: Lipper Institutional Money Market Fund 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.

Oakland University
Capital Debt Report- Preliminary
June 30, 2016

	Principal Remaining	Rate of Interest	Interest Type	FY 17 Debt Service	Expires	Bond Rating	Purpose	Underwriter
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.420%	Variable	\$ 6,624	2023	Aa3	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	46,355,000	3.373%	Variable/Hedged	3,069,066	2031	Aa3	Refunded 2001 Bonds - Nicholson, Pawley, OC Expansion, Elec. Upgrade	Lehman
General Revenue Bonds, Series 2012	42,505,000 ⁽¹⁾	4.075%	Fixed	2,953,600	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	56,825,000 ⁽²⁾	4.028%	Fixed	3,892,000	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	19,455,000	2.995%	Fixed	2,304,673	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	26,565,000 ⁽³⁾	3.562%	Fixed	1,969,900	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
General Revenue Refunding Bonds, Series 2016	113,130,000 ⁽⁴⁾	3.656%	Fixed	-	2047	A1	Housing, Oakland Center, Fitzgerald/Anibal House	Citigroup, PNC Fifth Third, Stifel
Other Capital Debt:								
2005 ESA II Loan	12,130,993	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	194,228	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	25,584	1.980%	Fixed	25,754	2017		Golf Equipment	
2014 Central Heating Co-Gen	14,225,000 ⁽⁵⁾	3.880%	Fixed	847,550	2031		Combined Heat and Power Co-Generation System	
2015 High Volume Digital Printer	57,288	4.940%	Fixed	23,665	2019		Replace Central Printing Services B/W Printer	
	<u>\$ 336,068,093</u>	<u>3.656%</u> ⁽⁶⁾		<u>\$ 18,483,754</u>				

⁽¹⁾ The 2012 Bonds were issued with an original issue premium of \$4,970,795, resulting in total bond proceeds of \$49,125,795.

⁽²⁾ The 2013A Bonds were issued with an original issue premium of \$7,141,047, resulting in total bond proceeds of \$65,001,047.

⁽³⁾ The 2014 Bonds were issued with an original issue premium of \$4,383,960, resulting in total bond proceeds of \$32,443,960.

⁽⁴⁾ The 2016 Bonds were issued with an original issue premium of \$20,773,191, resulting in total bond proceeds of \$133,903,191.

⁽⁵⁾ The 2014 Certificates of Participation were issued with an original issue premium of \$1,729,013 resulting in total proceeds of \$15,954,013.

⁽⁶⁾ 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 annual debt service on senior debt and one times annual debt service on subordinate debt each fiscal year. At June 30, 2016, the University recorded \$285,719,759 in qualified General Revenues, while the calculated debt service covenant requirement amounted to \$31,975,680. The University exceeds its debt covenant requirements by a multiple of 8.9.

	Counterparty	Current Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 31,035,000	\$ 1,172,409	Aa3	Yield curve swap paying around \$20K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	46,355,000	(10,659,754)	Baa3	Current low variable rates = High termination costs.

The CMS is performing as expected because the yield curve is relatively normal at this time. Cumulative earnings on the swap total \$4 million. Current extremely low variable interest rates (0.42% annualized) drive up present values to terminate.

The Termination Present Value is dynamic, changing daily depending on interest rates and eventually becoming zero at the end of the swap agreement.

This Interest Rate Swap fixes the interest rate paid on the bond issue at 3.373% for the life of the bond issue (and the swap agreement).

Oakland University's underlying credit rating, according to Moody's Investors Service's Global Rating Scale, is A1 - Stable.

Bond Ratings:

The rating on the variable rate bonds reflects the current rating of the letter of credit provider.

The rating on the fixed rate bonds reflects the University's underlying credit rating at the time the bonds were issued.

Oakland University
CONSTRUCTION REPORT
 June 30, 2016

Item	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 Fund Number: 70224 Status: Design Phase Board of Trustees Approved: February 22, 2016 Projected Completion Date: September 2018	Yes	6/30/2016 \$ 3,720,860	\$ 78,000,000	\$ 1,665,049	\$ 78,000,000	\$78,000,000 - 2016 General Revenue Bonds
2 Engineering Center Fund Number 70494 Status: Completed, waiting on final invoices Board of Trustees Approved: October 31, 2011 Projected Completion Date: New building August 2014 Dodge Hall renovation February 2015	Yes	11/4/2011 \$ 74,551,700	\$ 74,551,700	\$ 74,281,500	\$ 74,551,700	\$44,551,700 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
3 Central Heating Plant Project - CoGen Fund Number 70395 Status: Construction 95% Board of Trustees Approved: October 7, 2013 Projected Completion Date: May 2016	Yes	12/1/2013 \$ 14,401,198	\$ 14,401,198	\$ 12,342,382	\$ 14,401,198	\$14,401,198 - 2014 Certificates of Participation
4 East Vandenberg Hall Renovation Fund Number: 70361 Status: Construction to start May 2016 Board of Trustees Approved: October 7, 2013 & December 2, 2015 Projected Completion Date: September 2016	Yes	6/30/2016 \$ 515,620	\$ 11,875,343	\$ 5,918,889	\$ 11,875,343	\$ 644,920 - #45489 Residence Halls (A&E) \$ 11,230,423 - #45489 Residence Halls (CM) * See Note 5
5 Upper Field Expansion Fund Number 70469 Status: Completed, waiting on final invoices due to warranty work Board of Trustees Approved: February 12, 2013 Projected Completion Date: April 2015	Yes	6/30/2013 \$ 7,850,000	\$ 7,850,000	\$ 7,829,041	\$ 7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
6 Oakland Center Expansion Fund Number: 70232 Status: Design Phase Board of Trustees Approved: February 22, 2016 Projected Completion Date: January 2019	Yes	6/30/2016 \$ 3,281,000	\$ 3,281,000	\$ 541,039	\$ 3,281,000	\$ 3,281,000 - 2016 General Revenue Bonds
7 Elliott Hall Expansion Fund Number: 70233 Status: Design Phase Board of Trustee Approved: Design only February 22, 2016 Projected Completion Date: TBD	Yes	6/30/2016 \$ 1,968,500	\$ 1,968,500	\$ 163,825	\$ 1,968,500	\$ 1,968,500 - # TBD
8 Dodge Datacenter Generator Fund Number: 70248 Status: Engineering Phase Board of Trustees Approved: June 6, 2016 Projected Completion Date: TBD	Yes	6/30/2016 \$ 1,300,000	\$ 1,300,000	\$ 28,720	\$ 1,300,000	\$ 1,300,000 - #14362 IT Server, Storage, Backup, Replication Disaster Recovery Modernization

Oakland University
CONSTRUCTION REPORT
 June 30, 2016

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
Item Projects in Progress - over \$500,000						
9	Furniture Replacement for Hill & Van Wagner Fund Number: 70378 Status: Completed, waiting on final invoices Projected Completion Date: November 2015	\$ 856,915	\$ 856,915	\$ 818,427	\$ 856,915	\$ 856,915 - #45489 Residence Halls
11	Replace Blue Light Phones on Campus Fund Number 70325 Status: Construction 40% Project Completion Date: June 2016	\$ 281,292	\$ 855,637	\$ 290,487	\$ 855,637	\$ 855,637 - #24350 Capital Project Supplement
12	Athletic-Lepley Pool Renovation Fund Number: 70241 Status: Design Phase Board of Trustees Approved: TBD Projected Completion Date: TBD	\$ 698,424	\$ 698,424	\$ 63,055	\$ 698,424	\$ 698,424 - #24350 Capital Projects Supplement
13	Walton Adams Marquee Sign Fund Number: 70373 Status: Completed, working on punch list and waiting on final invoices Projected Completion Date: May 2016	\$ 573,223	\$ 573,223	\$ 505,446	\$ 573,223	\$ 573,223 - #43841 MBMF Administrative
TOTAL PROJECTS IN PROGRESS		\$106,277,872	\$118,211,940	\$ 102,782,811	\$ 118,211,940	

Notes:

1. Revised Project Budget equals the Original Budget plus all approved changes to the budget.
2. 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.
3. The project status will be reported as CLOSED when the Actual Expenditures to Date equals the Forecast of Final Costs, TMA work order system ties to Banner, and no additional expenditures or work is anticipated on the project.
4. A project whose status has been reported as CLOSED to the Board will be removed from the report for the next Board meeting.
5. Original budget was \$515,620, increased to \$644,920, for architectural and engineering services, within the scope and authorization of the President.
Phase 1 construction manager budget is \$11,230,423 per 12/2/15 Board approval.