

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 enrollment, Summer II and Fall, is up compared to last year, as expected, and comparable to budget. Monthly State appropriation payments for FY2014 will begin in October and have been budgeted according to the State of Michigan's Public Act 60 of 2013, which includes a performance funding appropriation increase of \$670,700. This equates to a 1.5% increase over FY2013 State funding. Early in the FY2014 budget year, General Fund expenditures are tracking as expected and are consistent with the budget, 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, August 31, 2013 and 2012* (Attachment A).

Investment performance associated with the working capital pool for the quarter ended June 30, 2013 was strong compared to benchmarks. Since June, investment performance has tracked consistent with the broader market, which experienced weaker investment returns for the month ending August 31, 2013.

The University is reviewing submissions for the recently issued Request for Information (RFI), and plans to issue a Request for Proposal (RFP) in October in order to recommend the selection of a working capital Investment Advisor at the December 2013 Board of Trustees meeting.

The University's endowment portfolio performance was mixed as of Fiscal Year end 2013, with fixed income and hedge funds performing better than their benchmarks, while equities and real assets exhibited some underperformance. Overall the endowment pool remains strong, with year-over-year market valuation nearly \$5 million higher as of August 31, 2013. 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.

The University's Investment Advisors will make their annual presentations to the Board.

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Oakland University
Board of Trustees Formal Session
October 7, 2013
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4. **Debt Management:** The *Capital Debt Report, August 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 Report:** The *Construction Report, August 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 Interim President.

7. **Attachments:**
 - A. Cash and Investments Report, August 31, 2013 and 2012
 - B. Capital Debt Report, August 31, 2013
 - C. Construction Report, August 31, 2013

Submitted to the President
on 10/1, 2013 by



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

Recommended on 9-30, 2013
to the Board of Trustees for Approval



Betty J. Youngblood
Interim President

Oakland University
Cash and Investments Report
August 31, 2013 and 2012

	Fair Market Value August 31, 2012	Fair Market Value August 31, 2013	Strategic Allocation August 31, 2013	Total Return Month Ending August 31, 2013	Benchmark Month Ending August 31, 2013	Total Return Qtr. Ending June 30, 2013	Benchmark Qtr. Ending June 30, 2013
<u>Working Capital</u>							
Equity Funds	\$ 35,283,000	\$ 48,297,511	28.49%	-3.37%	-3.03%	3.36%	2.42%
Fixed Income Funds	87,252,078	82,111,253	48.43%	-0.24%	-0.33%	-1.29%	-1.37%
Overnight Sweep - Money Market	41,388,574	39,143,978	23.09%	0.00%	0.00%	0.00%	0.02%
Pooled Cash Summary	<u>\$ 163,923,652</u>	<u>\$ 169,552,741</u>	<u>100.00%</u>				
<u>Endowment</u>							
UBS:							
Equity Funds	\$ 33,804,351	\$ 38,789,117	61.48%			0.60%	1.19%
Fixed Income Funds	17,034,523	16,545,186	26.22%			-3.14%	-3.64%
Hedge Funds	4,033,861	4,125,165	6.54%			0.85%	-0.18%
Real Assets	3,001,719	3,138,332	4.97%			-6.18%	-3.86%
Private Equity	267,290	465,028	0.74%			5.52%	*
Cash	60,875	34,229	0.05%			0.04%	0.02%
Endowment Pool Summary	<u>\$ 58,202,619</u>	<u>\$ 63,097,058</u>	<u>100.00%</u>				

Comments:

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

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

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 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 for specific periods of time.

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

**Oakland University
Capital Debt Report
August 31, 2013**

	Principal Remaining	Rate of Interest	Interest Type	FY 14 Debt Service	Expires	Bond Rating	Purpose	Underwriter
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 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 ⁽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	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	14,393,921	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	426,560	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	145,737	1.980%	Fixed	44,149	2017		Golf Equipment	
	<u>\$ 228,411,218</u>	<u>3.748%</u> ⁽⁴⁾		<u>\$ 11,612,190</u>				

⁽¹⁾ BABs subsidy reduced by 3% via sequestration. Estimated annual cost increase is roughly \$31K/yr. 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.

	Counterparty	Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 34,370,000	\$ 3,221,718	Aa3	Yield curve swap paying about \$50,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	50,675,000	(6,515,404)	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
August 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	Engineering Center Fund Number 70494 Status: Construction 47% 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	\$16,355,634	\$74,551,739	\$44,551,739 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
2	New Student Housing Fund Number 70459 Status: Construction 22% Board of Trustees Approved: December 3, 2012 Projected Completion Date: August 2014	Yes	6/30/2013	\$29,950,000	\$29,950,000	\$4,692,978	\$29,950,000	\$29,950,000 - 2013A General Revenue Bonds
3	P-32 Parking Structure Fund Number 70468 Status: Construction 5% Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$22,831,000	\$22,831,000	\$306,939	\$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 99% for ODH Windows Board of Trustees Approved: July 2, 2009 Projected Completion Date: April 2013	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$10,641,596	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
5	Upper Field Expansion Fund Number 70469 Status: Construction 5% Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$7,850,000	\$7,850,000	\$172,709	\$7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
6	Hannah Hall of Science Anatomy Lab Fund Number: 70402 Status: Completed, waiting on final invoices Board of Trustees Approved: March 28, 2012 Projected Completion Date: August 2013	Yes	6/30/2012	\$6,575,150	\$6,575,150	\$5,863,155	\$6,575,150	\$ 6,575,150 - #24350 Capital Projects Supplement
7	Elliott Tower Fund Number: 70448 Status: Construction 8% Board of Trustees Approved: December 21, 2012 Projected Completion Date: September 2014	Yes	12/21/2012	\$6,500,000	\$6,500,000	\$1,125,617	\$6,500,000	\$ 6,500,000 - #39641 Elliott Tower Gift

Oakland University
CONSTRUCTION REPORT
August 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	Hamlin Hall Plumbing Renovation Fund Number: 70899 Status: Completed, waiting on final invoices Board of Trustees Approved: June 30, 2012 Projected Completion Date: December 2013	Yes	6/30/2013	\$3,976,575	\$3,976,575	\$2,887,385	\$3,976,575	\$ 3,976,575 - #45489 Residence Halls
9	ODH SOM Fund Number: 70401 Status: 3 Phases: Lockers/Lounge & Acoustics Construction 100%; Ofc's Construction 50% & Auditoriums Construction 98% Board of Trustees Approved: March 28, 2012 Projected Completion Date: March 2014	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$2,407,733	\$3,751,217	\$ 3,751,217- #26010 Rainy Day Fund
10	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	\$175,986	\$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: Bidding Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,950,000	\$1,950,000	\$29,300	\$1,950,000	\$ 1,950,000 - 2013A General Revenue Bonds
12	Facilities Management Building Fund Number: 70467 Status: Construction 10% Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,750,000	\$1,750,000	\$89,595	\$1,750,000	\$ 1,750,000 - 2013A General Revenue Bonds
13	Golf Course Banquet Facility Fund Number: 70460 Status: Temporary Tent Installed work to start October 2013 Board of Trustees Approved: December 21, 2012 Projected Completion Date: December 2013	Yes	12/21/2012	\$1,300,000	\$1,300,000	\$96,008	\$1,300,000	\$ 500,000 - #24350 Capital Project Supplement \$ 800,000 - Golf & Learning Center
14	KL SOM Expansion Fund Number: 70690 Status: Engineering Phase Projected Completion Date: July 2014	No		\$850,000	\$850,000	\$0	\$850,000	\$ 850,000 - #24350 Capital Project Supplement
15	OUPD Renovation Phase 2 Fund Number: 70940 Status: Construction 65% Projected Completion Date: October 2013	No		\$795,000	\$817,870	\$514,578	\$817,870	\$ 795,000 - #24350 Capital Project Supplement \$ 22,870 - #23380 Police Parking Citations

Oakland University
CONSTRUCTION REPORT
 August 31, 2013

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
16 BRS HTHW Replacement Fund Number: 70447 Status: Construction 95% Projected Completion Date: September 2013	No	\$750,000	\$750,000	\$361,100	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
17 Campus VOIP & Connectivity Fund Number: 70487 Status: Completed, waiting on final invoices Projected Completion Date: July 2013	No	\$600,573	\$600,573	\$594,763	\$600,573	\$ 600,573 - #24350 Capital Project Supplement
18 Danny's Cabin Relocation Fund Number: 70416 Status: Completed, waiting on final invoices Projected Completion Date: May 2013	No	\$585,323	\$585,323	\$507,600	\$585,323	\$ 585,323 - #24350 Capital Project Supplement
19 Temporary Parking for FY13/14 Fund Number: 70689 Status: Construction 95% Projected Completion Date: August 2013	No	\$560,000	\$575,000	\$6,885	\$575,000	\$ 560,000 - #24350 Capital Project Supplement \$ 15,000 - #24350 Capital Project Supplement
20 Welcome Center NFH Fund Number: 70441 Status: Construction 70% Projected Completion Date: September 2013	No	\$41,100	\$541,100	\$127,708	\$541,100	\$ 41,100 - #13151 Student Affairs Contingency Fund \$ 500,000 - #24350 Capital Project Supplement
TOTAL PROJECTS IN PROGRESS		\$178,593,210	\$179,131,080	\$46,957,269	\$179,131,080	

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.