

## TREASURER'S REPORT

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

2. **General Fund Budget Performance:** Oakland University's (University) FY2009 enrollment for Summer, Fall and Winter semesters is up slightly over budget, with undergraduate enrollment exceeding projected levels and graduate enrollment falling short. Year-to-date appropriation payments have included the expected pro-rata share of the FY2009 increase (one percent) from the State budget bill. Overall General Fund expenditures are within budget with no deficits or major spending variances in any division or unit. The *General Fund Budget Performance Summary, February 28, 2009 and 2008* (Attachment A) summarizes this information.

State of Michigan revenues are not keeping pace with projections; additional shortfalls are expected this fiscal year. The State is scheduled to update its revenue estimates in May. A mid-year reduction of some type appears likely. The Governor's proposed FY2010 budget calls for a 3.4% (\$1,761,500) reduction to the University's appropriation base. Allocations and restrictions on one-time federal stimulus funding are still unclear. Budget discussions are being closely monitored in Lansing on a daily basis.

3. **Investment Performance:** A summary of the results of the University's pooled cash and endowment investment activities through the month ending February 28, 2009 is presented in the *Cash and Investments Report* (Attachment B).

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 and are now "under water" as the market value is currently below their historic gift values. As of 12/31/08, there were 93 under water endowments, valued at \$8,287,036. The liquidity of the endowment investments remains strong.

Pooled cash has suffered investment losses to a lesser degree due to the lower amount of risk involved in the strategic asset allocation of these investments. Equities in pooled cash currently comprise approximately 8% of the portfolio. As a longer-term asset class, the equities are experiencing a significant loss in market value. While the fixed-income portion of the portfolio, approximately 47% of the total, is exposed to some risk, it remains liquid and has experienced a lesser reduction in market value. The remaining 45% of pooled cash is invested in a sweep money market fund which has not lost market value this year. Liquidity is not a current threat to the University's investment portfolio. In addition, this pooled cash asset allocation strategy allows the University to stay invested in equities and intermediate-fixed investments to take advantage of a market recovery when it occurs.

In periodic briefings with the University's investment advisors, including March 12, 2009 with Board of Trustees (Board) Leadership, the advisors have reconfirmed their recommendation that the current strategic asset allocations and investment managers conform to University investment policies and remain appropriate in the circumstances.

Treasurer's Report  
Oakland University  
Board of Trustees Formal Session  
April 1, 2009  
Page 2

4. **Debt Management:** The *Capital Debt Report* (Attachment C) shows the University's outstanding principal, rate of interest, and weighted average cost of capital as of February 28, 2009, and type of debt, maturity, and annual debt service for FY2009. The purpose of each debt issuance is also noted. The University's debt is being managed according to Board approvals, with debt covenant requirements comfortably exceeded. Interest rates have been volatile resulting in very low rates on the 1998 Bonds and slightly higher than expected rates on the 2008 Bonds. The remaining debt is fixed-rate and is not impacted by the volatile interest rate environment. The banking industry and credit markets are being monitored daily by the University's Treasury Management Department.

5. **Construction Projects Progress Report:** The *Construction Projects Progress Report* (CPPR) through February 28, 2009 (Attachment D) includes budget information, source of funding, forecasted final costs and comments for all ongoing capital projects above \$500,000 or previously 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 and Treasurer to the Board of Trustees and President.

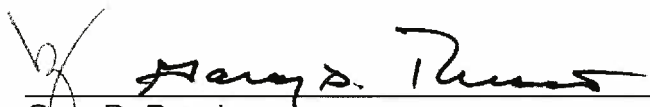
7. **Attachments:**

- A. General Fund Budget Performance Summary, February 28, 2009 and 2008
- B. Cash and Investments Report, February 28, 2009 and 2008
- C. Capital Debt Report, February 28, 2009
- D. Construction Projects Progress Report, February 28, 2009

Submitted to the President  
on 3/24, 2009 by

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

Recommended on 3/25, 2009  
To the Board for Approval by

  
\_\_\_\_\_  
Gary D. Russi  
President

**Oakland University**  
**General Fund Budget Performance Summary**  
**February 28, 2009 and 2008**

	FY 2009			FY 2008		
	Budget	YTD Actual	% of Budget	Budget	YTD Actual	% of Budget
<b>Revenue:</b>						
State Appropriations	\$ 51,932,900	\$ 23,841,910	45.9%	\$ 46,613,614	\$ 28,370,786	60.9%
Tuition and Financial Aid	120,905,169	109,688,676	90.7%	115,624,526	102,365,376	88.5%
Other	5,403,303	4,377,345	81.0%	7,179,896	6,179,839	86.1%
<b>Total Revenue</b>	<b>\$ 178,241,372</b>	<b>\$ 137,907,931</b>	<b>77.4%</b>	<b>\$ 169,418,036</b>	<b>\$ 136,916,001</b>	<b>80.8%</b>
<b>Expenses:</b>						
Academic Affairs	\$ 111,374,643	\$ 74,137,374	66.6%	\$ 105,864,468	\$ 70,624,400	66.7%
All Other Divisions	66,866,729	37,672,070	56.3%	63,553,568	37,768,979	59.4%
<b>Total Expenses</b>	<b>\$ 178,241,372</b>	<b>\$ 111,809,445</b>	<b>62.7%</b>	<b>\$ 169,418,036</b>	<b>\$ 108,393,379</b>	<b>64.0%</b>
<b>Excess of Revenue over Expenditures</b>	<b>\$ -</b>	<b>\$ 26,098,486</b>		<b>\$ -</b>	<b>\$ 28,522,622</b>	

**Oakland University  
Cash and Investments Report  
February 28, 2009**

	<u>Fair Market Value February 28, 2008</u>	<u>Fair Market Value February 28, 2009</u>	<u>Total Return Month Ending February 28, 2009</u>	<u>Benchmark Month Ending February 28, 2009</u>	<u>Total Return Qtr. Ending December 31, 2008</u>	<u>Benchmark Qtr. Ending December 31, 2008</u>
<b><u>Pooled Cash</u></b>						
Munder Equity	\$ 9	\$ -				
JP Morgan Equity Funds	18,572,364	10,149,971	-11.24%	-11.98%	-21.92%	-21.93%
Equities Total	<u>\$ 18,572,373</u>	<u>\$ 10,149,971</u>				
Munder Bonds	17,758	-				
Commonfund High Quality Bonds	61,585,465	58,421,350	-1.24%	-0.38%	0.34%	4.58%
Overnight Sweep - Money Market	59,133,506	56,802,845	0.06%	0.05%	0.43%	0.46%
Pooled Cash Summary	<u>\$ 139,309,102</u>	<u>\$ 125,374,166</u>	<u>-1.46%</u>	<u>-1.12%</u>	<u>-1.77%</u>	<u>0.14%</u>
<b><u>Endowment</u></b>						
Commonfund:						
UBS:						
Equity Funds	\$ 28,442,197	\$ 19,227,660			-22.58%	-21.94%
Fixed Income Funds	10,721,693	14,385,063			2.18%	4.58%
REIT	2,115,001	1,175,787			-35.89%	-38.80%
Cash	2,279,226	121			0.25%	0.25%
Endowment Pool Summary	<u>\$ 43,558,117</u>	<u>\$ 34,788,631</u>			<u>-16.34%</u>	<u>-11.73%</u>

**Comments:**

The Pooled cash and the endowment pool balances are lower than the prior year due to unrealized investment losses. However, pooled cash 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)

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 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.

Pooled cash equity funds outperformed the benchmarks for the month and quarter.

Pooled cash bonds underperformed the benchmark for the month and quarter due to a significant allocation to corporate debt compared with the Barclay's Aggregate inclusion of a significant amount of treasuries and agencies.

Pooled cash money market investments matched the benchmarks for the month and quarter.

Endowment equity investments lagged their benchmarks for the quarter but exceeded their benchmarks for the 2008 calendar year.

Endowment bonds lagged their benchmarks for the quarter due to a significant allocation to corporate debt compared with the Barclay's Aggregate inclusion of a significant amount of treasuries and agencies.

Endowment real estate investments have matched their benchmarks for the quarter.

**Oakland University  
Capital Debt Report  
February 28, 2009**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 09 Debt Service</u>	<u>Expires</u>	<u>Purpose</u>
<b>Bonded Indebtedness:</b>						
General Revenue Bonds, Series 1997	\$ 3,480,000	4.850%	Fixed	\$ 1,300,050	2011	Elliott Hall, Admin Comp System, Parking
Variable Rate Demand Bonds, Series 1998	4,600,000	0.720%	Variable	74,520	2024	Sharf Golf Course
General Revenue Refunding Bonds, Series 2004	29,045,000	5.100%	Fixed	2,494,488	2026	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	53,280,000	3.373%	Variable/Hedged	1,992,988	2031	USA, Pawley Hall, OC Expan, Elec Upgrade
<b>Other Capital Debt:</b>						
2005 Installment Purchase Agreement	164,443	4.490%	Fixed	76,219	2009	Golf Cars
2005 ESA II Loan	17,525,211	3.785%	Fixed	1,302,687	2027	Energy Services Agreement II
2006 Capital Lease	52,821	3.890%	Fixed	29,027	2010	Golf Mowers
	<u>\$ 108,147,475</u>	<u>3.840%</u>	Weighted Avg	<u>\$ 7,269,979</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, 2008, the University recorded \$155,271,000 in qualified General Revenues while the calculated debt service covenant requirement amounted to \$14,362,192. The University exceeds its debt covenant requirement by a multiple of ten.

**Oakland University**  
**CONSTRUCTION PROJECTS PROGRESS REPORT**  
February 28, 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	<b>HTHW Trench &amp; Piping Project</b> Fund Number: 70624 Status: Waiting on final invoices to close project, anticipate closing in March 2009 Board of Trustees Approved: October 2005 Projected Completion Date: February 2008	Yes	12/1/2005	\$5,800,000	\$5,800,000	\$5,429,383	\$5,800,000	Existing debt service and projected energy savings
2	<b>Human Health Building</b> Fund Number 70786 Status: Design Phase Board of Trustees Approved: February 4, 2009 Project Completion Date: December 2012	Yes	Pending Completon of Phase I Documents	\$2,989,150	\$2,989,150	\$0	\$0	\$2,989,150 - Bond Proceeds and/or Gifts
3	<b>Academic Lab Renovation</b> Fund Number 70729 Status: Construction 66% 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	\$1,412,814	\$2,734,994	\$ 83,000 - #14488 Instructional Labs - \$4.8 M Fund \$1,917,000 - #14488 Instructional Labs - \$4.8 M Fund \$ 734,994 - #24810 Plant Renewal Supplement
4	<b>ODH 2nd Floor SOM Renovation</b> Fund Number 70779 Status: Construction to start in March 2009 Board of Trustees Approved: November 2008 Projected Completion Date: May 2009	Notification required and completed	12/1/2008	\$1,800,000	\$1,800,000	\$23,805	\$1,800,000	\$1,800,000 - #30203 OU WBSM Gift Fund
5	<b>KL Technology Center</b> Fund Number: 70752 Status: Bidding phase 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	\$235,568	\$1,189,057	\$1,274,057 - FY08 Excess Appropriations, One-Time Board Approved Special Projects (\$ 85,000) - FY08 Excess Appropriations, One-Time Board Approved Special Projects
6	<b>South Foundation Hall Second Floor Classroom Improvements</b> Fund Number 70640 Status: Construction complete, waiting on final invoicing, and anticipate closing in March 2009 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		\$665,000	\$821,312	\$739,109	\$821,312	\$844,800 - One-Time State Appropriation Rebate FY05, Received in FY06 \$ 20,200 - #12147 University Technology Fund (\$43,688) - returned to #14488

**Oakland University**  
**CONSTRUCTION PROJECTS PROGRESS REPORT**  
February 28, 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	<b>NFH &amp; ANI Renovation for Career Services</b> Fund Number: 70740 Status: Construction 5% completed Board of Trustees Approved: May 2008 Projected Completion Date: August 2010	No	\$800,000	\$800,000	\$68,782	\$800,000	\$800,000 - 2007 Delayed Appropriation Payment Approved by BOT April 2008
8	<b>DHE Data Center UPS</b> Fund Number: 70754 Status: Construction 5% completed Board of Trustees Approved: June 2008 Projected Completion Date: April 2009 Comment: Budget increase due to scope change per UTS	No	\$575,000	\$595,000	\$34,965	\$595,000	\$575,000 - FY08 Excess Appropriations, One-Time Board Approved Special Projects \$ 20,000 - #19542 UTS Operations
9	<b>Culvert Rpl - Meadow Brook Road</b> Fund Number 70702 Status: Construction Completed, working on punch list, anticipate closing out in May 2009. 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	\$421,408	\$570,000	\$360,000 - #24350 Capital Project Supplement Fund \$210,000 - #24350 Capital Project Supplement Fund
10	<b>Automotive Antenna Instrumentation</b> Fund Number 70645, 34573 Status: CLOSED Board of Trustees Approved: June 2006 Projected Completion Date: May 2008	No	\$620,000	\$620,000	\$620,000	\$620,000	\$220,000 - #21758 School of Engineering Special Research Support \$400,000 - National Science Foundation Grant
11	<b>Concrete Repairs to Utility Tunnel</b> Fund Number 70700 Status: Construction completed, under review by accounting to close Board of Trustees Approved: June 2007 Projected Completion Date: March 2008	No	\$360,000	\$360,000	\$345,047	\$360,000	\$360,000 - #24810 Plant Renewal Fund
<b>TOTAL PROJECTS IN PROGRESS</b>			\$15,526,207	\$18,279,513	\$9,330,881	\$15,290,363	

**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.