

TREASURER'S REPORT

1. **Division and Department:** Finance and Administration, Budget and Financial Planning, Treasury Management, and Facilities Management
2. **General Fund Budget Performance:** Year-to-date Fiscal Year Equated Student (FYES) enrollment is up compared to prior year actual and current year budget. Official Summer FYES exceeded budget by 26, or 3.4%. Official Fall FYES exceeded budget by 279, or 4.1%. Year-to-date expenditures are tracking as expected based on past history.

The State of Michigan's FY2010 budget is not yet fully resolved and will likely remain tenuous throughout the fiscal year as State revenue projections continue to be overly optimistic. Oakland University's (University) October appropriation payment was reduced in accordance with the Conference Report for House Bill 4441. The reduction includes the Governor's recommended 3 percent across-the-board decrease as well as the elimination of the King Chavez Parks allocations. The total annual decrease for these adjustments is \$1,761,500. The Conference report identifies restoration funding for the University from the American Recovery and Reinvestment Act (ARRA) in the amount of \$1,530,100, however, this funding was not included in the University's October appropriation payment, suggesting the actual receipt of this funding may still be questionable. Budget adjustments for the modified tuition rate and enrollment increases are on hold pending finalization of the state budget, ARRA funding and continued monitoring of enrollment levels.

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 through September 30, 2009 and 2008 (Attachment A) is presented in the *Cash and Investments Reports*.

The University's quarterly returns at September 30, 2009 for both Pooled Cash and Endowments were reflective of the investment markets' recovery from the economic problems of the previous year and compare favorably with benchmarks.

The liquidity of both pooled cash and endowment investments remains strong. The University's investments are being managed according to the Board of Trustees' (Board) policies and approvals.

4. **Debt Management:** The *Capital Debt Report, September 30, 2009* (Attachment B) shows the University's outstanding principal, rate of interest, weighted cost of capital, type of debt, annual debt service, maturity and purpose of each debt issuance. As requested, a section has been added to the report with information about the University's two swap arrangements. The Constant Maturity Swap has a positive accounting termination present value and continues to provide a positive monthly cash flow. The Interest Rate Swap has a negative accounting termination present value, but fixes the University's interest rate at

**Treasurer's Report
Oakland University
Board of Trustees
Finance, Audit and Investment Committee
November 4, 2009
Page 2**

3.373% through expiration in 2031, at which time the termination value will be zero. The University's debt is being managed according to the Board's policies and approvals.

5. Construction Projects Progress Report: The *Construction Projects Progress Report, September 30, 2009* (Attachment C) includes budget information, source of funding, forecasted final costs and comments for all ongoing capital projects above \$500,000, as required by Board policy. All projects have been properly approved and are within budget. SmithGroup, the architectural and engineering firm designing the Human Health Building (HHB), will present an update of the design (Attachment D), which was previously presented to the Board's HHB project liaisons, Chair Long and Trustee Pawley.

6. University Reviews/Approvals: The reports 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, September 30, 2009 and 2008
- B. Capital Debt Report, September 30, 2009
- C. Construction Projects Progress Report, September 30, 2009
- D. Oakland University Human Health Building

**Submitted to Vice President for Finance and Administration
and Treasurer John W. Beaghan:**



(Please Initial)

Reviewed by Secretary Victor A. Zambardi:



(Please Initial)

Reviewed by President Gary D. Russi:



(Please Initial)

**Oakland University
Cash and Investments Report
September 30, 2009 and 2008**

	<u>Fair Market Value September 30, 2008</u>	<u>Fair Market Value September 30, 2009</u>	<u>Total Return Month Ending September 30, 2009</u>	<u>Benchmark Month Ending September 30, 2009</u>	<u>Total Return Qtr. Ending September 30, 2009</u>	<u>Benchmark Qtr. Ending September 30, 2009</u>
<u>Pooled Cash</u>						
JP Morgan Equity Funds	\$ 16,208,596	\$ 15,209,495	4.07%	3.91%	18.11%	17.83%
Commonfund High Quality Bonds	58,514,349	67,711,173	1.56%	1.05%	6.70%	3.74%
Overnight Sweep - Money Market	44,593,633	42,399,243	0.01%	0.01%	0.02%	0.03%
Pooled Cash Summary	<u>\$ 119,316,578</u>	<u>\$ 125,319,911</u>	<u>1.34%</u>	<u>1.05%</u>	<u>5.82%</u>	<u>4.19%</u>

<u>Endowment</u>						
UBS:						
Equity Funds	\$ 29,308,641	28,372,348			16.18%	15.61%
Fixed Income Funds	14,902,160	16,286,454			6.52%	3.74%
REIT	2,684,374	2,089,236			31.73%	33.28%
Cash	316	6			0.01%	0.04%
Endowment Pool Summary	<u>\$ 46,895,490</u>	<u>\$ 46,748,044</u>			<u>13.16%</u>	<u>11.96%</u>

Comments:

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

The endowment pool balances are lower than the prior year due to investment losses.

However, pooled cash and endowment liquidity remains excellent and sufficient for future operations.

Benchmarks for Investments are:

For Equities: Russell 1000 Value Index, Russell 1000 Growth, MSCI - EAFE International (Relative Weighted)

For Commonfund High Quality Bonds: Barclays Capital U.S. Aggregate 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 (Relative Weighted), and S & P 500 Index

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), and Barclay's Aggregate

For Endowment REIT & Cash : NAREIT, 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.

**Oakland University
Capital Debt Report
September 30, 2009**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 10 Debt Service</u>	<u>Expires</u>	<u>Purpose</u>
Bonded Indebtedness:						
General Revenue Bonds, Series 1997	\$ 2,355,000	4.850%	Fixed	\$ 1,298,925	2011	Elliott Hall, Admin Comp System, Parking
Variable Rate Demand Bonds, Series 1998	4,600,000	0.600%	Variable	39,100	2023	Sharf Golf Course
General Revenue Refunding Bonds, Series 2004	28,010,000	5.100%	Fixed	2,492,738	2026	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	53,280,000	3.373%	Variable/Hedged	1,797,134	2031	USA, Pawley Hall, OC Expan, Elec Upgrade
Other Capital Debt:						
2005 ESA II Loan	17,203,000	3.785%	Fixed	1,302,687	2027	Energy Services Agreement II
2006 Capital Lease	38,786	3.890%	Fixed	29,027	2010	Golf Mowers
	<u>\$ 105,486,786</u>	<u>3.811%</u>	Weighted Avg	<u>\$ 6,959,611</u>		

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 debt service on bonded debt and one times debt service on other debt each fiscal year. At June 30, 2009, the University recorded \$162,937,000 in qualified General Revenues while the calculated debt service covenant requirement amounted to \$13,851,000. The University exceeds its debt covenant requirement by a multiple of 11.8.

	<u>Counterparty</u>	<u>Notional Amount</u>	<u>Termination Present Value</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:				
Constant Maturity Swap (CMS)	JPMorgan Chase Bank	\$ 34,370,000	\$ 1,887,434	Yield curve swap paying about \$70,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	53,280,000	(5,738,991)	Current low variable rates = High termination costs.

The CMS is performing as expected because the yield curve is relatively normal at this time.

The Interest Rate Swap is stabilizing total interest cost on the 2008 Bonds at less than 4%. Current extremely low variable interest rates (0.45% 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
CONSTRUCTION PROJECTS PROGRESS REPORT
September 30, 2009

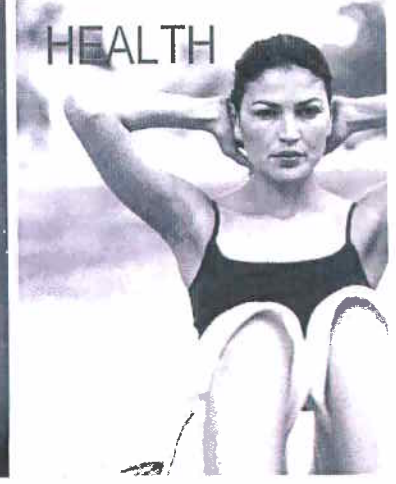
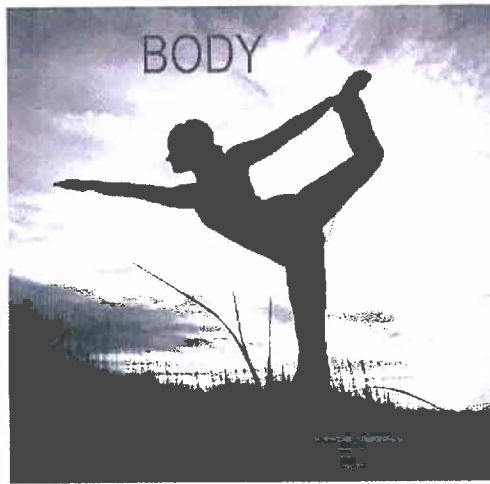
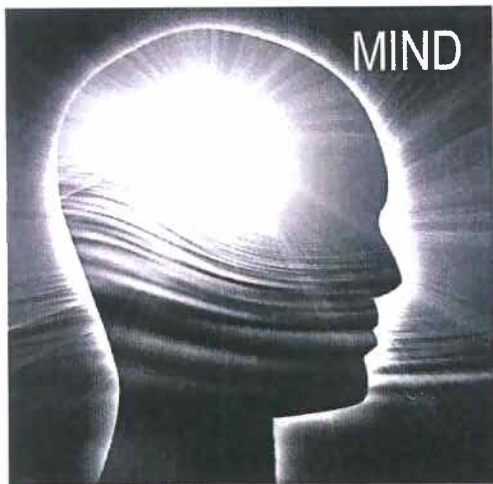
Item	Projects in Progress - over \$500,000	JCOS Approval Required		Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
1	HTHW Trench & Piping Project Fund Number: 70624 Status: Construction is completed; negotiating final invoices to close project Board of Trustees Approved: October 2005 Projected Completion Date: February 2008	Yes	12/1/2005	\$5,800,000	\$5,800,000	\$5,475,329	\$5,800,000	Existing debt service and projected energy savings
2	Human Health Building Fund Number 70786 Status: Design Development Phase Board of Trustees Approved: February 4, 2009 Project Completion Date: December 2012	Notification submitted Sept 2009		\$2,989,150	\$2,989,150	\$370,414	\$2,989,150	\$2,989,150 Capital Outlay and Bond Proceeds
3	Academic Lab Renovation Fund Number 70729 Status: Construction completed, waiting on completion of punch list and final invoices to close project Board of Trustees Approved: April 15, 2008 Project Completion Date: September 2009 Comment: Original budget was preliminary engineering only	Notification required and completed	10/1/2008	\$83,000	\$2,734,994	\$2,551,412	\$2,734,994	\$ 83,000 - #14488 Project Support - \$4.8 M Fund \$1,917,000 - #14488 Project Support - \$4.8 M Fund \$ 734,994 - #24810 Plant Renewal Supplement
4	ODH 2nd Floor SOM Renovation Fund Number 70779 Status: Construction completed in ODH, waiting on completion of punch list and final invoices to close project; Construction 15% in KL Board of Trustees Approved: October 2008 Projected Completion Date: November 2009	Notification required and completed	12/1/2008	\$1,800,000	\$1,800,000	\$1,182,394	\$1,800,000	\$1,800,000 - #30203 OU WBSM Gift Fund
5	KL Technology Center Fund Number: 70752 Status: Construction completed, waiting on completion of punch list and final invoices to close project Board of Trustees Approved: May 2008 Projected Completion Date: August 2009 Comment: Decrease funds because of reduction of scope	Notification required and completed	10/1/2008	\$1,274,057	\$1,189,057	\$1,001,157	\$1,189,057	\$1,274,057 - #14488 Project Support (\$ 85,000) - #14488 Project Support
6	Katke-Cousins Irrigation Fund Number: 70817 Status: Design Engineering Phase Board of Trustees Approved: October 2008 Projected Completion Date: August 2010	Notification required and completed	9/1/2009	\$1,031,020	\$1,031,020	\$0	\$1,031,020	\$1,031,020 - #44256 Katke Cousins G.C. Maintenance Fund

Oakland University
CONSTRUCTION PROJECTS PROGRESS REPORT
September 30, 2009

Item	Projects in Progress - over \$500,000	JCOS Approval Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding
7	NFH & ANI Renovation for Career Services Fund Number: 70740 Status: Construction completed for Anibal, on-hold with NFH until other departments move in 2010 Board of Trustees Approved: May 2008 Projected Completion Date: August 2010	No	\$800,000	\$800,000	\$526,049	\$800,000	\$800,000 - #14488 Project Support
8	DHE Data Center UPS Fund Number: 70754 Status: Construction completed, waiting on completion of punch list and final invoices to close project Board of Trustees Approved: June 2008 Projected Completion Date: July 2009 Comment: Budget increase due to scope change per UTS	No	\$575,000	\$595,000	\$334,289	\$595,000	\$575,000 - #14488 Project Support \$ 20,000 - #19542 UTS Operations
9	Culvert Rpl - Meadow Brook Road Fund Number 70702 Status: Construction completed, waiting on completion of punch list and final invoices to close project Board of Trustees Approved: June 2007 Projected Completion Date: September 2008 Comment: Increase \$210,000 as a result of contractors bids	No	\$360,000	\$570,000	\$561,149	\$570,000	\$360,000 - #24350 Capital Project Supplement Fund \$210,000 - #24350 Capital Project Supplement Fund
10	HAM Elevator Upgrades Fund Number 70685 Status: CLOSED Project Completion Date: December 2009	No	\$400,000	\$500,787	\$450,245	\$450,245	\$400,000 - #45489 Residence Halls Room \$ 38,231 - #45489 Residence Halls Room \$ 62,556 - #45489 Residence Halls Room
TOTAL PROJECTS IN PROGRESS			\$15,112,227	\$18,010,008	\$12,452,438	\$17,959,466	

Notes:

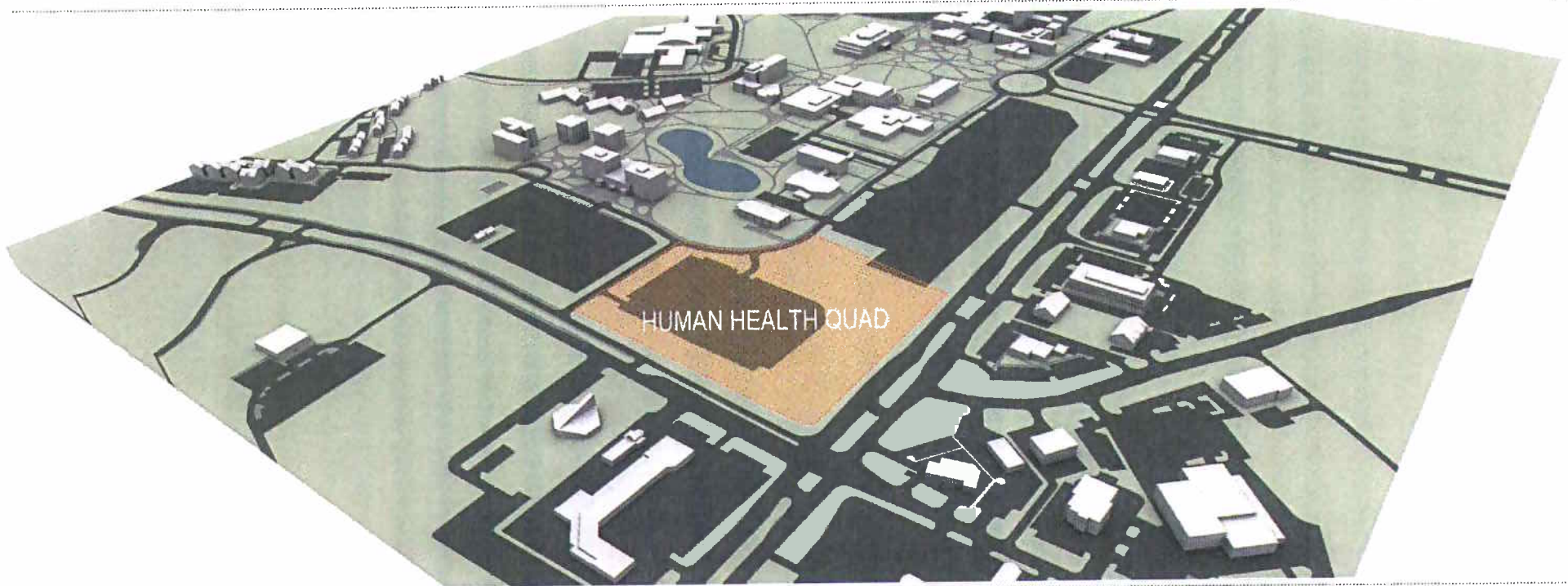
1. Revised Project Budget equals the Original Budget plus all approved changes to the budget.
2. Projects are added to the report when a funding source has been identified and a plant fund is authorized for the project.
3. The project status will be reported as "Completed" when the "actual expenditures 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.



Oakland University

Human Health Building

Corner Site **Walton & Squirrel Roads**



HUMAN HEALTH BUILDING

SMITHGROUP
architecture engineering interiors planning

2009.10.26

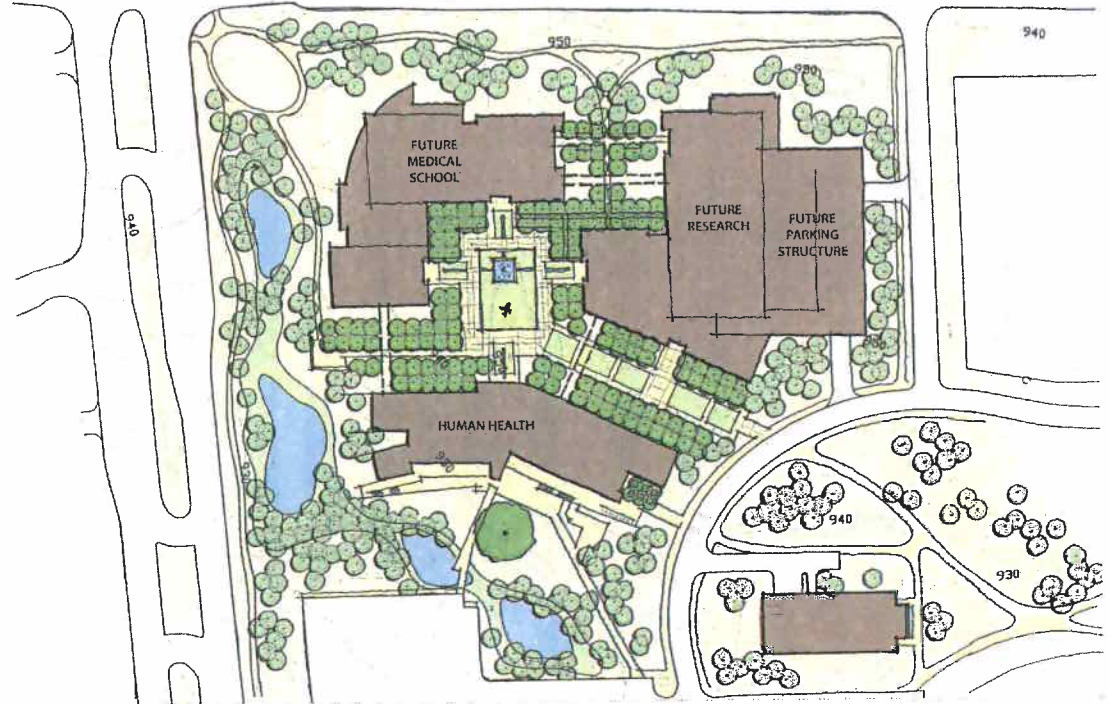
Site Master Plan

Development of a Quad

This plan is about creating a more formal health quad. The three structures create a quad with the School of Medicine Building anchoring the northwest corner. The Human Health Building just north of the wetlands frames the south side of the quad, while the Medical Research Building is located on the eastern edge. Adjacent to the Medical Research Building is a 500 car parking structure.

The major loading dock for the complex is located in the parking structure.

The complex is linked by lower level service tunnel.



HUMAN HEALTH BUILDING

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Site Plan










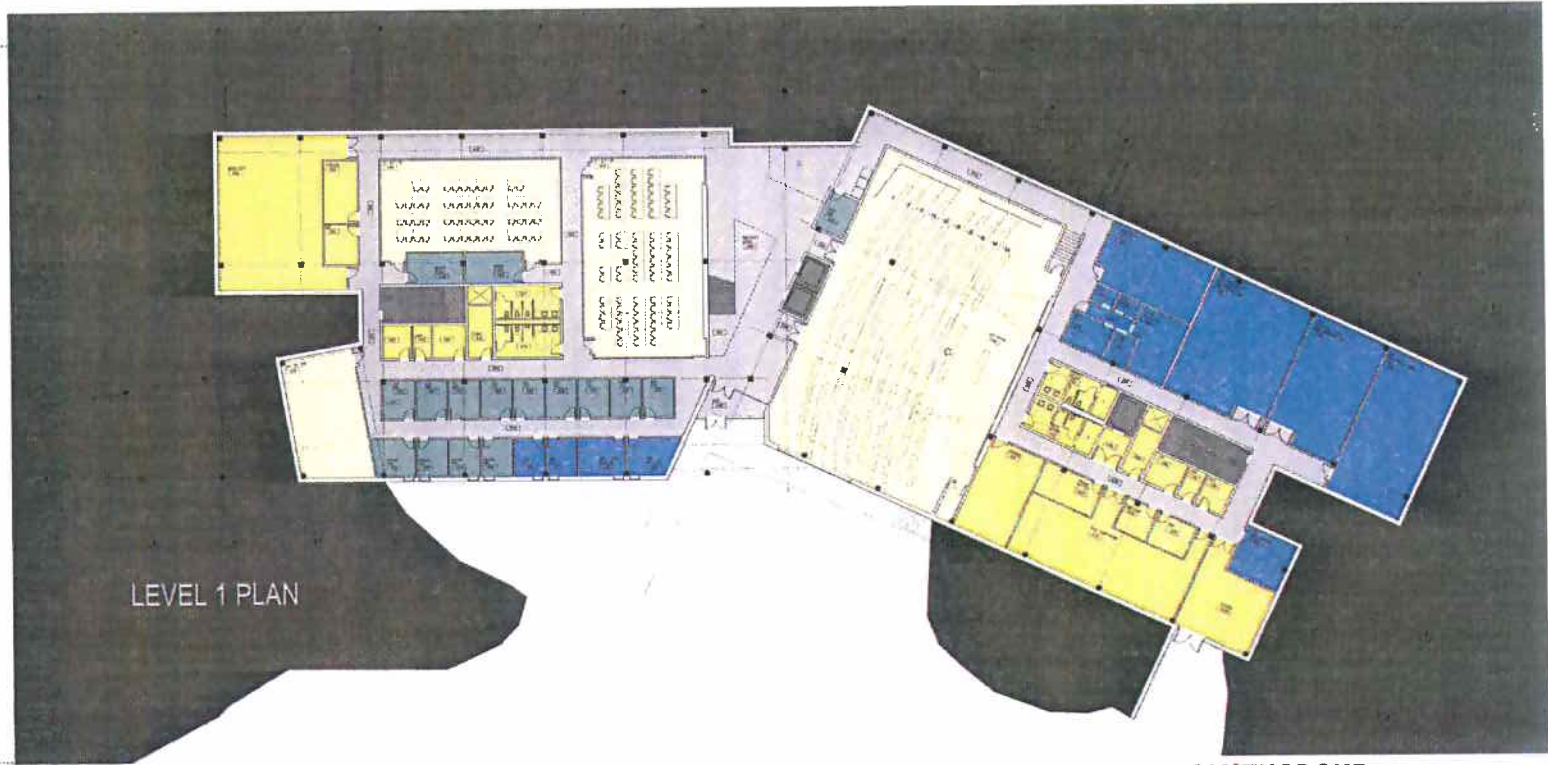
Oakland University HUMAN HEALTH BUILDING

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Building Plans

-  HORIZONTAL CIRCULATION
-  VERTICAL CIRCULATION
-  SCHOOL OF NURSING
-  SCHOOL OF HEALTH SCIENCES
-  SHARED SPACES
-  OAKLAND UNIVERSITY GENERAL USE SPACE
-  SERVICE SPACE



LEVEL 1 PLAN










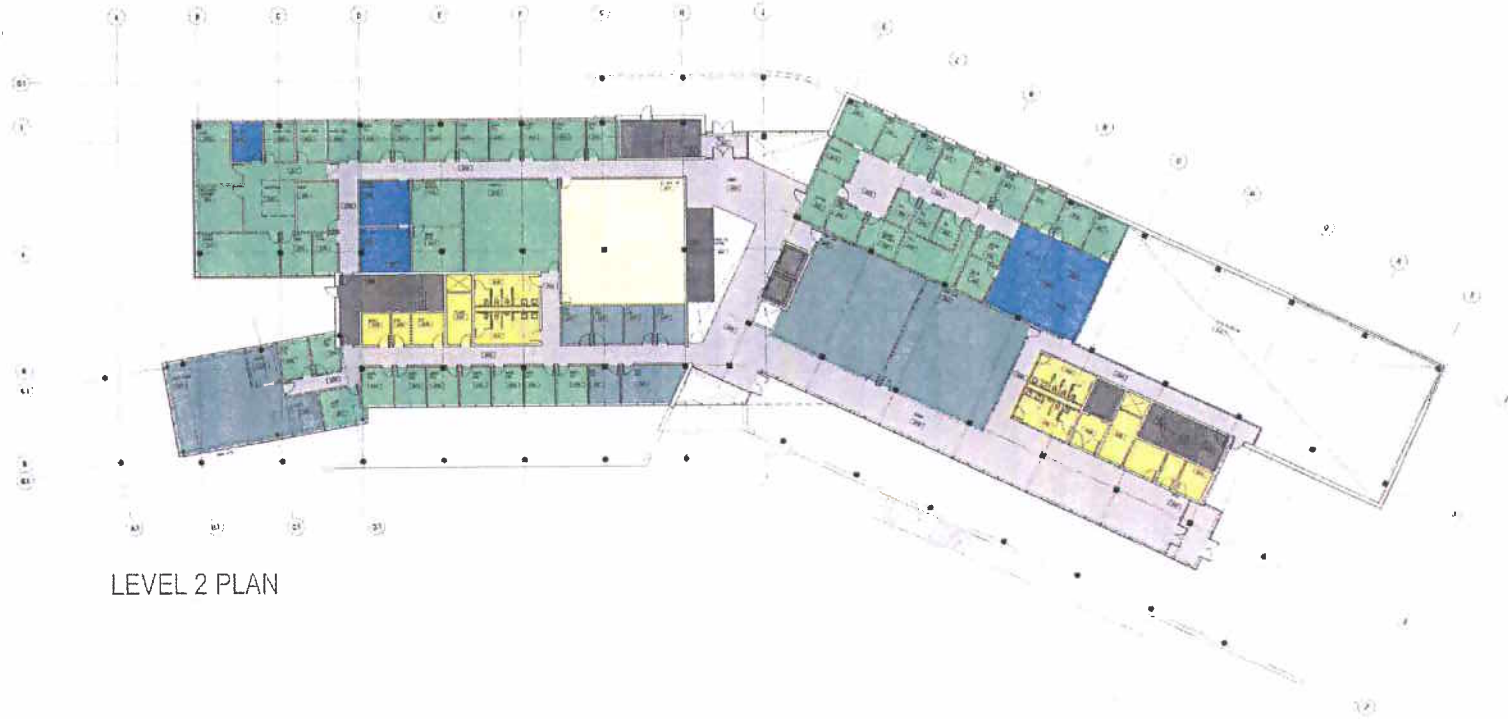
HUMAN HEALTH BUILDING

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Building Plans

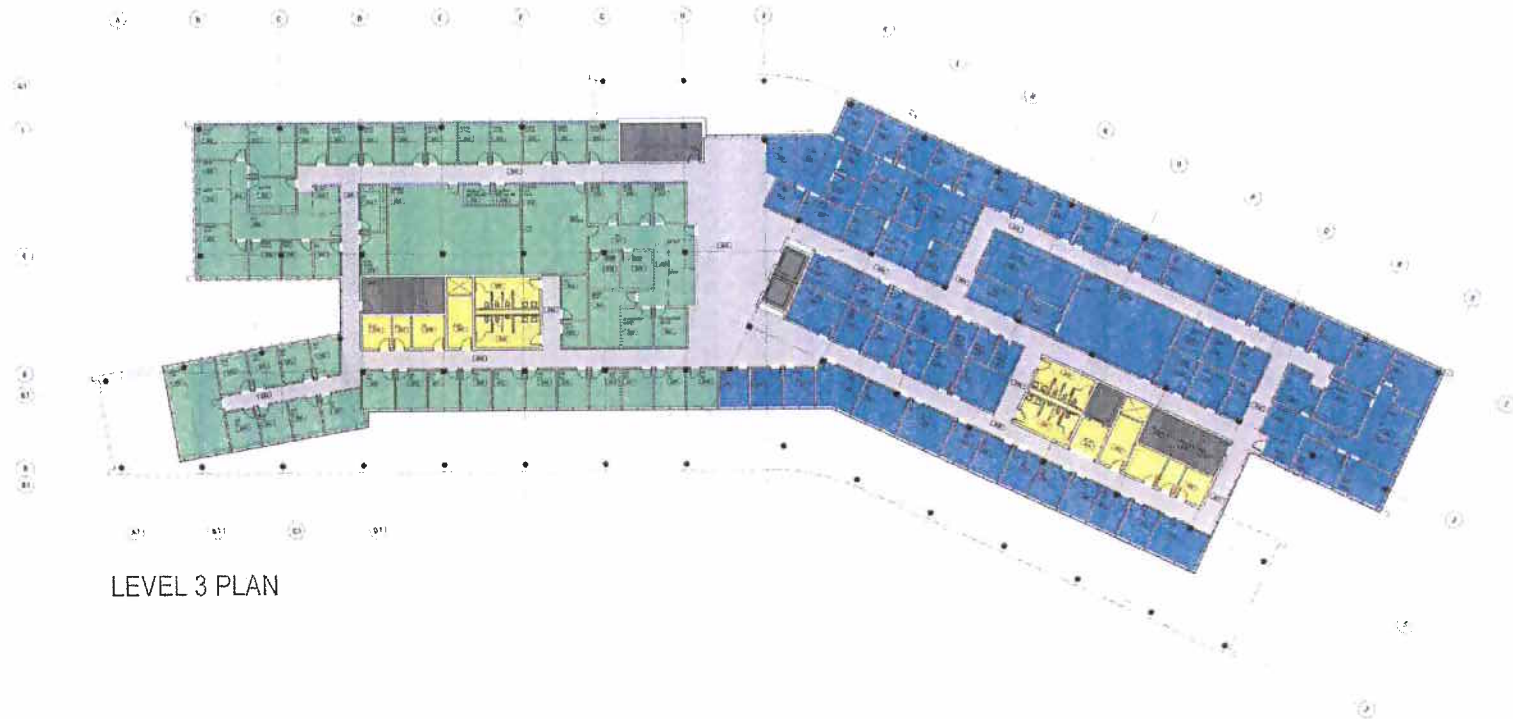
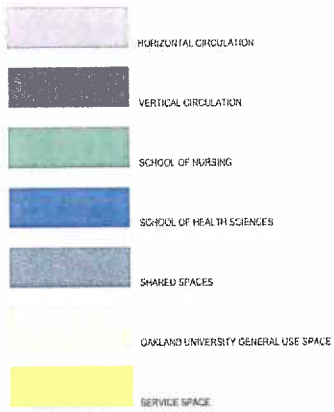
-  HORIZONTAL CIRCULATION
-  VERTICAL CIRCULATION
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-  SCHOOL OF HEALTH SCIENCES
-  SHARED SPACES
-  OAKLAND UNIVERSITY GENERAL USE SPACE
-  SERVICE SPACE



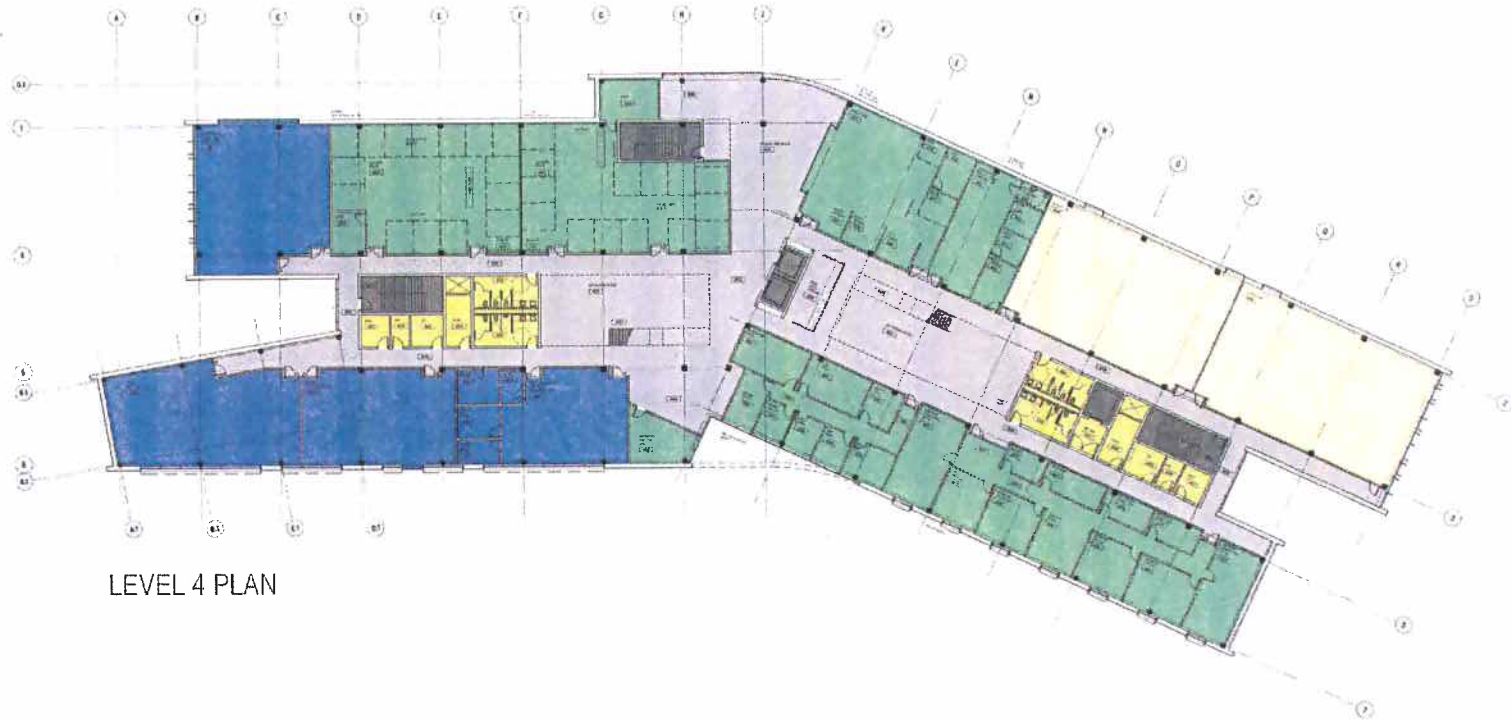
LEVEL 2 PLAN



Building Plans



Building Plans



LEVEL 4 PLAN



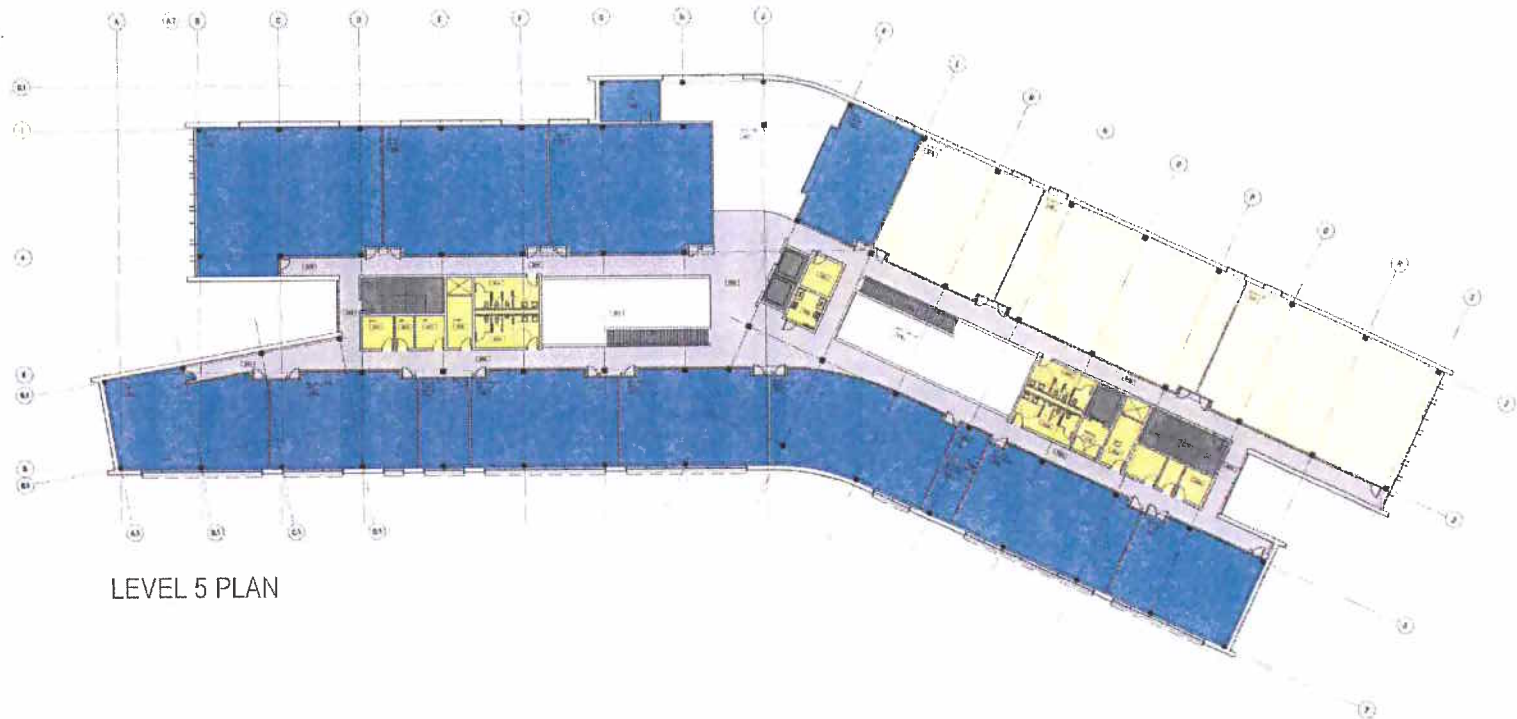
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Building Plans



LEVEL 5 PLAN



HUMAN HEALTH BUILDING

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Material Options - Requirements

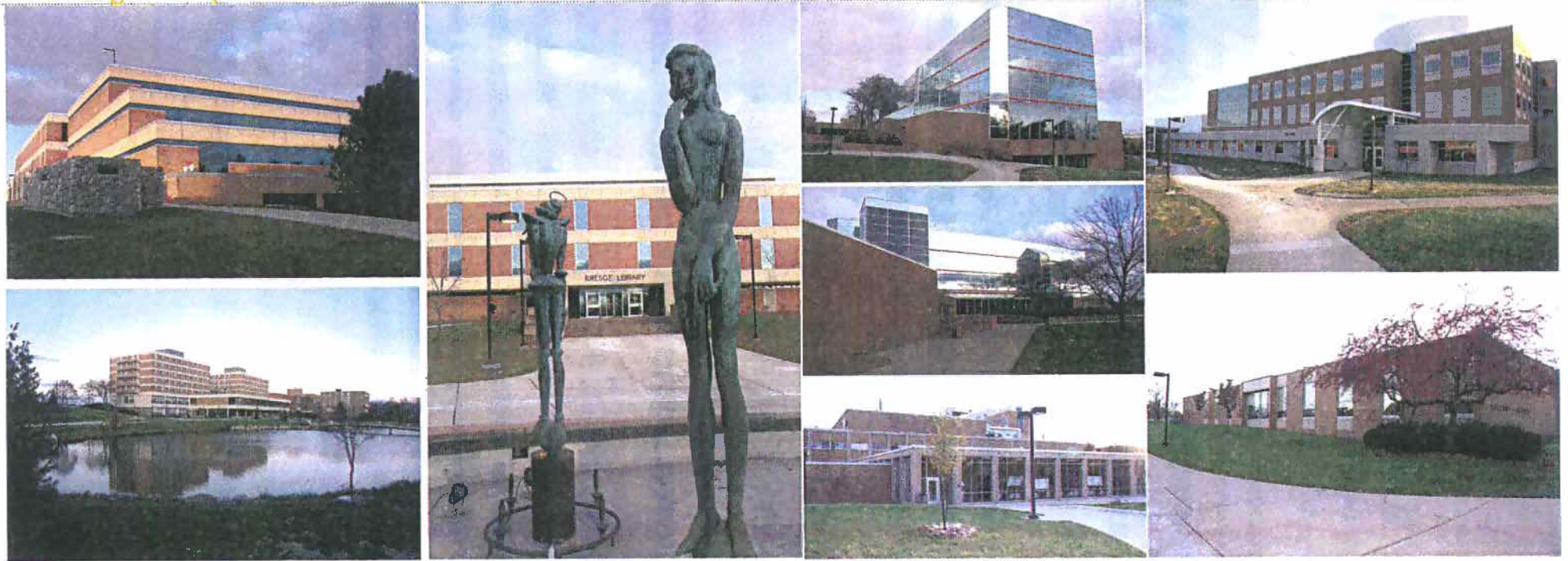
Create desired image of the Human Health Building

Exterior Cladding materials should meet the following requirements:

- Set the tone for the future Health Quad while referencing the existing buildings on campus.
- Durable to the elements as well as impacts.
- Low Maintenance.
- Recycled Materials desired to contribute to LEED Certification
- Contribute to the design of a high performance building envelope.
- Fiscally responsive to the budget for the project.



Existing Campus - Materials



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Existing Campus - Materials



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Building Studies

VIEW
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Building Studies



VIEW



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Building Studies



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Schedule Milestones

Study / Program Analysis / Schematic Design Phases	April – June 2009
State of Michigan DMB Review	July 2009
Design Development Phase	August – November 2009
State of Michigan DMB Review	December 2009
Final Design	December 2009 – April 2010
State of Michigan DMB Review	May 2010
Bid and Award	May 2010
Construction	June 2010 – May 2012
Occupancy	August 2012

