

TREASURER'S REPORT

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

2. **General Fund Budget Performance:** The University's FY2012 final enrollment exceeded fiscal year equated student (FYES) projections by .6%. Undergraduate enrollment was favorable compared to budget, while graduate enrollment was unfavorable, the net affect being an offset with projected final tuition revenue up slightly from the overall tuition revenue budget, net of financial aid. General Fund expenditures have tracked consistent with budget throughout the year, with no major spending variances in any division or unit.

The FY2013 State of Michigan budget has been finalized with universities not receiving any base appropriation increase. Oakland University's (University) base appropriation will remain 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 indicates that the University will realize \$888,300 in one-time funding, and possibly a yet to be determined one-time funding allocation related to the tuition restraint component of the structure. The performance funding calculation is based on unique formulas that provide one-time funding based on metrics in six distinct areas: critical skills undergraduate degrees/certificates awarded, six-year graduation rate, total degree completions, institutional support as a percent of core expenditures, total research and development expenditures, and tuition restraint.

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, 2012 and 2011* (Attachment A).

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.

4. **Debt Management:** The *Capital Debt Report, May 31, 2012* (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 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. It is expected that in mid-August Oakland University will issue bonds, not to exceed \$50 million, to partially fund the Engineering Center, as previously approved by the Board.

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5. **Construction Projects Progress Report:** The *Construction Projects Progress Report, May 31, 2012* (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, 2012 and 2011
 - B. Capital Debt Report, May 31, 2012
 - C. Construction Projects Progress Report, May 31, 2012

Submitted to the President
on 7/23, 2012 by



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

Recommended on July 23, 2012
to the Board of Trustees for Approval



Gary D. Russi
President

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

	Fair Market Value May 31, 2011	Fair Market Value May 31, 2012	Strategic Allocation May 31, 2012	Total Return Qtr. Ending March 31, 2012	Benchmark Qtr. Ending March 31, 2012
<u>Pooled Cash</u>					
JP Morgan Equity Funds	\$ 46,616,438	\$ 32,840,839	22.18%	12.71%	11.62%
Commonfund High Quality Bonds	51,274,408	44,681,606	30.18%	1.59%	0.30%
JP Morgan S-T Bond Fund	45,868,208	41,266,436	27.87%	0.74%	0.36%
Overnight Sweep - Money Market	11,554,049	29,280,060	19.77%	0.03%	0.00%
Pooled Cash Summary	\$ 155,313,102	\$ 148,068,941	100.00%	3.33%	2.59%

<u>Endowment</u>					
UBS:					
Equity Funds	\$ 34,833,868	\$ 31,695,649	58.11%	11.51%	12.40%
Fixed Income Funds	18,394,962	16,144,685	29.60%	2.37%	0.80%
Hedge Funds	2,114,146	4,041,014	7.41%	1.94%	2.67%
Real Assets	2,431,095	2,413,022	4.42%	5.31%	5.46%
Private Equity	159,304	215,019	0.39%		*
Cash	118,881	37,982	0.07%	0.01%	0.01%
Endowment Pool Summary	\$ 58,052,255	\$ 54,547,370	100.00%	7.66%	7.93%

Comments:

The pooled cash is lower than the previous year primarily due to construction payments for the Human Health Building of \$8.4 million, which will be reimbursed from the State of Michigan. The endowment pool balances are lower than the prior year primarily due to unrealized losses in market values.

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. It is too early to measure performance. Private Equity performance is not benchmarked.

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

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 12 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	2,491,488	2026	Aaa	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	52,010,000	3.373%	Variable/Hedged	1,501,022	2031	Aa1	USA, Pawley Hall, OC Expan, Elec Upgrade
General Revenue Bonds, Series 2009 - BABs	32,260,000	4.427%	Fixed	2,810,400	2039	A2	HNB, Infrastructure Projects
Other Capital Debt:							
2005 ESA II Loan	15,317,784	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II
	<u>\$ 128,777,784</u>	<u>3.919% *</u>		<u>\$ 8,112,037</u>			

* 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. This covenant is consistent in all University debt agreements and commits 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, 2011, the University recorded \$208,816,000 in qualified General Revenues while the calculated debt service covenant requirement amounted to \$17,832,000. The University exceeds its debt covenant requirement by a multiple of 11.7.

	<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	\$ 2,900,617	Aa1	Yield curve swap paying about \$35,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	53,280,000	(12,032,197)	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 (0.17 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 swap however does fix 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
May 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	\$834,842	\$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 85% Board of Trustees Approved: February 4, 2009 Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$45,676,887	\$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	\$5,603,277	\$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	\$0	\$6,575,150	\$ 6,575,150 - Capital Projects Supplement
5	ODH SOM 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	\$0	\$3,751,217	\$ 3,751,217 - Rainy Day Fund
6	The Stephan Sharf Clubhouse Fund Number: 70954 Status: Construction 80% Board of Trustees Approved: October 7, 2011 Completion Date: June 2012	Yes	11/4/2011	\$3,500,000	\$3,500,000	\$2,702,572	\$3,500,000	\$ 3,500,000 - The Stephan Sharf Clubhouse Gift
7	Mt. Clemens Renovation Fund Number: 70901 & 32891 Status: CLOSED Board of Trustees Approved: September 2010 Completion Date: October 2011	Yes	9/16/2010	\$2,087,750	\$2,087,750	\$2,087,308	\$2,087,308	\$ 504,000 - #14292 Strategic Fund \$ 1,583,750 - HUD Grant

**Oakland University
Construction Projects Progress Report
May 31, 2012**

8	CERC Energy Upgrades Fund Number: 70909, 32104 & 39239 Status: Construction 95% Completion Date: June 2012	Yes	6/8/2011	\$500,000	\$1,065,000	\$824,059	\$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
9	Campus Surveillance Cameras Fund Number: 70870 Status: Construction 98% Completion Date: August 2012	No		\$980,000	\$980,000	\$875,001	\$980,000	\$ 980,000 - #24350 Capital Project Supplement
10	Nicholson Apartment Heating & Cooling Retrofit Fund Number 70960 Status: Engineering Phase Completion Date: August 2013	No		\$767,780	\$844,558	\$27,940	\$844,558	\$ 767,780 - #45489 Residence Halls \$ 76,778 - #45489 Residence Halls
11	OUPD Renovation Phase 2 Fund Number: 70940 Status: Construction to start in July 2012 Completion Date: December 2012	No		\$795,000	\$795,000	\$51,530	\$795,000	\$ 795,000 - #24350 Capital Project Supplement
12	HH Window Replacement Fund Number: 70903 Status: CLOSED Completion Date: December 2011 Comment: Due to receiving low bids; we reduced funding in February	No		\$1,020,000	\$700,000	\$594,150	\$594,150	\$ 720,000 - #45489 Residence Hall
TOTAL PROJECTS IN PROGRESS				\$30,403,267	\$92,540,317	\$56,894,103	\$92,539,875	

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.