

**Treasurer's Report
Oakland University
Board of Trustees Formal Session
October 18, 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) final FY2024 enrollment, measured by student credit hours, was 1.7% below prior year actual and on budget. Financial aid distributions were slightly below budget, and a review of General Fund expenditures for the year showed no major spending variances in any division or unit. Monthly State Appropriation payments of \$6,571,700 were received in accordance with the State of Michigan's Public Act 103 of 2023. The FY2024 General Fund Budget ended in a balanced position.

For FY2025, student credit hours for the combined Summer II and Fall terms are slightly favorable to budget. In accordance with the State of Michigan's Public Act 120 of 2024, the University will receive monthly State Appropriation payments of \$6,731,573, which will begin in October. General Fund expenditures are tracking consistent with budget and historical spending patterns for early in the fiscal year, with no major spending variance 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, August 31, 2024 and 2023* (Attachment A).

Investment performance associated with the working capital pool for the month of August, 2024 was positive and in line with monthly benchmark. Performance for the quarter ended June 30, 2024 was also positive with actual results exceeding the quarterly benchmark by 9 basis points.

The University's endowment pool performance for the quarter ended June 30, 2024 was positive but fell short of the overall benchmark by 74 basis points. The August 31, 2024 endowment balance of \$158.5 million was \$20.2 million higher than the August 31, 2023 balance.

Data from the NACUBO/Commonfund FY2023 annual endowment survey revealed that the University's endowment portfolio exceeded the average investment performance for

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similar sized university endowments for all time periods (one-, five-, ten-, fifteen-, twenty-, and twenty-five-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 continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

4. **Debt Management:** The *Capital Debt Report, September 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 3.57%, is being managed according to the Board's policies and approvals.

5. **Construction Report:** The *Construction Report, September 30, 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.

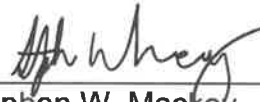
6. **University Reviews/Approvals:** The Treasurer's Report and attachments were prepared by the Budget and Financial Planning, Treasury Management, Controller, and Facilities Management Departments, and reviewed by the Senior Vice President for Finance and Administration and Treasurer to the Board, 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, August 31, 2024 and August 31, 2023
B. Capital Debt Report, September 30, 2024
C. Construction Report, September 30, 2024

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Submitted to the President
on 10/7/2024, 2024 by



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

Recommended on 10/16, 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
August 31, 2024 and 2023**

Attachment A

	Fair Market Value August 31, 2023	Fair Market Value August 31, 2024	Strategic Allocation 8/31/2024	Total Return Month Ending August 31, 2024	Benchmark Month Ending August 31, 2024	Total Return Qtr. Ending June 30, 2024	Benchmark Qtr. Ending June 30, 2024
Working Capital ⁽¹⁾							
Equity Funds	\$ 65,584,447	\$ 67,271,867	21.30%	2.46%	2.43%	4.07%	4.28%
Fixed Income Funds	159,350,764	155,848,133	49.34%	1.03%	1.07%	0.92%	0.67%
Cash and Cash Equivalents	68,470,260	92,737,499	29.36%	0.31%	0.34%	0.84%	0.86%
Working Capital Pool Total	<u>\$ 293,405,471</u>	<u>\$ 315,857,499</u>	<u>100.00%</u>	<u>1.12%</u>	<u>1.14%</u>	<u>1.67%</u>	<u>1.58%</u>
Endowment ⁽²⁾							
Equity Funds	103,360,637	111,709,894	70.50%			0.28%	1.29%
Fixed Income Funds	20,870,159	26,382,131	16.65%			0.36%	0.18%
Hedge Funds	3,349,682	3,980,793	2.51%			1.06%	1.65%
Real Assets	18,220	1,858	0.00%			-0.30%	-0.30%
Private Debt	-	2,016,653	1.27%			n/a	n/a
Private Equity ⁽³⁾	10,503,979	13,808,613	8.71%			n/a	n/a
Cash	187,409	564,280	0.36%			1.19%	1.34%
Endowment Pool Total	<u>\$ 138,290,086</u>	<u>\$ 158,464,221</u>	<u>100.00%</u>			<u>0.26%</u>	<u>1.00%</u>

Comments:

The working capital pool is 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.

n/a - not available.

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
September 30, 2024

Attachment B

	<u>Amount</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>Est. FY 25 Prin. + Int.</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Outstanding Bonds:								
2008 General Revenue Refunding Bonds	31,870,000 ⁽¹⁾	3.373%	Variable/Hedged	3,215,633	2031	Aa2	AVN, Pawley, OC Exp., Elec. Upgr., Park. Deck I (Ref. 2001)	Lehman
2013B General Revenue Refunding Bonds	4,360,000	2.995%	Fixed	2,301,162	2026	A1	Recreation and Athletics Center (Ref. 2004 / 1995)	5/3rd, BOAML
2016 General Revenue Bonds	100,790,000	3.656%	Fixed	7,474,500	2047	A1	Hillcrest, Oakland Center, Other Capital Projects	Citigroup, PNC,
2019 General Revenue Bonds	75,175,000	3.307%	Fixed	5,208,750	2050	A1	South Foundation, Varner, Dodge, Wilson, Research	BOAML, PNC
2022A General Revenue Refunding Bonds	30,950,000	3.469%	Fixed	2,002,500	2042	A1	Engineering Center (Ref. 2012)	BOA Securities
2022B General Revenue Refunding Bonds	43,670,000	3.956%	Fixed	3,368,500	2042	A1	Oakview, Parking Deck II, Upper Play Fields (Ref. 2013A)	BOA Securities
2024A General Revenue Refunding Bonds	18,810,000	3.670%	Fixed	1,795,463	2039	A1	HHB, Infrastructure Projects (Ref. 2014)	SWS
Subtotal Outstanding Bonds	\$ 305,625,000			\$ 25,366,508				
Other Capital Debt:								
2005 ESA II Loan	\$ 3,977,798	3.785%	Fixed	\$ 1,302,687	2027		Energy Services Agreement II	
2014 Central Heating Co-Gen	9,708,750	3.880%	Fixed	1,401,750	2031	A1	Combined Heat and Power Co-Generation System	
Subtotal Other Capital Debt	\$ 13,686,548			\$ 2,704,437				
Total Bonds and Other Capital Debt	\$ 319,311,548	3.569% ⁽²⁾		\$ 28,070,945				
Total Unamortized Bond Premiums	\$ 37,092,858							

⁽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	31,870,000	\$ 1,275,316	2031	Baa3	The termination value is based on current variable interest rates.

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
September 30, 2024

Item	Projects in Progress - over \$1,000,000	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	\$ 44,941,173	\$ 45,000,000	\$ 45,000,000 - #70046 2019 General Revenue Bonds
2	SFH Renovation and Expansion Fund Number: 70009 Status: Complete; Closeout 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	\$ 42,605,790	\$ 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 Center (OWC) Fund Number: 71025 Status: Construction in progress Board of Trustees Approved: April 14, 2022 Projected Completion Date: December 2025	Yes	6/30/2022	\$ 21,400	\$ 25,000,000	\$ 19,288,839	\$ 25,000,000	\$ 11,000,000 - #24355 Pandemic Reserve Fund \$ 10,178,600 - #24350 Capital Projects Supplement Fund \$ 3,800,000 - #31524 Corewell Nursing Infrastructure Fund \$ 21,400 - #30382 OU Cares Gift Fund
4	WH Renovation & Expansion (Project S.U.C.C.E.S.S.) Fund Number: 70285 Status: CLOSED Board of Trustees Approved: February 7, 2019 Projected Completion Date: October 2023	Yes	6/30/2019	\$ 833,710	\$ 20,535,000	\$ 20,465,507	\$ 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	\$ 19,572,643	\$ 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, April 12, 2024 Projected Completion Date: December 2025	Yes	6/30/2022	\$ 70,000	\$ 10,350,000	\$ 8,155,468	\$ 10,350,000	\$ 9,700,000 - #22484 OUWBSM Dean's Discretionary Fund \$ 650,000 - #14200 OUWBSM Office of the Dean
7	MBH Visitor Center/Event Venues Fund Number: 70078 Status: Construction in progress Board of Trustees Approved: February 7, 2022 Projected Completion Date: June 2025	Yes	6/30/2022	\$ 50,000	\$ 5,500,000	\$ 2,928,425	\$ 5,500,000	\$ 2,500,000 - #24557 MBH Welc Ctr & Tent Venue Financing \$ 3,000,000 - #70203 MBE Maintenance Reserve & MBH Donations
8	OWC - Athletics Training Facility Fund Number: 71065 Status: Construction Phase - In progress Board of Trustees Approved: September 11, 2023 Projected Completion Date: May 2025	Yes	6/30/2024	\$ 5,000,000	\$ 5,000,000	\$ 295,753	\$ 5,000,000	\$ 5,000,000 - #24354 Student Athlete Development Center Reserve

Oakland University
CONSTRUCTION REPORT
 September 30, 2024

Item	Projects in Progress - over \$1,000,000	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding	
9	Science Complex Renovation Fund Number: 71077 Status: Design Phase - In progress Board of Trustees Approved: September 11, 2023 Capital Outlay Request Projected Completion Date: July 2028	Yes	6/30/2024	\$ 2,500,000	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000 - #24350 Capital Projects Supplement
10	HHB-SON Sim Lab Expansion Fund Number: 70014 Status: Construction phase - in progress Board of Trustees Approved: February 2, 2024 Projected Completion Date: October 2024	Yes	12/31/2024	\$ 112,132	\$ 1,500,000	\$ 162,648	\$ 1,500,000	\$ 277,068 - #10998 SON Tuition Differential \$ 6,000 - #17447 ADV Major Gifts-SON \$ 119,399 - #12170 Office of the Dean School of Nursing \$ 312,232 - #38094 SON Student Laboratory Gift Fund \$ 250,834 - #30291 SON-Oberhauser Lab Gift \$ 534,467 - #31524 SON-CHNSP-Infrastructure Support
11	OWC - Program Support Improvements Fund Number: 71078 Status: Design phase - in progress Projected Completion Date: June 2025	Yes	12/31/2024	\$ 50,000	\$ 1,400,000	\$ 11,270	\$ 1,400,000	\$ 1,400,000 - #24350 Capital Projects Supplement
TOTAL PROJECTS IN PROGRESS				\$ 48,727,042	\$ 181,300,800	\$ 158,427,516	\$ 181,300,800	

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.