

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration, Budget and Financial Planning, Treasury Management, and Facilities Management

2. **General Fund Budget Performance:** Oakland University's (University) preliminary FY2013 Fiscal Year Equated Student (FYES) combined enrollment for the Summer and Fall semesters is favorable to budget by 1.1%, suggesting that total FY2013 enrollment targets are likely to be met. General Fund expenditures are tracking consistent with budget and historical spending patterns for early in the fiscal year, with no major spending variances in any division or unit.

The FY2013 State of Michigan budget was finalized with universities not receiving any base appropriation increase. The University's base appropriation remained flat at the FY2012 level of \$43,145,000, down 15% (\$7.6 million) compared to the FY2011 base amount.

The new performance funding structure appropriated \$888,300 to the University in one-time funding related to the State's performance metrics: critical skills undergraduate degrees/certificates awarded, six-year graduation rate, total degree completions, institutional support as a percent of core expenditures, and total research and development expenditures. The final component of the performance funding structure is tuition restraint, for which the University was appropriated \$930,800 in one-time funding. These one-time appropriations will be used for non-base strategic purposes.

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, June 30, 2012 and 2011* (Attachment A) and *Cash and Investments Report, August 31, 2012 and 2011* (Attachment B).

Reallocations among asset classes in the endowment pool are being implemented to bring them into conformance with the Endowment Management and Investment Policy recently approved by the Board of Trustees (Board). This will take several months to implement.

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.

Representatives from the University's investment advisors and managers will make their annual presentation to the Board.

4. **Debt Management:** The *Capital Debt Report, August 31, 2012* (Attachment C) 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 Oakland University's two swap arrangements. The University's debt is being managed according to the Board's policies and approvals. Two

new debt issues have been added to the report: the 2012 Golf Car Lease and the General Revenue Bonds, Series 2012, completed on July 30, 2012 and August 23, 2012, respectively. Related to the General Revenue Bonds, Series 2012, Moody's Investor Services reconfirmed the University's underlying credit rating of A1 Stable.

5. **Construction Projects Progress Report:** The *Construction Projects Progress Report, August 31, 2012* (Attachment D) 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, June 30, 2012 and 2011
- B. Cash and Investments Report, August 31, 2012 and 2011
- C. Capital Debt Report, August 31, 2012
- D. Construction Projects Progress Report, August 31, 2012

Submitted to the President
on 9/26, 2012 by



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

Recommended on 7/26, 2012
to the Board of Trustees for Approval



Gary D. Russi
President

Oakland University
Cash and Investments Report
June 30, 2012 and 2011

	Fair Market Value June 30, 2011	Fair Market Value June 30, 2012	Strategic Allocation June 30, 2012	Total Return Qtr. Ending June 30, 2012	Benchmark Qtr. Ending June 30, 2012	Total Return Fiscal Year Ending June 30, 2012	Benchmark Year Ending June 30, 2012
Pooled Cash							
JP Morgan Equity Funds	\$ 45,820,060	\$ 34,124,880	22.19%	-4.09%	-3.20%	-1.31%	0.76%
Commonfund High Quality Bonds	51,045,531	44,772,910	29.12%	2.08%	2.06%	7.34%	7.47%
JP Morgan S-T Bond Fund	35,861,976	41,340,227	26.89%	0.22%	0.22%	1.69%	1.12%
Overnight Sweep - Money Market	19,620,043	33,528,577	21.80%	0.01%	0.01%	0.03%	0.02%
Pooled Cash Summary	\$ 152,347,610	\$ 153,766,594	100.00%				

Endowment							
UBS:							
Equity Funds	\$ 34,138,313	\$ 32,510,634	58.52%	-5.07%	-4.15%	-5.65%	-3.47%
Fixed Income Funds	18,205,405	16,322,534	29.38%	1.79%	1.86%	5.15%	6.62%
Hedge Funds	2,106,380	4,018,666	7.23%	-0.70%	-0.67%	-3.93%	-1.85%
Real Assets	2,338,335	2,481,597	4.47%	-8.42%	-5.36%	-18.36%	-10.16%
Private Equity	163,390	217,290	0.39%	1.86%	*	-3.41%	*
Cash	29	30	0.00%	0.03%	0.02%	0.05%	0.04%
Endowment Pool Summary	\$ 56,951,852	\$ 55,550,751	100.00%	-2.91%	-2.17%	-1.94%	-0.67%

Comments:
The pooled cash is greater than the previous year due to investment returns. The total net return for the fiscal year was 1.5%.
The endowment pool balances are lower than the prior year primarily due to unrealized losses in market values. The total net return for the fiscal year was -1.9%.

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: 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 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, Barclay's CTA Index
- For Endowment Real Assets: NAREIT, 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.

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

Oakland University
Cash and Investments Report
August 31, 2012 and 2011

	Fair Market Value August 31, 2011	Fair Market Value August 31, 2012	Strategic Allocation August 31, 2012	Total Return Month Ending August 31, 2012	Benchmark Month Ending August 31, 2012	Total Return Qtr. Ending June 30, 2012	Benchmark Qtr. Ending June 30, 2012
<u>Pooled Cash</u>							
JP Morgan Equity Funds	\$ 41,196,823	\$ 35,283,000	21.52%	2.26%	2.33%	-4.09%	-3.20%
Commonfund High Quality Bonds	52,096,019	45,681,796	27.87%	0.37%	0.07%	2.08%	2.06%
JP Morgan S-T Bond Fund	25,980,192	41,570,282	25.36%	0.12%	0.09%	0.22%	0.22%
Overnight Sweep - Money Market	36,670,741	41,388,574	25.25%	0.00%	0.00%	0.01%	0.01%
Pooled Cash Summary	\$ 155,943,775	\$ 163,923,652	100.00%				

<u>Endowment</u>							
UBS:							
Equity Funds	\$ 31,645,220	\$ 33,804,351	58.08%			-5.07%	-4.15%
Fixed Income Funds	18,640,383	17,034,523	29.27%			1.79%	1.86%
Hedge Funds	2,085,376	4,033,861	6.93%			-0.70%	-0.67%
Real Assets	2,225,446	3,001,719	5.16%			-8.42%	-5.36%
Private Equity	163,390	267,290	0.46%			1.86%	0.02%*
Cash	525,770	60,875	0.10%			0.03%	0.02%
Endowment Pool Summary	\$ 55,285,585	\$ 58,202,619	100.00%			-2.91%	-2.17%

Comments:

The pooled cash is greater than the previous year due to investment returns.

The endowment pool balances are greater than the prior year primarily due to investment returns.

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: 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 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, Barclay's CTA Index

For Endowment Real Assets: NAREIT, 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.

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**Oakland University
Capital Debt Report
August 31, 2012**

	<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>
Bonded Indebtedness:							
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.190%	Variable	\$ 6,440	2023	-	Sharf Golf Course
General Revenue Refunding Bonds, Series 2004	24,590,000	5.189%	Fixed	2,491,738	2026	Aaa	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	52,010,000	3.373%	Variable/Hedged	3,068,389	2031	Aa1	USA, Pawley Hall, OC Expan, Elec Upgrade
General Revenue Bonds, Series 2009 - BABs	32,260,000	4.427%	Fixed	2,805,100	2039	A2	HHB, Infrastructure Projects
General Revenue Bonds, Series 2012	44,155,000 *	4.075%	Fixed	-	2042	A1	Engineering Center
Other Capital Debt:							
2005 ESA II Loan	15,136,486	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II
2012 Golf Car Lease	505,500	1.980%	Fixed	88,234	2017		Golf Cars
	<u>\$ 173,256,986</u>	<u>3.953% **</u>		<u>\$ 9,762,588</u>			

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

** Weighted Avg

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>
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JPMorgan Chase Bank	\$ 34,370,000	\$ 3,079,070	Aa3	Yield curve swap paying about \$35,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	52,010,000	(12,002,366)	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 (0.16 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.

Oakland University
Construction Projects Progress Report
August 31, 2012

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: Design Development Phase Board of Trustees Approved: October 31, 2011 Completion Date: December 2014	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$1,124,465	\$74,551,739	\$44,551,739 - General Revenue Bonds \$30,000,000 - State Appropriations
2	Human Health Building Fund Number 70786, 70868, 32102 & 39576 Status: Construction 99% Board of Trustees Approved: February 4, 2009 Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$56,935,595	\$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	HTHW / UTS / O'Dowd Windows Fund Number: 70849 Status: Construction 100% of North Loop; Construction 100% of UTS Addition; & Construction 2% for ODH Windows Board of Trustees Approved: July 2, 2009 Completion Date: April 2013	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$5,944,104	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
4	Hannah Hall of Science Anatomy Lab Fund Number: 70402 Status: Design Development Phase Board of Trustees Approved: March 28, 2012 Completion Date: June 2013	Yes	Pending	\$6,575,150	\$6,575,150	\$191,422	\$6,575,150	\$ 6,575,150 - Capital Projects Supplement
5	O'Dowd - School of Medicine Fund Number: 70401 Status: 3 Phases: Phase 1 Lockers/Lounge & Acoustics Construction to start in May 2012; Phase 2 Ofc's to occur in April 2013 & Phase 3 Auditoriums Construction to start in May 2013 Board of Trustees Approved: March 28, 2012 Completion Date: August 2013	Yes	Pending	\$3,751,217	\$3,751,217	\$28,614	\$3,751,217	\$ 3,751,217 - Rainy Day Fund
6	The Stephan Sharf Clubhouse Fund Number: 70954 Status: Construction 99% Board of Trustees Approved: October 7, 2011 Completion Date: June 2012	Yes	11/4/2011	\$3,500,000	\$3,500,000	\$3,296,199	\$3,500,000	\$ 3,500,000 - The Stephan Sharf Clubhouse Gift
7	CERC Energy Upgrades Fund Number: 70909, 32104 & 39239 Status: Construction 99% Completion Date: June 2012	Yes	6/8/2011	\$500,000	\$1,065,000	\$837,576	\$1,065,000	\$ 500,000 - #24350 Capital Projects Supplement \$ 500,000 - #32104 DOE Grant Alternative Energy Education \$ 65,000 - #39239 Southwest Michigan Resource Dev. Counsel Grant
8	Campus Surveillance Cameras Fund Number: 70870 Status: Construction 99% Completion Date: August 2012	No		\$980,000	\$980,000	\$954,067	\$980,000	\$ 980,000 - #24350 Capital Project Supplement

Oakland University
Construction Projects Progress Report
August 31, 2012

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
9	Nicholson Apartment Heating & Cooling Retrofit Fund Number 70960 Status: Construction 99% Completion Date: August 2013	No	\$767,780	\$844,558	\$565,852	\$844,558	\$ 767,780 - #45489 Residence Halls \$ 76,778 - #45489 Residence Halls
10	OUPD Renovation Phase 2 Fund Number: 70940 Status: Construction to start in July 2012 Completion Date: December 2012	No	\$795,000	\$795,000	\$54,430	\$795,000	\$ 795,000 - #24350 Capital Project Supplement
TOTAL PROJECTS IN PROGRESS			\$28,315,517	\$90,452,567	\$67,233,509	\$90,452,567	

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.