

TREASURER'S REPORT

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

2. **General Fund Budget Performance:** Fall enrollment is tracking with the budgeted Fiscal Year Equated Students (FYES) levels. The State higher education budget is expected to be finalized by the end of September. If the Governor's original budget proposal is adopted the appropriation will be flat when compared to the prior year. As approved by the Board of Trustees (Board) within the FY2011 budget, one percent of net tuition revenues are being reserved to address a potential mid-year appropriation reduction and/or to help limit a FY2012 tuition increase. In addition, any base appropriation received in FY2011 in excess of the budgeted amount will be reserved to address a potential mid-year appropriation reduction and/or to help limit a FY2012 tuition increase. Overall General Fund expenditures are within budget with no deficits or major spending variances in any division or unit.

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 June 30, 2010 and 2009 (Attachment A) and August 31, 2010 and 2009 (Attachment B) are presented in the *Cash and Investments Report*.

Portfolio investment returns from both Pooled Cash and the Endowment were above composite benchmarks for the Fiscal Year Ended June 30, 2010 with Pooled Cash returning 8.51% and the Endowment returning 13.92%.

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

Investment advisors from JPMorgan Asset Management, Commonfund Securities, and UBS Financial Services will address the Finance, Audit and Investment Committee regarding the funds under their management.

4. **Debt Management:** The *Capital Debt Report, August 31, 2010* (Attachment C) 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, 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.

5. **Construction Projects Progress Report:** The *Construction Projects Progress Report, August 31, 2010* (Attachment D) 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.


**Treasurer's Report
Oakland University
Board of Trustees
Finance, Audit and Investment Committee
September 24, 2010
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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, June 30, 2010 and 2009
- B. Cash and Investments Report, August 31, 2010 and 2009
- C. Capital Debt Report, August 31, 2010
- D. Construction Projects Progress Report, August 31, 2010

**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
June 30, 2010 and 2009

	Fair Market Value June 30, 2009	Fair Market Value June 30, 2010	Total Return Month Ending June 30, 2010	Benchmark Month Ending June 30, 2010	Total Return Qtr. Ending June 30, 2010	Benchmark Qtr. Ending June 30, 2010	Total Return FYTD June 30, 2010	Benchmark FYTD June 30, 2010
<u>Pooled Cash</u>								
JP Morgan Equity Funds	\$ 12,863,077	\$ 14,565,790	-6.19%	-4.90%	-13.48%	-11.63%	13.34%	14.82%
Commonfund High Quality Bonds	63,459,297	72,923,579	1.31%	1.57%	3.30%	3.49%	14.91%	9.50%
Overnight Sweep - Money Market	35,916,070	43,257,870	0.01%	0.00%	0.02%	0.00%	0.07%	0.05%
Pooled Cash Summary	\$ 112,238,444	\$ 130,747,239	0.04%	0.33%	0.35%	0.65%	8.51%	6.97%

<u>Endowment</u>								
UBS:								
Equity Funds	\$ 23,633,291	27,832,997			-10.66%	-11.43%	12.67%	14.43%
Fixed Income Funds	15,285,677	17,280,079			1.69%	3.49%	12.28%	9.50%
REIT	1,548,074	1,713,042			-3.63%	-4.06%	49.97%	53.90%
Cash	84	22						
Endowment Pool Summary	\$ 40,467,126	\$ 46,826,141			-6.17%	-5.78%	13.92%	12.32%

Comments:

The Pooled cash is greater than the previous year primarily due to investment returns.
The endowment pool balances are higher than the prior year primarily due to increases in market values.

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: S & P 500
For Endowment Fixed Income: Barclays Capital U.S. 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.

Oakland University
Cash and Investments Report
August 31, 2010 and 2009

	<u>Fair Market Value</u> <u>August 31, 2009</u>	<u>Fair Market Value</u> <u>August 31, 2010</u>	<u>Total Return</u> <u>Month Ending</u> <u>August 31, 2010</u>	<u>Benchmark</u> <u>Month Ending</u> <u>August 31, 2010</u>	<u>Total Return</u> <u>Qtr. Ending</u> <u>June 30, 2010</u>	<u>Benchmark</u> <u>Qtr. Ending</u> <u>June 30, 2010</u>
<u>Pooled Cash</u>						
JP Morgan Equity Funds	\$ 14,641,197	\$ 14,999,968	-4.81%	-4.15%	-13.48%	-11.63%
Commonfund High Quality Bonds	66,668,357	49,549,769	1.32%	1.29%	3.30%	3.49%
JP Morgan S-T Bond Fund		25,008,789				
Overnight Sweep - Money Market	41,951,057	51,859,273	0.04%	0.00%	0.02%	0.00%
Pooled Cash Summary	\$ 123,260,611	\$ 141,417,799	-0.03%	0.01%	0.35%	0.65%

<u>Endowment</u>						
UBS:						
Equity Funds	\$ 27,314,935	29,306,530			-10.66%	-11.43%
Fixed Income Funds	15,874,098	18,180,451			1.69%	3.49%
Hedge Funds		1,200,092				
REIT	1,990,238	633,604			-3.63%	-4.06%
Cash	70,659	23				
Endowment Pool Summary	\$ 45,249,930	\$ 49,320,700			-6.17%	-5.78%

Comments:

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

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

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: S & P 500

For Endowment Fixed Income: Barclays Capital U.S. 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.

**Oakland University
Capital Debt Report
August 31, 2010**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 11 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>
Bonded Indebtedness:							
General Revenue Bonds, Series 1997	\$ 1,175,000	4.850%	Fixed	\$ 1,234,925	2011	Aaa	Elliott Hall, Admin Comp System, Parking
Variable Rate Demand Bonds, Series 1998	4,600,000	0.310%	Variable	15,180	2023	NR	Sharf Golf Course
General Revenue Refunding Bonds, Series 2004	26,925,000	5.100%	Fixed	2,493,488	2026	Aaa	Sports, Recreation and Athletics Center
General Revenue Refunding Bonds, Series 2008	53,280,000	3.373%	Variable/Hedged	1,797,134	2031	Aaa	USA, Pawley Hall, OC Expan, Elec Upgrade
General Revenue Bonds, Series 2009 - BABs	33,650,000	4.427%	Fixed	2,072,793	2039	A2	HHB, Infrastructure Projects
Other Capital Debt:							
2005 ESA II Loan	16,540,024	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II
2006 Capital Lease	9,886	3.890%	Fixed	14,513	2010		Golf Mowers
	<u>\$ 136,179,910</u>	<u>3.934%</u>	Weighted Avg	<u>\$ 8,930,720</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 annual debt service on senior debt and one times annual debt service on subordinate debt each fiscal year. At June 30, 2010, the University recorded \$194,782,000 in qualified General Revenues while the calculated debt service covenant requirement amounted to \$17,832,000. The University exceeds its debt covenant requirement by a multiple of 10.9.

	<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	\$ 2,811,883	Aa1	Yield curve swap paying about \$60,000 per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	53,280,000	(9,531,157)	A1	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 (0.27% 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).

Reset rates on the 2008 Bonds increased in May and June 2010 due to downgrades in Allied Irish Bank's credit rating as they were the provider of the letter of credit behind this bond issue.

The letter of credit provider was replaced by JPMorgan Chase in July 2010 normalizing the weekly interest rate resets.

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
August 31, 2010

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	2010 Infrastructure North Loop HTHW, O'Dowd Curtain Wall, and Campus IT Fund Number: 70849 Status: Construction 35% Board of Trustees Approved: July 2, 2009 Projected Completion Date: October 2012	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$1,121,119	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
2	Human Health Building Fund Number 70786, 70868, 32102 & 39576 Status: Construction 8% Board of Trustees Approved: February 4, 2009 Project Completion Date: December 2012	Yes	11/12/2009	\$2,989,150	\$64,561,200	\$4,363,700	\$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	2010 Parking Projects Fund Number 70854 Status: Construction 90% Board of Trustees Approved: April 7, 2010 Projected Completion Date: April 2011	Notification Required and Completed	7/8/2010	\$107,800	\$1,915,540	\$381,670	\$1,915,540	\$1,915,540 - #24349 Parking Lot Reserve Fund
4	Campus Surveillance Cameras Fund Number: 70870 Status: Engineering Phase Projected Completion Date: December 2011	No		\$980,000	\$980,000	\$0	\$980,000	\$980,000 - #24350 Capital Project Supplement
5	NFH & ANI Renovation for Career Services Fund Number: 70740 Status: Construction Complete, working on punch list and waiting on final invoices Board of Trustees Approved: May 2008 Projected Completion Date: August 2010	No		\$800,000	\$800,000	\$763,847	\$800,000	\$800,000 - #14488 Project Support - \$4.8M Fund
6	VBH Window Replacement Fund Number: 70859 Status: Construction 98% Board of Trustees Approved: April 2009 Projected Completion Date: December 2010	No		\$1,007,300	\$777,500	\$497,703	\$740,000	\$740,000 - #45489 Residence Halls Rooms \$ 37,500 - #24810 Plant Renewal Supplement
7	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	\$588,255	\$595,000	\$575,000 - #14488 Project Support \$ 20,000 - #19542 UTS Operations
TOTAL PROJECTS IN PROGRESS				\$17,459,250	\$80,629,240	\$7,716,294	\$80,591,740	

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.