

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, including preliminary Winter semester data, indicates that the University is ahead of the FY2013 enrollment forecast by 1.4%. The overall enrollment target is expected to be met or exceeded, assuming normal enrollment patterns for final Winter and Spring semesters. 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 one-time formula funding for FY2013 has been committed toward student financial aid.

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, October 31, 2012 and 2011* (Attachment A).

While providing a good return overall, some of the equity and hedge fund class managers underperformed compared to their benchmarks for the quarter in pooled cash and the endowment. This benchmark underperformance was due primarily to the unprecedented volatility in the markets in the past year. 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 long-term focus and the expectation of outperforming the benchmarks over time. The Treasury Management Department works with the University's advisers to review each manager's performance relative to their respective peer group and benchmark each quarter. If a manager is not performing satisfactorily, they are replaced.

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, October 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 the University's two swap arrangements. The University's debt is being managed according to the Board's policies and approvals.

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

Submitted to the President
on 11/28, 2012 by



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

Recommended on 11/29, 2012
to the Board of Trustees for Approval



Gary D. Russi
President

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

	Fair Market Value October 31, 2011	Fair Market Value October 31, 2012	Strategic Allocation October 31, 2012	Total Return Month Ending October 31, 2012	Benchmark Month Ending October 31, 2012	Total Return Qtr. Ending September 30, 2012	Benchmark Qtr. Ending September 30, 2012
<u>Pooled Cash</u>							
JP Morgan Equity Funds	\$ 31,597,357	\$ 35,639,023	21.16%	-0.93%	-0.66%	5.54%	6.51%
Commonfund High Quality Bonds	52,484,788	56,326,463	33.44%	0.59%	0.20%	2.75%	1.59%
JP Morgan S-T Bond Fund	25,997,139	51,680,587	30.68%	0.04%	0.02%	0.80%	0.52%
Overnight Sweep - Money Market	50,131,384	24,810,004	14.73%	0.00%	0.00%	0.00%	0.01%
Pooled Cash Summary	\$ 160,210,668	\$ 168,456,077	100.00%				
<u>Endowment</u>							
UBS:							
Equity Funds	\$ 31,234,865	\$ 33,581,678	57.13%			5.23%	6.21%
Fixed Income Funds	18,572,690	17,697,719	30.11%			2.78%	2.58%
Hedge Funds	2,463,384	4,012,097	6.83%			0.49%	1.34%
Real Assets	2,123,919	3,003,183	5.11%			6.70%	4.40%
Private Equity	194,598	317,973	0.54%			0.22%	0.02%*
Cash	52,619	165,749	0.28%			0.02%	0.02%
Endowment Pool Summary	\$ 54,642,074	\$ 58,778,401	100.00%			4.22%	4.69%

Comments:

The pooled cash is greater than the previous year primarily 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.

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
Capital Debt Report
October 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>	<u>Underwriter</u>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.220%	Variable	\$ 6,440	2023	-	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2004	24,590,000	5.189%	Fixed	2,491,738	2026	Aaa	Sports, Recreation and Athletics Center	Lehman
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	Lehman
General Revenue Bonds, Series 2009 - BABs	32,260,000	4.427%	Fixed	2,805,100	2039	A2	HHB, Infrastructure Projects	Bank of Montreal
General Revenue Bonds, Series 2012	44,155,000 *	4.075%	Fixed	-	2042	A1	Engineering Center	5/3rd and Barclay's
Other Capital Debt:								
2005 ESA II Loan	15,014,666	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	492,451	1.980%	Fixed	88,234	2017		Golf Cars	
	<u>\$ 173,122,117</u>	<u>3.954% **</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	\$ 3,040,490	Aa3	Yield curve swap paying about \$32,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	52,010,000	(11,479,429)	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
 October 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: Bidding Phase Board of Trustees Approved: October 31, 2011 Project Completion Date: February 2015	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$1,650,296	\$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 Project Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$58,438,976	\$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 25% 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	\$6,544,258	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
4	Hannah Hall of Science Anatomy Lab Fund Number: 70402 Status: construction 5% Board of Trustees Approved: March 28, 2012 Project Completion Date: June 2013	Yes	6/30/2012	\$6,575,150	\$6,575,150	\$516,949	\$6,575,150	\$ 6,575,150 - #24350 Capital Projects Supplement
5	O'Dowd Hall - School of Medicine Fund Number: 70401 Status: 3 Phases: Phase 1 Lockers/Lounge & Acoustics Construction 30%; 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 Project Completion Date: August 2013	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$110,458	\$3,751,217	\$ 3,751,217- #26010 Rainy Day Fund
6	The Stephan Sharf Clubhouse Fund Number: 70954 Status: Construction completed, waiting on final invoices Board of Trustees Approved: October 7, 2011 Projected Completion Date: June 2012	Yes	11/4/2011	\$3,500,000	\$3,500,000	\$3,477,055	\$3,500,000	\$ 3,500,000 - The Stephan Sharf Clubhouse Gift
7	CERC Energy Upgrades Fund Number: 70909, 32104 & 39239 Status: Construction 99% Projected Completion Date: September 2012	Yes	6/8/2011	\$500,000	\$1,080,755	\$1,028,720	\$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

Oakland University
Construction Projects Progress Report
 October 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
8	Campus Surveillance Cameras Fund Number: 70870 Status: Construction 99% Projected Completion Date: August 2012	No	\$980,000	\$980,000	\$956,363	\$980,000	\$ 980,000 - #24350 Capital Project Supplement
9	Nicholson Apartment Heating & Cooling Retrofitting Fund Number 70960 Status: Construction 99% Project Completion Date: August 2013	No	\$767,780	\$844,558	\$533,138	\$844,558	\$767,780 - #45489 Residence Halls \$ 76,778 - #45489 Residence Halls
10	OUPD Renovation Phase 2 Fund Number: 70940 Status: Construction 3% Projected Completion Date: April 2013	No	\$795,000	\$795,000	\$62,430	\$795,000	\$ 795,000 - #24350 Capital Project Supplement
11	BRS HTHW Replacement Fund Number: 70447 Status: Engineering Phase Projected Completion Date: September 2013	No	\$750,000	\$750,000	\$0	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
TOTAL PROJECTS IN PROGRESS			\$31,608,297	\$93,837,880	\$71,668,347	\$93,837,880	

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.