

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. Summer term was down slightly from prior year and budget, while Fall enrollment exceeded both prior year and current year budget. Year-to-date expenditures are tracking as expected based on past history.

The conference report for Senate Bill 1099 (one budget bill for all 15 public universities) was passed by both the House and Senate and signed by the Governor. The Bill appropriates \$52,452,200 to Oakland University (University); a \$519,300 (1%) increase over the final FY08 appropriation. The University's FY09 budget was built conservatively, with an appropriation budget of \$51,932,900. As directed by the Board of Trustees (Board), the one percent increase is being held in reserve until the administration determines there will be no mid-year appropriation reduction. Upon such determination, the excess appropriations received will be used to upgrade classrooms and laboratories. The administration will consult with student body leadership before determining which classrooms and laboratories are to be upgraded.

3. **Investment Performance:** A summary of the results of the University's pooled cash and endowment investment activities through quarter and year ending September 30, 2008 are presented in the *Cash and Investments Report* (Attachment A). During FY08, the University completed a request for proposal process for the management of both the pooled cash and endowment portfolios. New investment managers were approved by the Board followed by a transition of funds to the new managers. Each of the managers is present and will provide comments summarizing the funds under their management and answer your questions.

Longstanding endowment funds have lost market value but remain viable and continue to pay out according to current spending requirements in the Endowment Investment Policy. Newer endowments have similarly lost market value but are now "under water" as the market value is currently below their historic gift values. The newer endowment funds will not pay out the expected amounts (4.5%) to their various purposes until the under water condition is reversed.

Working capital funds (Pooled Cash) have suffered to a lesser degree due to the lower amount of risk involved in these investments. Exposure to equities in this investment pool is currently 13.6% of the total. As a longer-term asset class, it is experiencing a significant loss in market value and is not considered liquid at this point. While the fixed-income portion of the portfolio, 49.0% of the total, is exposed to some risk, it remains relatively liquid experiencing some reduction in market value. The remaining 37.4% of pooled cash is

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invested in a sweep money market fund which has not been reduced in market value this year. As a result, we believe that liquidity is not a current threat to the University. In addition, this asset allocation strategy will allow the University to stay invested in equity and intermediate-fixed investments to take advantage of a market recovery when it occurs.

4. Debt Management: The *Capital Debt Report* (Attachment B) shows the University's outstanding principal, rate of interest, type of debt, maturity and weighted cost of capital as of October 15, 2008. The purpose of each debt issuance is also noted. The University's debt is being managed according to Board approvals. The University has been impacted by the credit crunch this year both in terms of volatile rate structures (interest rates and swap bases) and service provider (bank) stability. At this point, we have reaffirmed our remarketing arrangement with Barclay's Capital (previously Lehman Brothers) and are monitoring the banking industry and credit markets daily.

5. Construction Projects Progress Report: The *Construction Projects Progress Report* (CPPR) through September 30, 2008 is presented in Attachment C. The CPPR includes budget information, source of funding, forecasted final costs and comments for all ongoing capital projects approved by the Board. All projects have been properly approved and are within budget.

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.

7. Attachments:

- A. Cash and Investments Report, September 30, 2008 and 2007
- B. Capital Debt Report, October 15, 2008
- C. Construction Projects Progress Report, September 30, 2008

**Submitted by 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, 2008

	Fair Market Value September 30, 2007	Fair Market Value September 30, 2008	Total Return Qtr. Ending September 30, 2008	Benchmark Qtr. Ending September 30, 2008	Total Return Inception to September 30, 2008	Benchmark Inception to September 30, 2008
<u>Pooled Cash</u>						
Munder Equity	\$ 15,292,155					
JP Morgan Equity Funds		\$ 16,208,596	-9.19%	-9.13%	-19.21%	-20.40%
Munder Bonds	41,393,532					
Commonfund High Quality Bonds	8,000,000	58,514,349	-3.57%	-0.49%	0.06%	3.65%
Overnight Sweep - Money Market	48,868,494	44,593,633	0.59%	0.58%	2.71%	2.14%
Pooled Cash Summary	\$ 113,554,181	\$ 119,316,578	-2.78%	-1.26%	-1.57%	-0.18%
Invested Loan Proceeds	\$ 1,708,117	\$ -				
<u>Endowment</u>						
Commonfund:						
CF Multi-Strategy Equity Fund	\$ 31,272,067					
CF Multi-Strategy Bond Fund	11,981,138					
UBS:						
Equity Funds		\$ 29,308,641	-15.99%	-8.37%	-12.74%	-14.14%
Fixed Income Funds		14,902,160	-3.19%	-0.49%	-4.88%	-1.03%
REIT		2,684,374	3.96%	5.55%	3.18%	-1.61%
Cash		316	0.34%	0.43%	1.19%	1.25%
Endowment Pool Summary	\$ 43,253,205	\$ 46,895,490	-11.26%	-6.01%	-9.55%	-9.62%

Comments:

Pooled cash is greater than the previous year as cash generated from operations (General, Designated, Auxiliary and Expendable Restricted Funds) was conservatively managed (e.g. vacant position management), held in reserves and slowly spent on projects due to uncertainty with the State economic situation and appropriation funding levels.

The increase in the Endowment Pool balance over the previous year is due to gifts of \$3 million, and the addition of the new OPEB (Other Post Employment Benefits) quasi endowment with funding of \$9 million. However the increases to the endowment pool have been offset by the decline in market value of the investment funds and a reduction in investment income.

Benchmarks for Investments are:

For Equities: Russell 1000 Value Index, Russell 1000 Growth, MSCI - EAFE International (Relative Weighted)
For Commonfund High Quality Bonds: Lehman Aggregate Bond Index
For Overnight Sweep - Money Market Fund: Lipper Institutional Money Market Fund Index
For Endowment Equities: The S & P 500 Index
For Endowment Fixed Income: Lehman Aggregate Bond Index
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.

The JP Morgan Equity funds underperformed the benchmarks for the quarter but outperformed the benchmarks since inception.

The Commonfund High Quality Bond fund underperformed the benchmark for the quarter and the inception-to-date benchmark due to portfolio diversification and price volatility in the markets. Pooled cash market investments outperformed the benchmarks for the quarter and exceeded the benchmark for inception-to-date.

The Endowment Equity funds underperformed the benchmark for the quarter but exceeded the benchmark for inception-to-date.

The Endowment Fixed Income funds underperformed the benchmark for the quarter and for inception-to-date due to longer durations and more corporate bonds than the index. The Endowment REIT underperformed the benchmark for the quarter but outperformed the benchmark for inception-to-date.

Oakland University
 Capital Debt Report
 October 15, 2008

	Principal Remaining	Rate of Interest	Interest Type	Expires	Purpose
Bonded Indebtedness:					
General Revenue Bonds, Series 1997	\$ 3,480,000	4.850%	Fixed	2011	Elliott Hall, Admin Comp System, Parking
Variable Rate Demand Bonds, Series 1998	4,600,000	3.450%	Variable	2024	Sharf Golf Course
General Revenue Refunding Bonds, Series 2004	29,045,000	5.100%	Fixed	2026	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	53,280,000	3.373%	Variable/Hedged	2031	USA, Pawley Hall, OC Expan, Elec Upgrade
	<u>90,405,000</u>	<u>3.989%</u>	<u>Weighted Avg</u>		
Other Capital Debt:					
2005 Installment Purchase Agreement	164,443	4.490%	Fixed	2009	Golf Cars
2005 ESA II Loan	17,789,108	3.785%	Fixed	2027	Energy Services Agreement II
2006 Capital Lease	62,027	3.890%	Fixed	2010	Golf Mowers
	<u>18,015,578</u>	<u>3.792%</u>	<u>Weighted Avg</u>		
	<u>\$ 108,420,578</u>	<u>3.956%</u>	<u>Weighted Avg</u>		

* The 2001 General Revenue Bonds were refunded by the 2008 General Revenue Refunding Bonds in June 2008.

Oakland University
CONSTRUCTION PROJECTS PROGRESS REPORT
 September 30, 2008

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
University Student Housing Fund Number 70514, 70608, 70609, 70638 Status: Construction Completed, working on punch list, anticipate closing out in October 2008 Board of Trustees Approved: March 2000 Projected Completion Date: July 2008	Yes	\$21,000,000	\$21,000,000	\$20,972,088	\$21,000,000	2001 Bond Issue
Meadow Brook Hall Repairs/Renovation Project / MBH Tent & Outbuilding Fund Number 70589, 70590 Status: Construction completed - the completion of the carpet work and close-out will be complete by October 2008 Board of Trustees Approved: June 2004 Projected Completion Date: May 2008 Comment: MBH Tent and Outbuilding work canceled \$1.4M Comment: Increase \$55,268 due to additional grants for gutter & arbors	Yes	\$8,400,000	\$7,055,268	\$6,954,600	\$7,055,268	\$7.0M - Matilda R. Wilson Fund Charitable Trust \$24,000 - Motor Cities Nat'l Heritage Grant \$31,268 - MBH Reserve Fund
HTHW Trench & Piping Project Fund Number: 70624 Status: Performing commissioning of mechanical systems work to be completed in January 2009 Board of Trustees Approved: October 2005 Projected Completion Date: February 2008	Yes	\$5,800,000	\$5,800,000	\$5,409,672	\$5,800,000	Existing debt service and projected energy savings
Academic Lab Renovation Fund Number 70729 Status: Construction 25% Board of Trustees Approved: April 15, 2008 Project Completion Date: September 2009 Comment: Original budget was preliminary engineering only	Notification required and completed	\$83,000	\$2,000,000	\$108,225	\$2,000,000	\$ 83,000 - #14488 Instructional Labs - \$4.8 M Fund \$1,917,000 - #14488 Instructional Labs - \$4.8 M Fund
KL Technology Center Fund Number: 70752 Status: Engineering Phase Board of Trustees Approved: May 2008 Projected Completion Date: August 2009 Comment: Decrease funds because of reduction of scope	Notification required and completed	\$1,274,057	\$1,189,057	\$14,168	\$1,189,057	\$1,274,057 - #14488 Year End Funds (\$ 85,000) - #14488 Year End Funds
South Foundation Hall Second Floor Classroom Improvements Fund Number 70640 Status: To be Closed in November 2008 Board of Trustees Approved: March 2006 Projected Completion Date: February 2008 Comments: Decrease due to reduction in scope, funding returned to funding source \$43,688	No	\$865,000	\$821,312	\$739,109	\$821,312	\$844,800 - #14488 Year End Funds \$ 20,200 - #12147 University Technology Fund (\$43,688) - returned to #14488 Year End Funds

Oakland University
CONSTRUCTION PROJECTS PROGRESS REPORT
 September 30, 2008

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
P-3 Parking Lot Refurbishing & Expansion Fund Number: 70653 Status: Construction complete, waiting on final invoicing Board of Trustees Approved: November 2006 Projected Completion Date: February 2008 Comment: Original budget was preliminary engineering only	No	\$43,500	\$800,000	\$731,998	\$800,000	\$800,000 - #24349 Parking Improvement Reserve
NFH & AMI Renovation for Career Services Fund Number: 70740 Status: Design & Engineering Phase Board of Trustees Approved: May 2008 Projected Completion Date: October 2009	No	\$800,000	\$800,000	\$15,545	\$800,000	\$800,000 - #14488 '08YE Fund
DHE Data Center UPS Fund Number: 70754 Status: Bid/Award Phase Board of Trustees Approved: June 2008 Projected Completion Date: February 2009 Comment: Budget increase due to scope change per UTS	No	\$575,000	\$595,000	\$3,960	\$595,000	\$575,000 - #14488 '08YE Fund \$ 20,000 - #19542 UTS Operations
Culvert Rpl - Meadow Brook Road Fund Number 70702 Status: Construction Completed, working on punch list, anticipate closing out in December 2008 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	\$413,524	\$570,000	\$360,000 - #24350 Capital Project Supplement Fund \$210,000 - #24350 Capital Project Supplement Fund
Back-Up Generator - Phase II Fund Number 70664 Status: Construction Completed, working on punch list and closing out project, billing to be corrected this month. Board of Trustees Approved: November 2006 Project Completion Date: February 2008 Comment: Total approved occurred in 2007 with funding from two separate years 2007 and 2008	No	\$500,000	\$500,000	\$500,887	\$500,000	\$430,000 - #24810 Plant Renewal Fund '07 \$ 70,000 - #24810 Plant Renewal Fund '08
Automotive Antenna Instrumentation Fund Number 70645, 34573 Status: Construction Completed, working on punch list, anticipate closing out in December 2008 Board of Trustees Approved: June 2006 Projected Completion Date: May 2008	No	\$620,000	\$620,000	\$574,761	\$620,000	\$220,000 - #21758 School of Engineering Special Research Support \$400,000 - National Science Foundation Grant

Oakland University
CONSTRUCTION PROJECTS PROGRESS REPORT
 September 30, 2008

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
Concrete Repairs to Utility Tunnel Fund Number 70700 Status: Construction Completed, working on punch list, anticipate closing out in November 2008 Board of Trustees Approved: June 2007 Projected Completion Date: March 2008	No	\$360,000	\$360,000	\$274,484	\$360,000	\$360,000 - #24810 Plant Renewal Fund
TOTAL PROJECTS IN PROGRESS		\$40,680,557	\$42,110,637	\$36,713,022	\$42,110,637	

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.