

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 1.5% over the prior year and comparable to budget, setting another 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.

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, January 31, 2014 and 2013* (Attachment A).

Investment performance associated with the working capital pool for both the quarter ended December 31, 2013 and month ended January 31, 2014 outperformed established benchmarks overall, with equities falling slightly short of benchmark and the fixed income category outperforming the benchmark.

The University's endowment portfolio performance for the quarter ended December 31, 2013 exhibited positive returns. Investment performance fell slightly short of benchmarks for the quarter ended December 31, 2013. The endowment increased more than \$7 million compared to the prior year. 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 on February 14th. Respondents have been asked to submit their proposals by March 7, 2014.

4. **Debt Management:** The *Capital Debt Report, January 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.

**Treasurer's Report
Oakland University
Board of Trustees Formal Session
February 24, 2014
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5. **Construction Report:** The *Construction Report, January 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:**

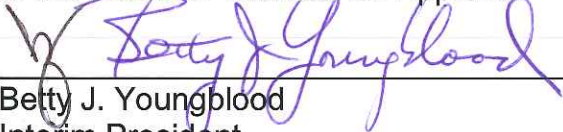
- A. Cash and Investments Report, January 31, 2014 and 2013
- B. Capital Debt Report, January 31, 2014
- C. Construction Report, January 31, 2014

Submitted to the President
on 2/19, 2014 by



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

Recommended on Feb. 21, 2014
to the Board of Trustees for Approval



Betty J. Youngblood
Interim President

Oakland University
Cash and Investments Report
January 31, 2014 and 2013

	Fair Market Value January 31, 2013	Fair Market Value January 31, 2014	Strategic Allocation 1/31/2014	Total Return Month Ending January 31, 2014	Benchmark Month Ending January 31, 2014	Total Return Qtr. Ending December 31, 2013	Benchmark Qtr. Ending December 31, 2013
Working Capital							
Equity Funds	\$ 38,149,758	\$ 37,723,873	18.42%	-3.24%	-3.55%	9.78%	10.01%
Fixed Income Funds	98,048,834	93,654,420	45.72%	0.81%	0.68%	0.36%	0.02%
Overnight Sweep - Money Market	70,832,830	73,447,821	35.86%	0.00%	0.00%	0.00%	0.01%
Working Capital Pool Summary	<u>\$ 207,031,422</u>	<u>\$ 204,826,115</u>	<u>100.00%</u>	<u>-0.23%</u>	<u>-0.34%</u>	<u>2.21%</u>	<u>2.09%</u>

Endowment							
UBS:							
Equity Funds	\$ 35,712,672	\$ 44,059,119	64.50%			8.02%	8.48%
Fixed Income Funds	17,479,146	16,049,561	23.49%			0.70%	-0.09%
Hedge Funds	4,009,756	4,358,978	6.38%			5.69%	3.47%
Real Assets	3,301,002	3,261,926	4.78%			-0.14%	1.68%
Private Equity	384,335	531,852	0.78%			0.00%	*
Cash	364,469	49,476	0.07%			0.01%	0.01%
Endowment Pool Summary	<u>\$ 61,251,380</u>	<u>\$ 68,310,911</u>	<u>100.00%</u>			<u>5.58%</u>	<u>5.83%</u>

Comments:

The working capital pool is lower than the previous year due to construction expenditures not reimbursed yet.

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

Benchmarks for Investments are:

For Equities: S&P 600 Index, Russell 1000 Value Index, Russell 1000 Growth (Relative Weighted)

For Bonds: Barclays Capital Aggregate Bond 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 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 for specific periods of time.

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

**Oakland University
Capital Debt Report
January 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	0.050%	Variable	\$ 6,992	2023	-	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2004	1,320,000	5.189%	Fixed	1,386,000	2014	Aaa	Sports, Recreation and Athletics Center	Lehman
General Revenue Refunding Bonds, Series 2008	50,675,000	3.373%	Variable/Hedged	3,074,204	2031	Aa3	USA, Pawley Hall, OC Expan, Elec Upgrade	Lehman
General Revenue Bonds, Series 2009 - BABs	31,545,000	4.427% ⁽¹⁾	Fixed	2,795,719	2039	A2	HHB, Infrastructure Projects	Bank of Montreal
General Revenue Bonds, Series 2012	44,155,000	4.075% ⁽²⁾	Fixed		2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	57,860,000	4.028% ⁽³⁾	Fixed	1,992,940	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	23,290,000	2.995%	Fixed	921,265	2026	A1	Sports, Recreation and Athletics Center	5/3rd and BOAML
Other Capital Debt:								
2005 ESA II Loan	14,076,140	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	393,205	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	128,487	1.980%	Fixed	44,149	2017		Golf Equipment	
	<u>\$ 228,042,832</u>	<u>3.748%</u> ⁽⁴⁾		<u>\$ 11,612,190</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>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	\$ 34,370,000	\$ 3,252,404	Aa3	Yield curve swap paying about \$50K-\$60K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	50,675,000	(6,883,234)	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 (0.07% 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 JP Morgan 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 REPORT
 January 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							
1	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$31,502,568	\$74,551,739	\$44,551,739 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
<p>Fund Number 70494 Status: New Construction 51% (foundations, concrete flooring & steel 100%, drywall 33%, mech units in place, stairs 33%, duct work 50%, curtain wall 98%) & 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</p>							
2	Yes	6/30/2013	\$29,950,000	\$29,950,000	\$16,427,954	\$29,950,000	\$29,950,000 - 2013A General Revenue Bonds
<p>Fund Number 70459 Status: Construction 54% (foundations, concrete flooring & steel 100%, drywall 66%, stairs 70%, windows 90%) Board of Trustees Approved: December 3, 2012 Projected Completion Date: August 2014</p>							
3	Yes	6/30/2013	\$22,831,000	\$22,831,000	\$4,111,924	\$22,831,000	\$22,831,000 - 2013A General Revenue Bonds
<p>Fund Number 70468 Status: Construction 27% (NW corner 3 levels of flooring in place, foundations 100%, grading 98%, NW corner stair 50%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014</p>							
4	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$10,764,677	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
<p>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: April 2013</p>							
5	Yes	6/30/2013	\$7,850,000	\$7,850,000	\$1,265,620	\$7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
<p>Fund Number 70469 Status: Construction 22% (hill removed, rough grading 90%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014</p>							
6	Yes	12/21/2012	\$6,500,000	\$6,500,000	\$2,180,379	\$6,500,000	\$ 6,500,000 - #39641 Elliott Tower Gift
<p>Fund Number: 70448 Status: Construction 22% (foundations 100%, steel 87%, bells made ready to ship to US by May 2014) Board of Trustees Approved: December 21, 2012 Projected Completion Date: September 2014</p>							

Oakland University
CONSTRUCTION REPORT
 January 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	ODH SOM Fund Number: 70401 Status: 3 Phases: Lockers/Lounge & Acoustics Construction 100%; Ofc's Construction 60% & Auditoriums Construction 100% Board of Trustees Approved: March 28, 2012 Projected Completion Date: March 2014	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$3,007,661	\$3,751,217	\$ 3,751,217- #26010 Rainy Day Fund
8	NFH Renovation of Communication Core Fund Number: 70956 Status: Bidding Phase Board of Trustees Approved: December 3, 2012 Projected Completion Date: December 2014	Yes	12/21/2012	\$2,425,533	\$2,425,533	\$206,954	\$2,425,533	\$ 1,012,782 - #70956 IT Infrastructure Projects \$ 1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
9	Library Drive Extension Fund Number: 70466 Status: Construction 4% (grading 30%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,950,000	\$1,950,000	\$82,816	\$1,950,000	\$ 1,950,000 - 2013A General Revenue Bonds
10	Facilities Management Building Fund Number: 70467 Status: Construction 80% (foundations, steel, windows, blocking & drywall 100%, light fixture, painting, ceiling, restroom fixtures/panels 98%, data cabling 70% fire systems 60% - target moving mid-April 2014) Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,750,000	\$1,750,000	\$867,596	\$1,750,000	\$ 1,750,000 - 2013A General Revenue Bonds
11	Golf Course Banquet Facility Fund Number: 70460 Status: Construction 20% (foundations, slab, framing, roofing 100%, fire sprinklers, insulation, wiring 50%) Board of Trustees Approved: December 21, 2012 Projected Completion Date: April 2014	Yes	12/21/2012	\$1,300,000	\$1,300,000	\$125,514	\$1,300,000	\$ 500,000 - #24350 Capital Project Supplement \$ 800,000 - Golf & Learning Center
12	KL SOM Expansion Fund Number: 70690 Status: Construction started Feb 1, 2014 Projected Completion Date: July 2014	No		\$850,000	\$850,000	\$17,517	\$850,000	\$ 850,000 - #24350 Capital Project Supplement
13	OUPD Renovation Phase 2 Fund Number: 70940 Status: Completed, waiting on final invoices Projected Completion Date: October 2013	No		\$795,000	\$817,870	\$770,483	\$817,870	\$ 795,000 - #24350 Capital Project Supplement \$ 22,870 - #23380 Police Parking Citations

Oakland University
CONSTRUCTION REPORT
 January 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						
14	BRS HTHW Replacement Fund Number: 70447 Status: Construction 95% (piping, insulation, tunnel 100%), remainder of work (paving & landscaping to be done in May-June 2014) Projected Completion Date: August 2014	\$750,000	\$750,000	\$521,172	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
15	Temporary Parking for FY13/14 Fund Number: 70689 Status: Completed, waiting on final invoices Projected Completion Date: August 2013	\$560,000	\$575,000	\$379,399	\$575,000	\$ 560,000 - #24350 Capital Project Supplement \$ 15,000 - #24350 Capital Project Supplement
16	Welcome Center NFH Fund Number: 70441 Status: Completed, waiting on final invoices Projected Completion Date: September 2013	\$41,100	\$550,886	\$517,885	\$550,886	\$ 41,100 - #13151 Student Affairs Contingency Fund \$ 500,000 - #24350 Capital Project Supplement \$ 9,786 - #14204 University Communications & Marketing
17	Meadowbrook Hall Elevator Upgrade Fund Number: 70455 Status: Phase 1 - Completed & Phase 2 for Service Elevator - Construction 0% Project completion: June 2014	\$120,000	\$512,257	\$221,831	\$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		\$166,975,589	\$167,915,502	\$72,971,950	\$167,915,502	

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.