

**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) final FY2013 enrollment exceeded projections by .6%. Monthly State appropriation payments exceeded budget by the Performance and Tuition Restraint funding amount of \$1,819,100, which was utilized to support student financial aid. General Fund expenditures tracked consistent with budget throughout the year, with no major spending variances in any division or unit.

FY2014 state appropriation funding was approved by the Governor via Public Act 60 of 2013. The University is scheduled to receive a performance funding appropriation increase of \$670,700, which equates to a 1.5% increase over FY2013 funding.

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, June 30, 2013 and 2012* (Attachment A).

Pooled cash, working capital, returns for the quarter and year ending June 30, 2013 tracked consistent with benchmarks, with positive returns across all investment categories.

The University has recently issued a Request for Information (RFI) to begin the process of selecting a working capital investment advisor with a recommendation to be presented to the Board of Trustees at a future meeting.

The University's endowment portfolio experienced positive returns for the fiscal year ending June 30, 2013, growing by over \$6 million compared to the prior year. Overall endowment performance, although strong, experienced under-performance compared to their benchmarks in some specific asset classes. Benchmark thresholds are generally more difficult to achieve during sustained periods of market volatility where larger performance swings in investment returns are common. Regardless of the market environment, the University's investment managers continue to adhere to the long-term investment strategy that focuses on outperforming identified benchmarks over time.

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.

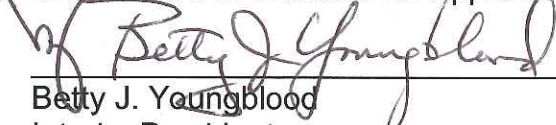
**Treasurer's Report  
Oakland University  
Board of Trustees Formal Session  
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4. **Debt Management:** The *Capital Debt Report, June 30, 2013* (Attachment B) shows the University's outstanding principal, rate of interest, weighted average cost of capital, type of debt, annual debt service, maturity, and purpose of each debt issuance, and information about the University's two swap arrangements. The University's debt is being managed according to the Board's policies and approvals.
5. **Construction Report:** The *Construction Report, June 30, 2013* (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 Interim President.
7. **Attachments:**
- A. Cash and Investments Report, June 30, 2013 and 2012
  - B. Capital Debt Report, June 30, 2013
  - C. Construction Report, June 30, 2013

Submitted to the President  
on 8/7, 2013 by

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

Recommended on Aug. 8, 2013  
to the Board of Trustees for Approval

  
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Betty J. Youngblood  
Interim President



**Oakland University**  
**Cash and Investments Report**  
**June 30, 2013 and 2012**

	<b>Fair Market Value June 30, 2012</b>	<b>Fair Market Value June 30, 2013</b>	<b>Strategic Allocation June 30, 2013</b>	<b>Total Return Qtr. Ending June 30, 2013</b>	<b>Benchmark Qtr. Ending June 30, 2013</b>	<b>Total Return Fiscal Year Ending June 30, 2013</b>	<b>Benchmark Fiscal Year Ending June 30, 2013</b>
<b><u>Pooled Cash</u></b>							
Equity Funds	\$ 34,124,880	\$ 43,569,142	25.70%	3.36%	2.42%	20.38%	23.10%
Commonfund High Quality Bonds	44,772,910	35,378,035	20.87%	-2.14%	-2.32%	1.74%	-0.69%
JP Morgan S-T Bond Fund	41,340,227	26,855,052	15.84%	-0.18%	-0.12%	1.19%	0.74%
Overnight Sweep - Money Market	33,528,577	63,697,068	37.58%	0.00%	0.02%	0.02%	0.04%
Pooled Cash Summary	<u>\$ 153,766,594</u>	<u>\$ 169,499,297</u>	<u>100.00%</u>				

<b><u>Endowment</u></b>							
UBS:							
Equity Funds	\$ 32,510,634	\$ 37,650,598	61.11%	0.60%	1.19%	15.18%	15.59%
Fixed Income Funds	16,322,534	16,273,078	26.41%	-3.14%	-3.64%	1.21%	-1.00%
Hedge Funds	4,018,666	4,115,720	6.68%	0.85%	-0.18%	2.42%	5.74%
Real Assets	2,481,597	3,116,508	5.06%	-6.18%	-3.86%	2.85%	7.75%
Private Equity	217,290	452,484	0.73%	5.52%	*	7.53%	*
Cash	30	26	0.00%	0.04%	0.02%	0.10%	0.08%
Endowment Pool Summary	<u>\$ 55,550,751</u>	<u>\$ 61,608,413</u>	<u>100.00%</u>				

**Comments:**

The pooled cash is greater than the previous year due to investment returns and unspent project funds.

The endowment pool balances are higher than the prior year primarily due to increases in market values and contributions to the University.

**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 for specific periods of time.

\*Private Equity commitment is \$1 million. Private Equity performance is not benchmarked.

**Oakland University  
Capital Debt Report  
June 30, 2013**

	Principal Remaining	Rate of Interest	Interest Type	FY 14 Debt Service	Expires	Bond Rating	Purpose	Underwriter
<b>Bonded Indebtedness:</b>								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.070%	Variable	\$ 6,992	2023	-	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2004	1,320,000	5.189%	Fixed	1,386,000	2014	Aaa	Sports, Recreation and Athletics Center	Lehman
General Revenue Refunding Bonds, Series 2008	50,675,000	3.373%	Variable/Hedged	3,034,640	2031	Aa3	USA, Pawley Hall, OC Expan, Elec Upgrade	Lehman
General Revenue Bonds, Series 2009 - BABs	31,545,000	4.427%	Fixed	2,795,719	2039	A2	HHB, Infrastructure Projects	Bank of Montreal
General Revenue Bonds, Series 2012	44,155,000 *	4.075%	Fixed	-	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	57,860,000 **	4.028%	Fixed	1,992,940	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	23,290,000	2.995%	Fixed	921,265	2026	A1	Sports, Recreation and Athletics Center	5/3rd and BOAML
<b>Other Capital Debt:</b>								
2005 ESA II Loan	14,519,639	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	439,825	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	152,597	1.980%	Fixed	44,149	2017		Golf Equipment	
	<u>\$ 228,557,061</u>	<u>3.748% ***</u>		<u>\$ 11,572,626</u>				

\* The 2012 Bonds were issued with an original issue premium of \$4,970,975, resulting in total bond proceeds of \$49,125,795.

\*\*The 2013A Bonds were issued with an original issue premium of \$7,141,047, resulting in total bond proceeds of \$65,001,047.

\*\*\* Weighted Average Cost of Capital

**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, 2013, the University recorded \$239,006,944 (unaudited) in qualified General Revenues while the calculated debt service covenant requirement amounted to \$19,837,481. The University exceeds its debt covenant requirements by a multiple of 12.05.

	Counterparty	Notional Amount	Termination Present Value	Counterparty Rating	Purpose/Comment
<b>Debt-Based Derivatives:</b>					
Constant Maturity Swap (CMS)	JPMorgan Chase Bank	\$ 34,370,000	\$ 3,167,142	Aa3	Yield curve swap paying about \$38,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	50,675,000	(7,481,577)	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 (0.13% 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.

**Bond Ratings:**

Series 2004, Aaa based on the rating of the insurance provided at the time of issuance by Ambac Insurance.

Series 2008, Aa3 based on the letter of credit provider, currently JPMorgan Chase Bank.

Series 2009, A2 based on the University's underlying credit rating at the time the bonds were issued.

Series 2012, A1 based on the University's underlying credit rating at the time the bonds were issued.

Series 2013A and 2013B, A1 based on the University's underlying credit rating at the time the bonds were issued.

**Oakland University**  
**CONSTRUCTION REPORT**  
June 30, 2013

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	<b>Engineering Center</b> Fund Number 70494 Status: Construction 45% Board of Trustees Approved: October 31, 2011 Projected Completion Date: February 2015	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$14,719,090	\$74,551,739	\$44,551,739 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
2	<b>Human Health Building</b> Fund Number 70786, 70868, 32102 & 39576 Status: CLOSED Board of Trustees Approved: February 4, 2009 Projected Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$64,561,200	\$64,561,200	\$21,748,100 - 2009 General Revenue Bonds \$40,000,000 - Capital Outlay \$ 2,738,100 - DOE Grant \$ 75,000 - Kresge Grant / Capital Projects Supplement
3	<b>New Student Housing</b> Fund Number 70459 Status: Construction 12% Board of Trustees Approved: December 3, 2012 Projected Completion Date: August 2014	Yes	6/30/2013	\$29,950,000	\$29,950,000	\$3,064,905	\$29,950,000	\$29,950,000 - 2013A General Revenue Bonds
4	<b>P-32 Parking Structure</b> Fund Number 70468 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$22,831,000	\$22,831,000	\$264,754	\$22,831,000	\$22,831,000 - 2013A General Revenue Bonds
5	<b>HTHW / UTS / O'Dowd Windows</b> Fund Number: 70849 Status: Construction 100% of North Loop; Construction 100% of UTS Addition; & Construction 99% for ODH Windows Board of Trustees Approved: July 2, 2009 Projected Completion Date: June 2013	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$10,641,596	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
6	<b>Upper Field Expansion</b> Fund Number 70469 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$7,850,000	\$7,850,000	\$172,499	\$7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
7	<b>Hannah Hall of Science Anatomy Lab</b> Fund Number: 70402 Status: Construction 99% Board of Trustees Approved: March 28, 2012 Projected Completion Date: August 2013	Yes	6/30/2012	\$6,575,150	\$6,575,150	\$5,857,540	\$6,575,150	\$ 6,575,150 - #24350 Capital Projects Supplement



**Oakland University**  
**CONSTRUCTION REPORT**  
June 30, 2013

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	<b>Elliott Tower</b> Fund Number: 70448 Status: Construction 5% Board of Trustees Approved: December 21, 2012 Projected Completion Date: September 2014	Yes	12/21/2012	\$6,500,000	\$6,500,000	\$1,125,617	\$6,500,000	\$ 6,500,000 - #39641 Elliott Tower Gift
9	<b>Hamlin Hall Plumbing Renovation</b> Fund Number: 70899 Status: Construction 80% Board of Trustees Approved: June 30, 2012 Projected Completion Date: December 2013	Yes	6/30/2013	\$3,976,575	\$3,976,575	\$2,887,385	\$3,976,575	\$ 3,976,575 - #45489 Residence Halls
10	<b>ODH SOM</b> Fund Number: 70401 Status: 3 Phases: Lockers/Lounge & Acoustics Construction 100%; Ofc's Construction 30% & Auditoriums Construction 85% Board of Trustees Approved: March 28, 2012 Projected Completion Date: August 2013	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$1,996,065	\$3,751,217	\$ 3,751,217 - #26010 Rainy Day Fund
11	<b>NFH Renovation of Communication Core</b> Fund Number: 70956 Status: Engineering Phase Board of Trustees Approved: December 3, 2012 Projected Completion Date: December 2014	Yes	12/21/2012	\$2,425,533	\$2,425,533	\$168,986	\$2,425,533	\$ 1,012,782 - #70956 IT Infrastructure Projects \$ 1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
12	<b>Library Drive Extension</b> Fund Number: 70466 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$1,950,000	\$1,950,000	\$29,300	\$1,950,000	\$ 1,950,000 - 2013A General Revenue Bonds
13	<b>Facilities Management Building</b> Fund Number: 70467 Status: Engineering Phase Board of Trustees Approved: February 12, 2013 Projected Completion Date: September 2014	Yes	6/30/2013	\$1,750,000	\$1,750,000	\$53,399	\$1,750,000	\$ 1,750,000 - 2013A General Revenue Bonds
14	<b>Golf Course Banquet Facility</b> Fund Number: 70460 Status: Temporary Tent Installed work to start October 2013 Board of Trustees Approved: December 21, 2012 Projected Completion Date: December 2013	Yes	12/21/2012	\$1,300,000	\$1,300,000	\$94,125	\$1,300,000	\$ 500,000 - #24350 Capital Project Supplement \$ 800,000 - Golf & Learning Center
15	<b>CERC Energy Upgrades</b> Fund Number: 70909, 32104 & 39239 Status: CLOSED Projected Completion Date: September 2012	Yes	6/8/2011	\$500,000	\$1,080,755	\$1,069,482	\$1,069,482	\$ 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 REPORT**  
June 30, 2013

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
16	<b>Campus Surveillance Cameras</b> Fund Number: 70870 Status: CLOSED Projected Completion Date: August 2012	No	\$980,000	\$980,000	\$976,952	\$976,952	\$ 980,000 - #24350 Capital Project Supplement
17	<b>Nicholson Apartment Heating &amp; Cooling Retrofitting</b> Fund Number 70960 Status: CLOSED Projected Completion Date: August 2013	No	\$767,780	\$844,558	\$671,170	\$671,170	\$ 767,780 - #45489 Residence Halls \$ 76,778 - #45489 Residence Halls
18	<b>OUPD Renovation Phase 2</b> Fund Number: 70940 Status: Construction 60% Projected Completion Date: October 2013	No	\$795,000	\$817,870	\$514,034	\$817,870	\$ 795,000 - #24350 Capital Project Supplement \$ 22,870 - #23380 Police Parking Citations
19	<b>BRS HTHW Replacement</b> Fund Number: 70447 Status: Construction 60% Projected Completion Date: September 2013	No	\$750,000	\$750,000	\$357,950	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
20	<b>Campus VOIP &amp; Connectivity</b> Fund Number: 70487 Status: Completed, waiting on final invoices Projected Completion Date: July 2013	No	\$600,573	\$600,573	\$594,763	\$600,573	\$ 600,573 - #24350 Capital Project Supplement
21	<b>Danny's Cabin Relocation</b> Fund Number: 70416 Status: Completed, waiting on final invoices Projected Completion Date: May 2013	No	\$585,323	\$585,323	\$507,600	\$585,323	\$ 585,323 - #24350 Capital Project Supplement
22	<b>Welcome Center NFH</b> Fund Number: 70441 Status: Construction 20% Projected Completion Date: September 2013	No	\$41,100	\$541,100	\$73,267	\$541,100	\$ 41,100 - #13151 Student Affairs Contingency Fund \$ 500,000 - #24350 Capital Project Supplement
<b>TOTAL PROJECTS IN PROGRESS</b>			\$182,420,140	\$245,172,593	\$110,401,679	\$244,984,884	

**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.