

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration Division, Budget and Financial Planning, Treasury Management, and Facilities Management Departments
2. **General Fund Budget Performance:** Oakland University's (University) final FY2014 combined enrollment for the Summer, Fall and Winter semesters is up 1.8% over the prior year and comparable to budget, setting an enrollment record. Monthly State appropriation payments are being received on schedule. General Fund expenditures are tracking consistent with budget and historical spending patterns at this point in the fiscal year, with no major spending variances in any division or unit. The FY2014 General Fund budget will end the year in a balanced position.

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 pool and endowment investment activities is presented in the *Cash and Investments Report, May 31, 2014 and 2013* (Attachment A).

Investment performance associated with the working capital pool for both the quarter ended March 31, 2014 and month ended May 31, 2014 outperformed established benchmarks overall. Performance in the equities sector, while falling slightly short of the March quarterly benchmark, exceeded the monthly benchmark for May. The fixed income category outperformed both the monthly and quarterly benchmark.

The University's endowment portfolio performance for the quarter ended March 31, 2014 exhibited positive returns, but fell short of benchmarks overall. Hedge funds and Real Assets categories outperformed their respective benchmarks, with equities and fixed income falling short of their respective benchmarks. In total, the University's endowment pool has realized fiscal year-to-date returns of 13.2% as of May 31, 2014. The fair market value of the University's endowment increased more than \$9.5 million compared to this time last year; \$72.7 million as of May 31, 2014. The University's investment managers continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time.

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

An RFP for banking services (treasury, purchasing card, merchant services, ACH, payables solutions, student refunds, and payroll cards) was issued in February. Eighteen proposals were submitted in late March. A committee is reviewing the proposals and will be interviewing finalists in July.

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Oakland University
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July 1, 2014
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4. **Debt Management:** The *Capital Debt Report, May 31, 2014* (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 information about the University's two swap arrangements. The University's debt is being managed according to the Board's policies and approvals.

As a result of an RFP process, the Letters of Credit for the Series 1998 and 2008 debt were renewed for a three-year period with the current Letter of Credit provider, JPMorgan Chase, as they offered the best pricing. The new competitively bid rates will result in the University realizing a cumulative savings of nearly \$500,000 over the three-year term.


5. **Construction Report:** The *Construction Report, May 31, 2014* (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, and Facilities Management Departments, and reviewed by the Treasury Committee, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and Interim President.

7. **Attachments:**

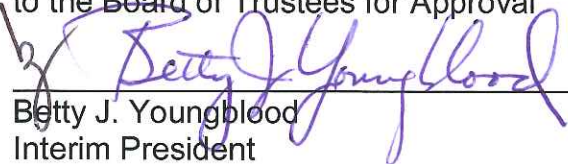
- A. Cash and Investments Report, May 31, 2014 and 2013
- B. Capital Debt Report, May 31, 2014
- C. Construction Report, May 31, 2014

Submitted to the President
on 6/26, 2014 by



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

Recommended on JUNE 30, 2014
to the Board of Trustees for Approval



Betty J. Youngblood
Interim President

**Oakland University
Cash and Investments Report
May 31, 2014 and 2013**

	Fair Market Value May 31, 2013	Fair Market Value May 31, 2014	Strategic Allocation 5/31/2014	Total Return Month Ending May 31, 2014	Benchmark Month Ending May 31, 2014	Total Return Qtr. Ending March 31, 2014	Benchmark Qtr. Ending March 31, 2014
<u>Working Capital</u>							
Equity Funds	\$ 52,093,349	\$ 39,725,952	23.60%	2.19%	1.77%	1.71%	2.24%
Fixed Income Funds	83,320,917	95,018,211	56.45%	0.67%	0.57%	1.47%	1.00%
Cash and Cash Equivalents	34,466,097	33,572,089	19.95%	0.00%	0.00%	0.01%	0.01%
Working Capital Pool Summary	<u>\$ 169,880,363</u>	<u>\$ 168,316,252</u>	<u>100.00%</u>	<u>0.89%</u>	<u>0.74%</u>	<u>1.14%</u>	<u>1.01%</u>

<u>Endowment</u>							
UBS:							
Equity Funds	\$ 38,342,689	\$ 47,802,040	65.74%			0.19%	1.71%
Fixed Income Funds	17,002,402	14,715,754	20.24%			1.47%	2.36%
Hedge Funds	4,145,040	5,884,567	8.09%			1.39%	0.64%
Real Assets	3,241,172	3,601,808	4.95%			6.87%	5.57%
Private Equity	442,484	634,142	0.87%			0.00%	*
Cash	30,307	72,401	0.10%			0.01%	0.01%
Endowment Pool Summary	<u>\$ 63,204,095</u>	<u>\$ 72,710,712</u>	<u>100.00%</u>			<u>0.87%</u>	<u>1.95%</u>

Comments:

The working capital pool is lower than the previous year primarily due to construction expenditures not yet reimbursed from the University's trustee.
The endowment pool is higher than the prior year due to increases in market values and contributions.

Benchmarks for Investments are:

For Equities: S&P 600 Index, S&P 500, Russell 1000 Value Index, Russell 1000 Growth, (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 Mkts (Relative Weighted)
For Endowment Fixed Income: Barclays Government Corporate Index, Barclays US Tips, Merrill Lynch High Yield, 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)
For Endowment Real Assets: NAREIT and Lipper Glb Nat Res
For Endowment Cash: City Group T-Bill (90 Day)

Benchmark Performance Comments:

Pooled cash and endowment investment funds include both managed and indexed funds. They are expected to exceed their benchmarks over time.
They will not necessarily meet or exceed the benchmarks for specific periods of time.

*Private Equity commitment is \$1 million. Private Equity performance is not benchmarked.

**Oakland University
Capital Debt Report
May 31, 2014**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 14 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.070%	Variable	\$ 6,992	2023	-	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	49,295,000	3.373%	Variable/Hedged	3,074,204	2031	Aa3	USA, Pawley Hall, OC Expan, Elec Upgrade	Lehman
General Revenue Bonds, Series 2009 - BABs	30,815,000	4.427% ⁽¹⁾	Fixed	2,795,719	2039	A2	HHB, Infrastructure Projects	Bank of Montreal
General Revenue Bonds, Series 2012	44,155,000 ⁽²⁾	4.075%	Fixed		2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	57,860,000 ⁽³⁾	4.028%	Fixed	1,992,940	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	22,900,000	2.995%	Fixed	921,265	2026	A1	Sports, Recreation and Athletics Center	5/3rd and BOAML
Other Capital Debt:								
2005 ESA II Loan	13,818,288	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	366,322	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	114,585	1.980%	Fixed	44,149	2017		Golf Equipment	
	<u>\$ 223,924,195</u>	<u>3.742% ⁽⁴⁾</u>		<u>\$ 10,226,190</u>				

⁽¹⁾ BABs subsidy reduced via sequestration. Estimated cost increase is \$26K/semi-annual interest payment. The Treasury Management Department will continuously review refunding opportunities.

⁽²⁾ The 2012 Bonds were issued with an original issue premium of \$4,970,975, resulting in total bond proceeds of \$49,125,795.

⁽³⁾ The 2013A Bonds were issued with an original issue premium of \$7,141,047, resulting in total bond proceeds of \$65,001,047.

⁽⁴⁾ 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, 2013, the University recorded \$239,006,944 (unaudited) in qualified General Revenues while the calculated debt service covenant requirement amounted to \$23,085,005. The University exceeds its debt covenant requirements by a multiple of 10.4.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 32,465,000	\$ 2,730,550	Aa3	Yield curve swap paying about \$50K-\$60K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	49,295,000	(7,666,492)	Baa2	Current low variable rates = High termination costs.

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

Current extremely low variable interest rates (0.05% 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:

Series 2009, A2 based on the University's underlying credit rating at the time the bonds were issued.

Series 2012, A1 based on the University's underlying credit rating at the time the bonds were issued.

Series 2013A and 2013B, A1 based on the University's underlying credit rating at the time the bonds were issued.

Oakland University
CONSTRUCTION REPORT
 May 31, 2014

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	Engineering Center Fund Number 70494 Status: New Construction 75% (foundations, concrete flooring & steel 100%, drywall 85%, mech units 50%, stairs 50%, duct work 75%, curtain wall 99%, equipment & furniture on order 90%) Renovation Construction in Dodge Hall 0% Board of Trustees Approved: October 31, 2011 Projected Completion Date: New building August 2014 Dodge Hall renovation January 2015	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$41,925,025	\$74,551,739	\$44,551,739 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
2	New Student Housing Fund Number 70459 Status: Construction 85% (foundations, concrete flooring & steel 100%, drywall 98%, stairs 90%, windows 99%, mechanical 80%, electrical 85%, furniture on order) Board of Trustees Approved: December 3, 2012 Projected Completion Date: August 2014	Yes	6/30/2013	\$29,950,000	\$29,950,000	\$24,291,848	\$29,950,000	\$29,950,000 - 2013A General Revenue Bonds
3	P-32 Parking Structure Fund Number 70468 Status: Construction 85% (NW corner 3 levels of flooring in place, foundations 100%, grading 98%, corner stairs 80%, electrical 35%, flooring 87%, lighting 2%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$22,831,000	\$22,831,000	\$10,750,758	\$22,831,000	\$22,831,000 - 2013A General Revenue Bonds
4	HTHW / UTS / O'Dowd Windows Fund Number: 70849 Status: Construction 100% of North Loop; Construction 100% of UTS Addition; & Construction 100% for ODH Windows; working on warranty to refit windows in summer 2014 Board of Trustees Approved: July 2, 2009 Projected Completion Date: August 2014	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$10,764,677	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
5	Upper Field Expansion Fund Number 70469 Status: Construction 35% (hill removed, rough grading 98%, finish grading 50%, foundations 100%, walls 85%, electrical 1%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$7,850,000	\$7,850,000	\$1,332,350	\$7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
6	Hannah Hall of Science Anatomy Lab Fund Number: 70402 Status: CLOSED Board of Trustees Approved: March 28, 2012 Project Completion Date: August 2013	Yes	6/30/2012	\$6,575,150	\$6,575,150	\$6,560,572	\$6,560,572	\$ 6,575,150 - Capital Projects Supplement

Oakland University
CONSTRUCTION REPORT
 May 31, 2014

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
7	Elliott Tower Fund Number: 70448 Status: Construction 60% (foundations 100%, steel 100%, bells installed 98%, fountains 40%, roofing 99%, brick 90%, limestone 50%, controls delivered, clock 0%, landscaping 3%) Board of Trustees Approved: December 21, 2012 Projected Completion Date: September 2014	Yes	12/21/2012	\$6,500,000	\$6,500,000	\$3,400,606	\$6,500,000	\$ 6,500,000 - #39641 Elliott Tower Gift
8	ODH SOM Fund Number: 70401 Status: Completed, waiting on final invoices Board of Trustees Approved: March 28, 2012 Projected Completion Date: March 2014	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$3,639,965	\$3,751,217	\$ 3,751,217 - #26010 Rainy Day Fund
9	North Hamlin Tower Renovation Fund Number: 70317 Status: Construction started Board of Trustees Approved: February 24, 2014 Projected Completion Date: November 2014	Yes	6/30/2014	\$2,895,000	\$2,895,000	\$48,503	\$2,895,000	\$ 2,895,000 - #45489 Residence Halls
10	NFH Renovation of Communication Core Fund Number: 70956 Status: Construction started Board of Trustees Approved: December 3, 2012 Projected Completion Date: December 2014	Yes	12/21/2012	\$2,425,533	\$2,425,533	\$288,976	\$2,425,533	\$ 1,012,782 - #70956 IT Infrastructure Projects \$ 1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
11	Library Drive Extension Fund Number: 70466 Status: Construction 35% (grading 35%, detention pond 90%, storm water and man holes 90%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,950,000	\$1,950,000	\$122,780	\$1,950,000	\$ 1,950,000 - 2013A General Revenue Bonds
12	Facilities Management Building Fund Number: 70467 Status: Completed, waiting on final invoices Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,750,000	\$1,750,000	\$1,420,937	\$1,750,000	\$ 1,750,000 - 2013A General Revenue Bonds
13	Vandenberg Lower Level Dining Fund Number: 70323 Status: Construction 2% (demolition 90%) Board of Trustees Approved: May 7, 2014 Projected Completion Date: October 2014	Yes	6/30/2014	\$1,431,536	\$1,431,536	\$336	\$1,431,536	\$1,431,536 - #45489 Residence Halls Rooms
14	Golf Course Banquet Facility Fund Number: 70460 Status: Construction 98% (building completed, AV 98%, landscaping 95%, paving 80%) Building is operational for use. Board of Trustees Approved: December 21, 2012 Projected Completion Date: April 2014	Yes	12/21/2012	\$1,300,000	\$1,300,000	\$779,845	\$1,300,000	\$ 500,000 - #24350 Capital Project Supplement \$ 800,000 - Golf & Learning Center

Oakland University
CONSTRUCTION REPORT
 May 31, 2014

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						
15	KL SOM Expansion Fund Number: 70690 Status: Construction 25% for office rearrangement Projected Completion Date: July 2014	\$850,000	\$850,000	\$152,140	\$850,000	\$ 850,000 - #24350 Capital Project Supplement
16	OUPD Renovation Phase 2 Fund Number: 70940 Status: CLOSED Projected Completion Date: October 2013	\$795,000	\$817,870	\$815,383	\$815,383	\$ 795,000 - #24350 Capital Project Supplement \$ 22,870 - #23380 Police Parking Citations
17	BRS HTHW Replacement Fund Number: 70447 Status: Construction 98% (piping, insulation, tunnel 100%), remainder of work (paving & landscaping to be done in July 2014) Projected Completion Date: August 2014	\$750,000	\$750,000	\$559,370	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
18	Campus VOIP & Connectivity Fund Number: 70487 Status: Completed, waiting on final invoices Projected Completion Date: July 2013	\$600,573	\$600,573	\$594,763	\$600,573	\$ 600,573 - #24350 Capital Project Supplement
19	Temporary Parking for FY13/14 Fund Number: 70689 Status: Completed, waiting on final invoices Projected Completion Date: August 2013	\$560,000	\$575,000	\$407,274	\$575,000	\$ 560,000 - #24350 Capital Project Supplement \$ 15,000 - #24350 Capital Project Supplement
20	Welcome Center NFH Fund Number: 70441 Status: CLOSED Projected Completion Date: September 2013	\$41,100	\$550,886	\$549,846	\$549,846	\$ 41,100 - #13151 Student Affairs Contingency Fund \$ 500,000 - #24350 Capital Project Supplement \$ 9,786 - #14204 University Communications & Marketing
21	Meadowbrook Hall Elevator Upgrade Fund Number: 70455 Status: Phase 1 - Completed & Phase 2 for Service Elevator - Construction 80% Project completion: June 2014	\$120,000	\$512,257	\$443,511	\$512,257	\$ 120,000 - #43725 MBH Facility Operations \$ 119,696 - #43760 MBH Finance & Administration \$ 272,561 - #33751 Matilda R. Wilson Matching Gift Fund
TOTAL PROJECTS IN PROGRESS		\$178,477,848	\$179,417,761	\$108,849,465	\$179,399,656	

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.