

Treasurer's Report  
Oakland University  
Board of Trustees Formal Session  
June 28, 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) FY2024 revenue is projected to be favorable to budget by approximately \$5 million. State appropriations, financial aid, and indirect cost recovery line items are forecast to be favorable to their respective budgets by roughly \$7.5 million. Summer I tuition revenue is anticipated to be unfavorable to budget by around \$2.5 million, primarily a result of the deferral of a larger portion of Summer I revenue into Summer II term, not projected in the 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, April 30, 2024 and April 30, 2023* (Attachment A).

Investment performance associated with the working capital pool for the month of April, 2024 was negative but higher than the overall benchmark by 8 basis points. The negative performance was driven by a selloff in equities, with the S&P index dropping by 4% for the month. Performance for the quarter ended March 31, 2024 was positive with outperformance over the benchmark by 31 basis points. The strong quarterly performance was attributable to healthy gains in the equity markets.

The University's endowment pool performance for the quarter ended March 31, 2024 was positive and very strong, with quarterly performance beyond the related benchmark by 16 basis points. The April 30, 2024 endowment balance of \$146.2 million was \$13.5 million higher than the April 30, 2023 balance.

Data from the NACUBO/Commonfund FY2023 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance for similar sized university endowments for all time periods (one-, five-, ten-, fifteen-, twenty-, and twenty-five-years).

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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, April 30, 2024* (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.

On May 8, 2024, the University closed its Series 2024A Refunding Bonds transaction, which will pay off the Series 2014 bonds on August 5, 2024. The refunding transaction resulted in an economic savings to the University of approximately \$172,000 per year. This compares favorably to \$120,000 per year savings estimate provided to the Board of Trustees at the December, 2023 meeting. Exhibit 1 details the updated University debt refunding savings history.

5. **Construction Report:** The *Construction Report, May 31, 2024* (Attachment C) includes budget information, source of funding, forecasted final costs, and comments for all ongoing capital projects over \$1,000,000, as required by Board policy. All projects have been properly approved and are within budget.

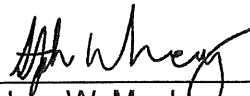
6. **University Reviews/Approvals:** The Treasurer's Report and attachments were prepared by the Budget and Financial Planning, Treasury Management, Controller, and Facilities Management Departments, and reviewed by the Vice President for Finance and Administration and Treasurer to the Board of Trustees, 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 / Exhibits:**  
A. Cash and Investments Report, April 30, 2024 and April 30, 2023  
B. Capital Debt Report, April 30, 2024  
    Exhibit 1 - Debt Refunding Savings History  
C. Construction Report, May 31, 2024

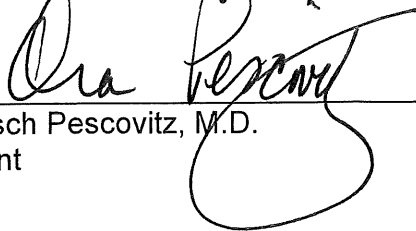
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Submitted to the President  
on 6/18, 2024 by



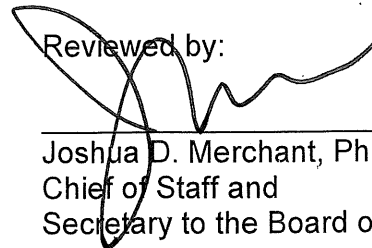
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Stephen W. Mackey  
Vice President for Finance and Administration  
and Treasurer to the Board of Trustees

Recommended on 6/18, 2024  
to the Board of Trustees for Approval



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Ora Hirsch Pescovitz, M.D.  
President

Reviewed by:



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

**Oakland University**  
**Cash and Investments Report**  
**April 30, 2024 and 2023**

Attachment A

|                                       | Fair Market Value<br>April 30, 2023 | Fair Market Value<br>April 30, 2024 | Strategic<br>Allocation<br>4/30/2024 | Total Return<br>Month Ending<br>April 30, 2024 | Benchmark<br>Month Ending<br>April 30, 2024 | Total Return<br>Qtr. Ending<br>March 31, 2024 | Benchmark<br>Qtr. Ending<br>March 31, 2024 |
|---------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|--|---|---|--|
| <b>Working Capital <sup>(1)</sup></b> |                                     |                                     |                                      |  |   |   |  |
| Equity Funds                          | \$ 62,473,636                       | \$ 74,088,029                       | 24.64%                               | -4.00%   | -4.08%                                      | 10.67%  | 10.56%                                     |
| Fixed Income Funds                    | 134,844,695                         | 178,298,500                         | 59.30%                               | -0.93%   | -1.02%                                      | 0.43%   | -0.05%                                     |
| Cash and Cash Equivalents             | 85,482,229                          | 48,276,411                          | 16.06%                               | 0.28%  | 0.29%                                       | 0.80%   | 0.80%                                      |
| Working Capital Pool Total            | <u>\$ 282,800,560</u>               | <u>\$ 300,662,940</u>               | <u>100.00%</u>                       | <u>-1.49%</u>                                  | <u>-1.57%</u>                               | <u>3.09%</u>                                  | <u>2.78%</u>                               |
| <br>                                  |                                     |                                     |                                      |  |   |   |  |
| <b>Endowment <sup>(2)</sup></b>       |                                     |                                     |                                      |  |   |   |  |
| Equity Funds                          | 97,431,575                          | 111,047,598                         | 75.93%                               |  |   | 8.68%   | 8.73%                                      |
| Fixed Income Funds                    | 21,189,654                          | 21,233,596                          | 14.52%                               |  |   | -0.19%  | -0.48%                                     |
| Hedge Funds                           | 3,047,261                           | 4,003,307                           | 2.74%                                |  |   | 17.04%  | 3.40%                                      |
| Real Assets                           | 17,378                              | 22,297                              | 0.02%                                |  |   | 0.00%   | 0.00%                                      |
| Private Equity <sup>(3)</sup>         | 10,509,336                          | 9,784,344                           | 6.69%                                |  |   | 0.00%   | 0.00%                                      |
| Cash                                  | 474,601                             | 152,642                             | 0.10%                                |  |   | 0.98%   | 1.32%                                      |
| Endowment Pool Total                  | <u>\$ 132,669,805</u>               | <u>\$ 146,243,784</u>               | <u>100.00%</u>                       |  |   | <u>6.86%</u>                                  | <u>6.70%</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.

<sup>(1)</sup> The Commonfund serves as the advisor for the University's Working Capital pool.

<sup>(2)</sup> UBS serves as the advisor for the University's Endowment pool.

<sup>(3)</sup> 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 Gib 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  
April 30, 2024**

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> |
|---|---------------------------|------------------------------|----------------------|--------------------------------|----------------|--------------------|---|--------------------|
| <b>Outstanding Bonds:</b>                 |                           |                              |                      |                                |                |                    |   |                    |
| 1998 Variable Rate Demand Bonds           | \$ -                      |                              | Variable             | \$ 3,735,835                   | 2023           | Aa2                | Sharf Golf Course   | Comerica           |
| 2008 General Revenue Refunding Bonds      | 31,870,000 <sup>(1)</sup> | 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      | 20,430,000 <sup>(2)</sup> | 3.562%                       | Fixed                | 1,966,500                      | 2039           | A1                 | HHB, Infrastructure Projects (Ref. 2009 BAB)                | JPM Chase          |
| 2016 General Revenue Bonds                | 100,790,000               | 3.656%                       | Fixed                | 7,470,250                      | 2047           | A1                 | Hillcrest, Oakland Center, Other Capital Projects           | Citigroup, PNC,    |
| 2019 General Revenue Bonds                | 75,175,000                | 3.307%                       | Fixed                | 5,207,750                      | 2050           | A1                 | South Foundation, Varner, Dodge, Wilson, Research           | BOAML, PNC         |
| 2022A General Revenue Refunding Bonds     | 30,950,000                | 3.469%                       | Fixed                | 2,009,500                      | 2042           | A1                 | Engineering Center (Ref. 2012)                              | BOA Securities     |
| 2022B General Revenue Refunding Bonds     | 43,670,000                | 3.956%                       | Fixed                | 3,364,750                      | 2042           | A1                 | Oakview, Parking Deck II, Upper Play Fields (Ref. 2013A)    | BOA Securities     |
| <b>Subtotal Outstanding Bonds</b>         | <u>\$ 309,320,000</u>     |                              |                      | <u>\$ 29,183,211</u>           |                |                    |   |                    |
| <b>Other Capital Debt:</b>                |                           |                              |                      |                                |                |                    |   |                    |
| 2005 ESA II Loan                          | \$ 4,453,342              | 3.785%                       | Fixed                | \$ 1,302,687                   | 2027           |                    | Energy Services Agreement II                                |                    |
| 2014 Central Heating Co-Gen               | 10,061,667                | 3.880%                       | Fixed                | 1,294,750                      | 2031           | A1                 | Combined Heat and Power Co-Generation System                |                    |
| <b>Subtotal Other Capital Debt</b>        | <u>\$ 14,515,008</u>      |                              |                      | <u>\$ 2,597,437</u>            |                |                    |   |                    |
| <b>Total Bonds and Other Capital Debt</b> | <u>\$ 323,835,008</u>     | <u>3.559%</u> <sup>(3)</sup> |                      | <u>\$ 31,780,648</u>           |                |                    |   |                    |
| <b>Total Unamortized Bond Premiums</b>    | \$ 39,808,507             |                              |                      |                                |                |                    |   |                    |

<sup>(1)</sup> 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.

<sup>(2)</sup> The Series 2014 bonds will be called for redemption on August 5, 2024, refunded with proceeds from the Series 2024A bonds.

<sup>(3)</sup> 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>                       |
|---|---------------------|--------------------------------|----------------------------------|----------------|----------------------------|--|
| <b>Debt-Based Derivative:</b>                     |                     |                                |                                  |                |                            |  |
| Interest Rate Swap - Synthetically Fix 2008 Bonds | Dexia Credit Local  | 31,870,000                     | \$ (346,927)                     | 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.

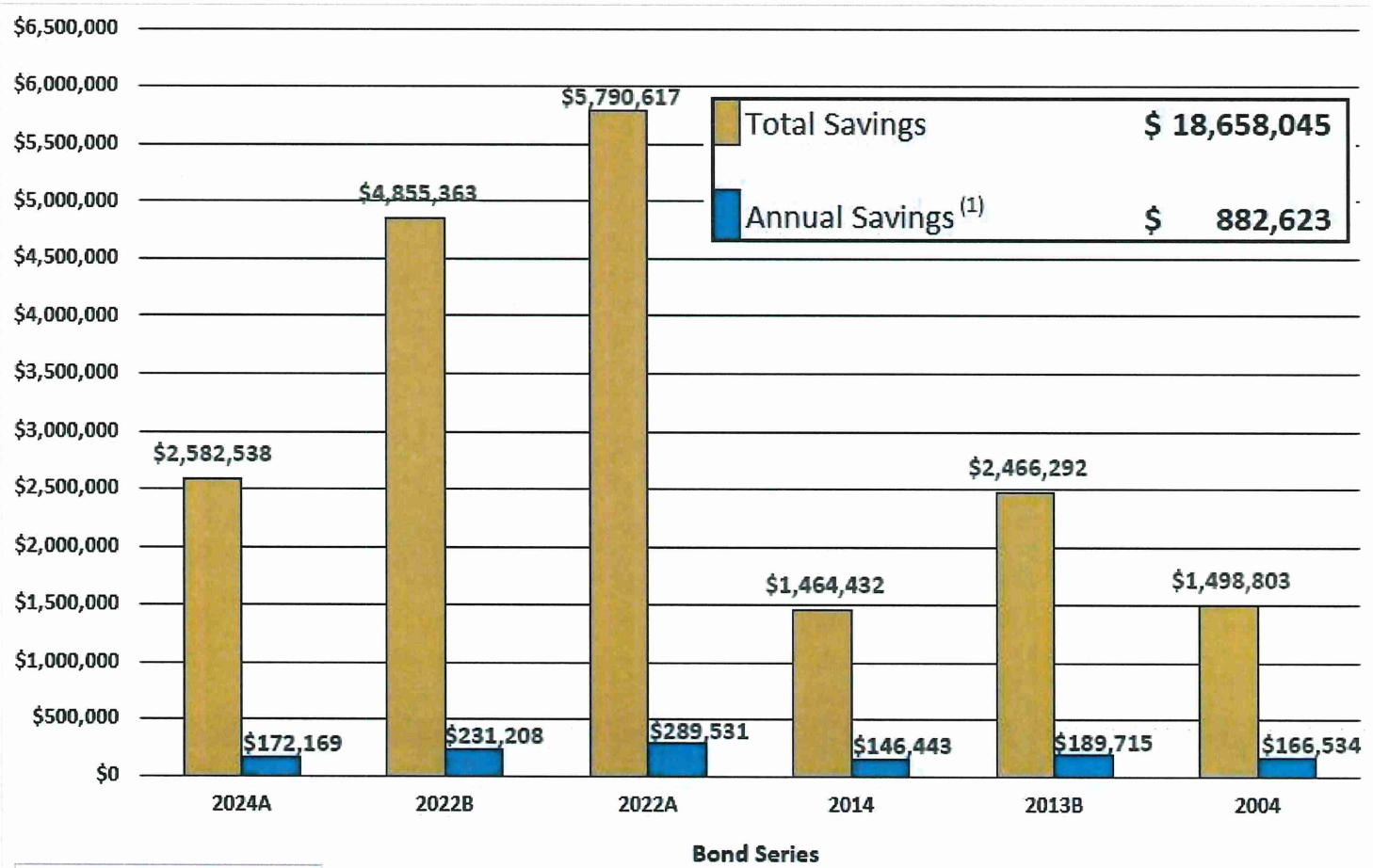
**Bond Ratings:**

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.

# UNIVERSITY DEBT REFUNDING SAVINGS HISTORY



(1) Annual Savings excludes Series 2004 and Series 2014 Annual Savings because Series 2004 and Series 2014 were subsequently refunded by Series 2013B and 2022A respectively

■ Total Savings ■ Avg. Annual Savings

**Oakland University**  
**CONSTRUCTION REPORT**  
 May 31, 2024

| Item | Projects in Progress - over \$500,000  | JCOS<br>Approval/Notification<br>Required | Original<br>Budget | Revised<br>Project<br>Budget | Actual<br>Expenditures<br>to Date | Forecast of<br>Final Cost | Source of Funding |  |
|------|--|---|--------------------|------------------------------|-----------------------------------|---------------------------|-------------------|--|
| 1    | <b>VAR-2019 Renovation</b><br>Fund Number: 70023<br>Status: Complete; Closeout in progress<br>Board of Trustees Approved: December 7, 2020<br>Projected Completion Date: April 2024                                      | Yes                                       | 12/31/2020         | \$ 14,800                    | \$ 45,000,000                     | \$ 43,563,276             | \$ 45,000,000     | \$ 45,000,000 - #70046 2019 General Revenue Bonds  |
| 2    | <b>SFH Renovation and Expansion</b><br>Fund Number: 70009<br>Status: Construction in progress<br>Board of Trustees Approved: April 8, 2019, February 7, 2022<br>Projected Completion Date: December 2024                 | Yes                                       | 6/30/2019          | \$ 40,000,000                | \$ 44,200,000                     | \$ 38,484,995             | \$ 44,200,000     | \$ 30,000,000 - State of MI Capital Outlay Appropriation<br>\$ 10,000,000 - #70046 2019 General Revenue Bonds<br>\$ 4,200,000 - #24350 Capital Projects Supplement   |
| 3    | <b>Oakland West Campus (OWC)</b><br>Fund Number: 71025<br>Status: Construction in progress<br>Board of Trustees Approved: April 14, 2022<br>Projected Completion Date: December 2024                                     | Yes                                       | 6/30/2022          | \$ 25,000,000                | \$ 25,000,000                     | \$ 16,704,460             | \$ 25,000,000     | \$ 11,000,000 - #24355 Pandemic Reserve Fund<br>\$ 10,178,600 - #24350 Capital Projects Supplement Fund<br>\$ 3,800,000 - #31524 Corewell Nursing Infrastructure Fund<br>\$ 21,400 - #30382 OU Cares Gift Fund |
| 4    | <b>WH Renovation &amp; Expansion (Project S.U.C.C.E.S.S.)</b><br>Fund Number: 70285<br>Status: Complete; Closeout in progress<br>Board of Trustees Approved: February 7, 2019<br>Projected Completion Date: October 2023 | Yes                                       | 6/30/2019          | \$ 833,710                   | \$ 20,535,000                     | \$ 20,435,339             | \$ 20,535,000     | \$ 5,760,000 - #70228 2016 General Revenue Bonds<br>\$ 14,775,000 - #70046 2019 General Revenue Bonds  |
| 5    | <b>OU Research Facility</b><br>Fund Number: 70058<br>Status: Complete; Closeout in progress<br>Board of Trustees Approved: June 21, 2021<br>Projected Completion Date: November 2023                                     | Yes                                       | 12/31/2020         | \$ 75,000                    | \$ 20,315,800                     | \$ 19,477,344             | \$ 20,315,800     | \$ 11,790,800 - #24350 Capital Projects Supplement - Renovation<br>\$ 4,809,200 - #70046 2019 General Revenue Bonds - Renovation<br>\$ 3,715,800 - #70046 2019 General Revenue Bonds - Purchase                |
| 6    | <b>ODH - OUWBSOM Renovation</b><br>Fund Number: 71017<br>Status: Construction in progress<br>Board of Trustees Approved: June 13, 2022<br>Projected Completion Date: December 2024                                       | Yes                                       | 6/30/2022          | \$ 9,700,000                 | \$ 9,700,000                      | \$ 5,798,466              | \$ 9,700,000      | \$ 9,700,000 - #22484 OUWBSM Dean's Discretionary Fund   |
| 7    | <b>MBH Visitor Center/Event Venues</b><br>Fund Number: 70078<br>Status: Construction in progress<br>Board of Trustees Approved: February 7, 2022<br>Projected Completion Date: June 2025                                 | Yes                                       | 6/30/2022          | \$ 50,000                    | \$ 5,500,000                      | \$ 875,831                | \$ 4,500,000      | \$ 2,500,000 - #24557 MBH Welc Ctr & Tent Venue Financing<br>\$ 2,000,000 - #70203 MBE Maintenance Reserve & MBH Donations   |
| 8    | <b>OWC - Athletics Training Facility</b><br>Fund Number: 71065<br>Status: Design Phase - In progress<br>Board of Trustees Approved: September 11, 2023<br>Projected Completion Date: December 2025                       | Yes                                       | 6/30/2024          | \$ 5,000,000                 | \$ 5,000,000                      | \$ 259,200                | \$ 5,000,000      | \$ 5,000,000 - #24354 Student Athlete Development Center Reserve   |

**Oakland University**  
**CONSTRUCTION REPORT**  
 May 31, 2024

Attachment C

| Item                              | Projects in Progress - over \$500,000  | JCOS<br>Approval/Notification<br>Required | Original<br>Budget | Revised<br>Project<br>Budget | Actual<br>Expenditures<br>to Date | Forecast of<br>Final Cost | Source of Funding |   |
|-----------------------------------|--|---|--------------------|------------------------------|-----------------------------------|---------------------------|-------------------|---|
| 9                                 | <b>Science Complex Renovation</b><br>Fund Number: 71077<br>Status: Design Phase - In progress<br>Board of Trustees Approved: September 11, 2023 Capital Outlay Request<br>Projected Completion Date: July 2027 | Yes                                       | 6/30/2024          | \$ 2,500,000                 | \$ 2,500,000                      | \$ -                      | \$ 2,500,000      | \$ 2,500,000 - #24350 Capital Projects Supplement |
| <b>TOTAL PROJECTS IN PROGRESS</b> |  |   |                    | \$ 83,173,510                | \$ 177,750,800                    | \$ 145,598,911            | \$ 176,750,800    |   |

**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.