

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) year-to-date FY2013 Fiscal Year Equated Student (FYES) enrollment is projected to be favorable to budget by 1.4%. Monthly State appropriation payments have been received according to budget. General Fund expenditures are tracking consistent with budget and historical spending patterns at this stage of the fiscal year, with no major spending variances in any division or unit. The \$1,819,100 in performance funding for FY2013 has been earmarked for student financial aid.

FY2014 state appropriation funding was approved by the Governor via Public Act 60 of 2013 on June 13, 2013. Assuming compliance with the 3.75% tuition restraint provision, the University is scheduled to receive a performance funding appropriation increase of \$670,700, which equates to a 1.5% increase.

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, May 31, 2013 and 2012* (Attachment A).

While providing strong overall working capital and endowment returns for calendar 2012, comparable to annual benchmarks, some of the managers underperformed compared to their benchmarks for the quarter ended March 31, 2013 and month ended May 31, 2013. This benchmark under-performance was due primarily to the volatility in the markets during these time periods. While the benchmarks are indexes which simply reflect a conglomeration of investment returns at a point in time, the University's managers are not attempting to mimic the benchmarks but are investing with a longer term focus and the expectation of outperforming the benchmarks over time, which they typically do.

As an example, the NACUBO-Commonfund Study of Endowments (NCSE) for June 30, 2012 reports that the University's endowment investment returns for the past three-year, five-year, and ten-year periods exceeded its peers. The University's endowment has reached an all time high of \$63.2 million as of May 31, 2013.

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.


Treasurer's Report  
Oakland University  
Board of Trustees Formal Session  
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4. **Debt Management:** The *Capital Debt Report, May 31, 2013* (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.
5. **Construction Projects Progress Report:** The *Construction Progress Report, May 31, 2013* (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 Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.
7. **Attachments:**
- A. Cash and Investments Report, May 31, 2013 and 2012
  - B. Capital Debt Report, May 31, 2013
  - C. Construction Progress Report, May 31, 2013

Submitted to the President  
on 6/24, 2013 by

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

Recommended on 6/24, 2013  
to the Board of Trustees for Approval

  
\_\_\_\_\_  
Gary D. Russi  
President



**Oakland University**  
**Cash and Investments Report**  
**May 31, 2013 and 2012**

	Fair Market Value May 31, 2012	Fair Market Value May 31, 2013	Strategic Allocation May 31, 2013	Total Return Month Ending May 31, 2013	Benchmark Month Ending May 31, 2013	Total Return Qtr. Ending March 31, 2013	Benchmark Qtr. Ending March 31, 2013
<b><u>Pooled Cash</u></b>							
JP Morgan Equity Funds	\$ 32,840,839	\$ 52,093,349	30.66%	1.55%	1.71%	9.14%	10.80%
Commonfund High Quality Bonds	44,681,606	56,426,378	33.22%	-1.39%	-1.78%	0.33%	-0.12%
JP Morgan S-T Bond Fund	41,266,436	26,894,539	15.83%	-0.18%	-0.14%	0.39%	0.20%
Overnight Sweep - Money Market	29,280,060	34,466,097	20.29%	0.00%	0.01%	0.01%	0.00%
<b>Pooled Cash Summary</b>	<b>\$ 148,068,941</b>	<b>\$ 169,880,363</b>	<b>100.00%</b>				

<b><u>Endowment</u></b>							
UBS:							
Equity Funds	\$ 31,695,649	\$ 38,342,689	60.66%			8.12%	7.62%
Fixed Income Funds	16,144,685	17,002,402	26.90%			0.49%	-0.09%
Hedge Funds	4,041,014	4,145,040	6.56%			2.22%	2.15%
Real Assets Funds	2,413,022	3,241,172	5.13%			3.93%	4.91%
Private Equity	215,019	442,484	0.70%			0.00%	n/a
Cash	37,982	30,307	0.05%			0.10%	0.02%
<b>Endowment Pool Summary</b>	<b>\$ 54,547,370</b>	<b>\$ 63,204,095</b>	<b>100.00%</b>				

**Comments:**

The pooled cash is greater than the previous year primarily due to investment returns and unspent project funds.

The endowment pool balances are higher than the prior year due primarily to increases in market values and contributions to the University.

**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: Barclays Capital Institutional Money Market Index

For Endowment Equities: Russell 2000, Russell Mid Cap Growth & Value, Russell 1000 Growth & Value, MSCI EAFE International (Relative Weighted)

For Endowment Fixed Income: Barclays Government Corporate Index, Barclays Capital U.S. Aggregate Bond Index, Merrill Lynch High Yield, Citigroup World Government Bond (Relative Weighted)

For Endowment Hedge Funds: HFRI Fund of funds Diversified Index

For Endowment Commodity: MSCI World Metals & Mining and S&P North American Natural Resources

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  
May 31, 2013**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 13 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
<b>Bonded Indebtedness:</b>								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.130%	Variable	\$ 6,440	2023	-	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2004	1,320,000	5.189%	Fixed	2,491,738	2014	Aaa	Sports, Recreation and Athletics Center	Lehman
General Revenue Refunding Bonds, Series 2008	50,675,000	3.373%	Variable/Hedged	3,068,389	2031	Aa3	USA, Pawley Hall, OC Expan, Elec Upgrade	Lehman
General Revenue Bonds, Series 2009 - BABs	31,545,000	4.427%	Fixed	2,805,100	2039	A2	HNB, Infrastructure Projects	Bank of Montreal
General Revenue Bonds, Series 2012	44,155,000 *	4.075%	Fixed	-	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013 A	57,860,000 **	4.028%	Fixed	-	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013 B	23,290,000	2.995%	Fixed	-	2026	A1	Sports, Recreation and Athletics Center	5/3rd and BOAML
<b>Other Capital Debt:</b>								
2005 ESA II Loan	14,582,201	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	446,441	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	156,091	1.980%	Fixed	18,395	2017		Golf Equipment	
	<u>\$ 228,629,734</u>	<u>3.749% ***</u>		<u>\$ 9,780,984</u>				

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

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

\*\*\* 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, 2012, the University recorded \$217,491,589 in qualified General Revenues while the calculated debt service covenant requirement amounted to \$16,030,272. The University exceeds its debt covenant requirements by a multiple of 13.6.

	<u>Counterparty</u>	<u>Notional Amount</u>	<u>Termination Present Value</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
<b>Debt-Based Derivatives:</b>					
Constant Maturity Swap (CMS)	JPMorgan Chase Bank	\$ 34,370,000	\$ 3,220,872	Aa3	Yield curve swap paying about \$32,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	50,675,000	(8,680,167)	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 (0.13% 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 2004, Aaa based on the rating of the insurance provided at the time of issuance by Ambac Insurance.

Series 2008, Aa3 based on the letter of credit provider, currently JPMorgan Chase Bank.

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 PROGRESS REPORT**  
**May 31, 2013**

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	<b>Engineering Center</b> Fund Number 70494 Status: Construction 19% Board of Trustees Approved: October 31, 2011 Project Completion Date: February 2015	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$9,602,986	\$74,551,739	\$44,551,739 - General Revenue Bonds \$30,000,000 - State Appropriations
2	<b>Human Health Building</b> Fund Number 70786, 70868, 32102 & 39576 Status: Completed, waiting on final invoices Board of Trustees Approved: February 4, 2009 Project Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$64,119,385	\$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	<b>New Student Housing</b> Fund Number 70459 Status: Construction 7% Board of Trustees Approved: December 3, 2012 Project Completion Date: September 2014	Yes	6/30/2013	\$29,950,000	\$29,950,000	\$1,322,535	\$29,950,000	\$29,950,000 - Bond Proceeds
4	<b>P-32 Parking Structure</b> Fund Number 70468 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Project Completion Date: September 2014	Yes	6/30/2013	\$22,831,000	\$22,831,000	\$21,714	\$22,831,000	\$22,831,000 - Bond Proceeds
5	<b>HTHW / UTS / O'Dowd Windows</b> Fund Number: 70849 Status: Construction 100% of North Loop; Construction 100% of UTS Addition; & Construction 99% for ODH Windows Board of Trustees Approved: July 2, 2009 Projected Completion Date: June 2013	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$10,229,824	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
6	<b>Upper Field Expansion</b> Fund Number 70469 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Project Completion Date: September 2014	Yes	6/30/2013	\$7,850,000	\$7,850,000	\$112,008	\$7,850,000	\$ 7,850,000 - Bond Proceeds
7	<b>Hannah Hall of Science Anatomy Lab</b> Fund Number: 70402 Status: Construction 85% Board of Trustees Approved: March 28, 2012 Project Completion Date: August 2013	Yes	6/30/2012	\$6,575,150	\$6,575,150	\$3,191,887	\$6,575,150	\$ 6,575,150 - Capital Projects Supplement



**Oakland University**  
**CONSTRUCTION PROGRESS REPORT**  
 May 31, 2013

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	
8	<b>Elliott Tower</b> Fund Number: 70448 Status: Construction 1% Board of Trustees Approved: December 21, 2012 Project Completion Date: September 2014	Yes	12/21/2012	\$6,500,000	\$6,500,000	\$611,610	\$6,500,000	\$ 6,500,000 - #39641 Elliott Carillon Tower Endowment
9	<b>Hamlin Hall Plumbing Renovation</b> Fund Number: 70899 Status: Construction 10% Board of Trustees Approved: June 30, 2012 Project Completion Date: December 2013	Yes	TBD	\$3,976,575	\$3,976,575	\$258,420	\$3,976,575	\$ 3,976,575 - #45489 Residence Halls
10	<b>ODH SOM</b> Fund Number: 70401 Status: 3 Phases: Lockers/Lounge & Acoustics Construction 100%; Ofc's Construction 15% & Auditoriums Construction 40% Board of Trustees Approved: March 28, 2012 Project Completion Date: August 2013	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$1,151,454	\$3,751,217	\$ 3,751,217- Rainy Day Fund
11	<b>The Stephan Sharf Clubhouse</b> Fund Number: 70954 Status: CLOSED Board of Trustees Approved: October 7, 2011 Projected Completion Date: June 2012	Yes	11/4/2011	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000 - The Stephan Sharf Clubhouse Gift
12	<b>NFH Renovation of Communication Core</b> Fund Number: 70956 Status: Engineering Phase Board of Trustees Approved: December 3, 2012 Projected Completion Date: December 2014	Yes	12/21/2012	\$2,425,533	\$2,425,533	\$162	\$2,425,533	\$1,012,782 - #70956 IT Infrastructure Projects \$1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
13	<b>Library Drive Extension</b> Fund Number: 70466 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$1,950,000	\$1,950,000	\$0	\$1,950,000	\$1,950,000 - Bond Proceeds
14	<b>Facilities Management Building</b> Fund Number: 70467 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$1,750,000	\$1,750,000	\$40,534	\$1,750,000	\$1,750,000 - Bond Proceeds
15	<b>Golf Course Banquet Facility</b> Fund Number: 70460 Status: Temporary Tent Installed work to start October 2013 Board of Trustees Approved: December 21, 2012 Projected Completion Date: April 2014	Yes	12/21/2012	\$1,300,000	\$1,300,000	\$38,645	\$1,300,000	\$ 500,000 - #24350 Capital Project Supplement \$ 800,000 - Golf & Learning Center

Oakland University  
**CONSTRUCTION PROGRESS REPORT**  
 May 31, 2013

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	
16	<b>CERC Energy Upgrades</b> Fund Number: 70909, 32104 & 39239 Status: Completed, waiting on final invoices Projected Completion Date: September 2012	Yes	6/8/2011	\$500,000	\$1,080,755	\$1,069,482	\$1,080,755	\$ 500,000 - #24350 Capital Projects Supplement \$ 500,000 - #32104 DOE Grant Alternative Energy Education \$ 65,000 - #39239 Southwest Michigan Resource Dev. Counsel Grant \$ 15,755 - #12037 SECS-VPAA One Time Funding
17	<b>Campus Surveillance Cameras</b> Fund Number: 70870 Status: Completed, waiting on final invoices Projected Completion Date: August 2012	No		\$980,000	\$980,000	\$976,952	\$980,000	\$ 980,000 - #24350 Capital Project Supplement
18	<b>Nicholson Apartment Heating &amp; Cooling Retrofitting</b> Fund Number 70960 Status: Completed, waiting on final invoices Project Completion Date: August 2013	No		\$767,780	\$844,558	\$671,170	\$844,558	\$ 767,780 - #45489 Residence Halls \$ 76,778 - #45489 Residence Halls
19	<b>OUPD Renovation Phase 2</b> Fund Number: 70940 Status: Construction 20% Projected Completion Date: July 2013	No		\$795,000	\$795,000	\$314,553	\$795,000	\$ 795,000 - #24350 Capital Project Supplement
20	<b>BRS HTHW Replacement</b> Fund Number: 70447 Status: Engineering Phase Projected Completion Date: September 2013	No		\$750,000	\$750,000	\$47,250	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
21	<b>Danny's Cabin Relocation</b> Fund Number: 70416 Status: Construction 70% Projected Completion Date: August 2013	No		\$585,323	\$585,323	\$52,498	\$585,323	\$ 585,323 - #24350 Capital Project Supplement
				\$185,278,467	\$247,508,050	\$97,333,070	\$247,508,050	

**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.