

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration, Budget and Financial Planning, Treasury Management, and Facilities Management
2. **General Fund Budget Performance:** Fall enrollment is tracking with the budgeted Fiscal Year Equated Students (FYES). As approved by the Board of Trustees (Board) within the FY2011 budget, one percent of net tuition revenues are being reserved to address a potential mid-year appropriation reduction and/or to help limit a FY2012 tuition increase. The State higher education budget was finalized and resulted in a funding decrease of 2.8%, as compared to the prior year. The University's budget reflects a 3.1% funding decrease, resulting in a State appropriation of \$177,000 higher than anticipated. Similar to the tuition reserve noted above, and as approved by the Board, the \$177,000 will be reserved to address a potential mid-year appropriation reduction and/or to help limit a FY2012 tuition increase. Overall General Fund expenditures are within budget with no deficits or 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 pooled cash and endowment investment activities is presented in the *Cash and Investments Report, October 31, 2010 and 2009* (Attachment A).

Portfolio investment returns from both pooled cash and the endowment exceeded the composite benchmarks for both the quarter ending September 30, 2010 and month ending October 31, 2010.

The liquidity of both pooled cash and endowment investments remains strong. The University's investments are being managed according to Board policies and approvals.

4. **Debt Management:** The *Capital Debt Report, October 31, 2010* (Attachment B) 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 a section with information about the University's two swap arrangements. The University's debt is being managed according to the Board's policies and approvals.

5. **Construction Projects Progress Report:** The *Construction Projects Progress Report, October 31, 2010* (Attachment C) includes budget information, source of funding, forecasted final costs and comments for all ongoing capital projects above \$500,000, as required by Board policy. All projects have been properly approved and are within budget.


**Treasurer's Report
Oakland University
Board of Trustees
Finance, Audit and Investment Committee
December 2, 2010
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6. **University Reviews/Approvals:** The reports were prepared by the Budget and Financial Planning, Treasury Management, and Facilities Management Departments, and reviewed by the Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.

7. **Attachments:**


- A. Cash and Investments Report, October 31, 2010 and 2009
- B. Capital Debt Report, October 31, 2010
- C. Construction Projects Progress Report, October 31, 2010

**Submitted to Vice President for Finance and Administration
and Treasurer John W. Beaghan:**



(Please Initial)

Reviewed by Secretary Victor A. Zambardi:



(Please Initial)

Reviewed by President Gary D. Russi:



(Please Initial)

**Oakland University
Cash and Investments Report
October 31, 2010 and 2009**

	Fair Market Value October 31, 2009	Fair Market Value October 31, 2010	Total Return Month Ending October 31, 2010	Benchmark Month Ending October 31, 2010	Total Return Qtr. Ending September 30, 2010	Benchmark Qtr. Ending September 30, 2010
<u>Pooled Cash</u>						
JP Morgan Equity Funds	\$ 14,860,241	\$ 21,952,459	3.69%	3.36%	12.20%	11.59%
Commonfund High Quality Bonds	68,240,443	50,019,509	0.49%	0.36%	3.16%	2.48%
JP Morgan S-T Bond Fund		55,383,114	0.47%	0.29%	0.27%	0.49%
Overnight Sweep - Money Market	43,312,655	21,429,565	0.01%	0.00%	0.04%	0.01%
Pooled Cash Summary	\$ 126,413,339	\$ 148,784,647	0.71%	0.62%	2.38%	2.08%
<u>Endowment</u>						
UBS:						
Equity Funds	\$ 29,632,017	\$ 33,621,533			11.95%	11.29%
Fixed Income Funds	16,385,046	17,232,162			4.65%	2.48%
Hedge Funds		1,216,037				
Commodity Funds		1,283,303				
Private Equity		100,000				
Cash	9	47,625				
Endowment Pool Summary	\$ 46,017,071	\$ 53,500,661			9.00%	7.97%

Comments:

The Pooled cash is greater than the previous year primarily due to investment returns
The endowment pool balances are higher than the prior year primarily due to increases in market values.

Benchmarks for Investments are:

- For Equities: Russell 1000 Value Index, Russell 1000 Growth, MSCI - EAFE International (Relative Weighted)
- For Bonds: Barclays Capital Aggregate Bond Index, Barclays Capital 1-3 year US Gov/Credit Bond Index
- For Overnight Sweep - Money Market Fund: Lipper Institutional Money Market Fund Index
- For Endowment Equities: S & P 500
- For Endowment Fixed Income: Barclays Capital U.S. Aggregate Bond Index
- For Endowment Cash : City Group T-Bill (90 Day)

Benchmark Performance Comments:

Pooled cash and endowment investment funds are all managed funds (not index funds) and are expected to exceed their benchmarks over time.
They will not necessarily meet or exceed the benchmarks each month or each quarter.

**Oakland University
Capital Debt Report
October 31, 2010**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 11 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>
Bonded Indebtedness:							
General Revenue Bonds, Series 1997	\$ 1,175,000	4.850%	Fixed	\$ 1,234,925	2011	Aaa	Elliott Hall, Admin Comp System, Parking
Variable Rate Demand Bonds, Series 1998	4,600,000	0.290%	Variable	15,180	2023	NR	Sharf Golf Course
General Revenue Refunding Bonds, Series 2004	26,925,000	5.100%	Fixed	2,493,488	2026	Aaa	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	53,280,000	3.373%	Variable/Hedged	1,797,134	2031	Aaa	USA, Pawley Hall, OC Expan, Elec Upgrade
General Revenue Bonds, Series 2009 - BABs	33,650,000	4.427%	Fixed	2,072,793	2039	A2	HHB, Infrastructure Projects
Other Capital Debt:							
2005 ESA II Loan	16,427,071	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II
2006 Capital Lease	4,959	3.890%	Fixed	14,513	2010		Golf Mowers
	<u>\$ 136,062,030</u>	<u>3.934%</u>	Weighted Avg	<u>\$ 8,930,720</u>			

Debt covenant compliance:

The University has a general revenue covenant in many of its borrowing agreements including bonded debt and other capital debt. This covenant is consistent in all University debt agreements and commits 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, 2010, the University recorded \$194,782,000 in qualified General Revenues while the calculated debt service covenant requirement amounted to \$17,832,000. The University exceeds its debt covenant requirement by a multiple of 10.9.

	<u>Counterparty</u>	<u>Notional Amount</u>	<u>Termination Present Value</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JPMorgan Chase Bank	\$ 34,370,000	\$ 3,456,939	Aa1	Yield curve swap paying about \$50,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	53,280,000	(7,965,274)	A1	Current low variable rates = High termination costs.

The CMS is performing as expected because the yield curve is relatively normal at this time.

The Interest Rate Swap is stabilizing total interest cost on the 2008 Bonds at less than 4%. Current extremely low variable interest rates (0.28% 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 swap however does fix 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.

Oakland University
CONSTRUCTION PROJECTS PROGRESS REPORT
October 31, 2010

Item	Projects in Progress - over \$500,000	JCOS Approval Required		Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
1	2010 Infrastructure North Loop HTHW Fund Number: 70849 Status: Construction 95% of North Loop, landscaping to be completed in spring 2011; Construction 75% of UTS Addition, & Construction 0% for ODH Windows Board of Trustees Approved: July 2, 2009 Projected Completion Date: October 2012	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$3,739,467	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
2	Human Health Building Fund Number 70786, 70868, 32102 & 39576 Status: Construction 14% Board of Trustees Approved: February 4, 2009 Project Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$7,982,143	\$64,561,200	\$21,748,100 - 2009 General Revenue Bonds \$40,000,000 Capital Outlay \$ 2,738,100 DOE Grant \$ 75,000 Kresge Grant Green Building Initiative
3	Mt. Clemens Renovation Fund Number: 70901 & 32891 Status: Design Phase Board of Trustees Approved: September 2010 Projected Completion Date: October 2011	Yes	9/16/2010	\$2,087,750	\$2,087,750	\$15,052	\$2,087,750	\$ 504,000 - #14292 Strategic Fund \$1,583,750 - HUD Grant
4	2010 Parking Projects Fund Number 70854 Status: Construction 95% Board of Trustees Approved: April 7, 2010 Projected Completion Date: April 2011	Yes	7/8/2010	\$107,800	\$1,915,540	\$1,276,400	\$1,915,540	\$1,915,540 - 24349 Parking Lot Reserve Fund
5	Campus Surveillance Cameras Fund Number: 70870 Status: Engineering Phase Projected Completion Date: December 2011	No		\$980,000	\$980,000	\$0	\$980,000	\$980,000 - #24350 Capital Project Supplement
6	NFH & ANI Renovation for Career Services Fund Number: 70740 Status: CLOSED Board of Trustees Approved: May 2008 Projected Completion Date: August 2010	No		\$800,000	\$800,000	\$765,078	\$765,078	\$800,000 - #14488 Project Support - \$4.8M Fund
7	VBH Window Replacement Fund Number: 70859 Status: Construction Complete, working on punch list and waiting on final invoices Board of Trustees Approved: April 2009 Projected Completion Date: December 2010	No		\$1,007,300	\$777,500	\$648,558	\$777,500	\$740,000 - #45489 Residence Halls Rooms \$ 37,500 - #24810 Plant Renewal Supplement

Oakland University
CONSTRUCTION PROJECTS PROGRESS REPORT
 October 31, 2010

Item	JCOS Approval Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
Item Projects in Progress - over \$500,000						
8	No	\$575,000	\$595,000	\$590,755	\$590,755	\$575,000 - #14488 Project Support \$ 20,000 - #19542 UTS Operations
Fund Number: 70754 Status: CLOSED Board of Trustees Approved: June 2008 Projected Completion Date: July 2009 Comment: Budget increase due to scope change per UTS						
TOTAL PROJECTS IN PROGRESS		\$19,547,000	\$82,716,990	\$15,017,454	\$82,677,824	

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 and a plant fund is authorized for the project.
3. The project status will be reported as "Completed" when the "actual expenditures to date" equals the "forecast", 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 complete to the Board, will be removed from the report for the next Board meeting.