

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) FY2015 year-to-date enrollment data, for the Summer II, Fall and preliminary Winter semesters, indicates that tuition revenues are tracking comparable to budget. Monthly State appropriation payments began in October and have been budgeted according to the State of Michigan's Public Act 196 of 2014, which includes performance funding of \$2,712,500, a 5.9% increase. General Fund expenditures are tracking consistent with budget and historical spending patterns at this point in the fiscal year, with no 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 working capital and endowment investment activities is presented in the *Cash and Investments Report, October 31, 2014 and 2013* (Attachment A).

Working capital investment performance for the quarter ending September 30, 2014 was slightly better than the weighted average benchmark but was down overall, reflecting instability in the market.

The endowment portfolio performance for the quarter ending September 30, 2014 was consistent with the benchmark but was down overall. Hedge funds and Private Equity categories experienced positive returns for the quarter, with Hedge funds outperforming the benchmark by over 240 basis points. The fair market value of the University's endowment at October 31, 2014 increased nearly \$14 million compared to the prior year.

The University's investment managers continue to adhere to a long-term investment strategy that focuses on outperforming identified benchmarks over time. Liquidity of both the working capital and endowment investments remains strong. The University's investments are being managed according to the Board's policies and approvals.

4. **Debt Management:** The *Capital Debt Report, October 31, 2014* (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 Capital Debt Report now includes the Series 2014 Refunding Bonds; the refunding was completed in October 2014. The overall cost of capital has declined to 3.623%. The University's debt is being managed according to the Board's policies and approvals.

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5. **Construction Report:** The *Construction Report, October 31, 2014* (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 Treasury Committee, Vice President for Finance and Administration and Treasurer to the Board of Trustees, and President.

7. **Attachments:**

- A. Cash and Investments Report, October 31, 2014 and 2013
- B. Capital Debt Report, October 31, 2014
- C. Construction Report, October 31, 2014

Submitted to the President
on 11/21, 2014 by



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

Recommended on _____, 2014
to the Board of Trustees for Approval



George W. Hynd
President

Oakland University
Cash and Investments Report
October 31, 2014 and 2013

	Fair Market Value October 31, 2013	Fair Market Value October 31, 2014	Strategic Allocation 10/31/2014	Total Return Month Ending October 31, 2014	Benchmark Month Ending October 31, 2014	Total Return Qtr. Ending September 30, 2014	Benchmark Qtr. Ending September 30, 2014
Working Capital ⁽¹⁾							
Equity Funds	\$ 56,235,172	\$ 48,436,469	27.93%	2.00%	3.68%	-0.74%	-0.93%
Fixed Income Funds	92,628,376	88,647,644	51.11%	0.46%	0.58%	0.19%	0.09%
Cash and Cash Equivalents	31,700,530	36,357,210	20.96%	0.00%	0.00%	0.00%	0.01%
Working Capital Pool Total	<u>\$ 180,564,078</u>	<u>\$ 173,441,323</u>	<u>100.00%</u>	<u>0.74%</u>	<u>1.22%</u>	<u>-0.07%</u>	<u>-0.16%</u>
Endowment ⁽²⁾							
Equity Funds	\$ 42,143,729	\$ 53,975,959	66.16%			-2.43%	-2.08%
Fixed Income Funds	16,475,863	15,743,942	19.30%			-0.57%	-1.38%
Hedge Funds	4,221,104	6,124,748	7.51%			2.98%	0.56%
Real Assets	3,427,446	4,987,109	6.11%			-7.46%	-5.65%
Private Equity	497,763	721,278	0.88%			4.25% *	
Cash	985,133	30,040	0.04%			0.02%	0.01%
Endowment Pool Total	<u>\$ 67,751,037</u>	<u>\$ 81,583,076</u>	<u>100.00%</u>			<u>-1.90%</u>	<u>-1.95%</u>

Comments:

The working capital pool is lower than the previous year primarily due to construction expenditures not yet reimbursed. The endowment pool is higher than the prior year due to increases in market values and contributions.

⁽¹⁾ The Commonfund serves as the advisor for the University's Working Capital pool.

⁽²⁾ UBS serves as the advisor for the University's Endowment pool.

Benchmarks for Investments are:

For Equities: S&P Smallcap 600 Index, S&P 500 (Relative Weighted)
 For Fixed Income: Barclays Capital Aggregate Bond Index, Merrill Lynch 1-3 Treasury Index, Barclays Capital 1-3 year US Gov./Credit Bond Index (Relative Weighted)
 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 US Tips, Merrill Lynch High Yield, Citigroup World Government Bond (Relative Weighted)
 For Endowment Hedge Funds: HFRI Fund Wgt Comp Index, HFRI Fund of funds Diversified Index, Barclay's CTA Index, HFRX Eq Hedge (Relative Weighted)
 For Endowment Real Assets: NAREIT and Lipper GIB Nat Res
 For Endowment Cash: City Group T-Bill (90 Day)

Benchmark Performance Comments:

Pooled cash and endowment investment funds include both managed and indexed funds. They are expected to exceed their benchmarks over time. They will not necessarily meet or exceed the benchmarks for specific periods of time. Returns are reported net of fees, benchmarks are shown gross.

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

**Oakland University
Capital Debt Report
October 31, 2014**

	<u>Principal Remaining</u>	<u>Rate of Interest</u>	<u>Interest Type</u>	<u>FY 15 Debt Service</u>	<u>Expires</u>	<u>Bond Rating</u>	<u>Purpose</u>	<u>Underwriter</u>
Bonded Indebtedness:								
Variable Rate Demand Bonds, Series 1998	\$ 4,600,000	0.060%	Variable	\$ 3,220	2023	-	Sharf Golf Course	Comerica
General Revenue Refunding Bonds, Series 2008	49,295,000	3.373%	Variable/Hedged	3,064,612	2031	Aa3	Refunded 2001 Bonds - USA, Pawley Hall, OC Expan, Elec Upgrade	Lehman
General Revenue Bonds, Series 2012	44,155,000 ⁽¹⁾	4.075%	Fixed	1,882,013	2042	A1	Engineering Center	Barclay's and 5/3rd
General Revenue Bonds, Series 2013A	57,860,000 ⁽²⁾	4.028%	Fixed	2,858,400	2043	A1	Housing, Parking, Playing Fields	BOAML and 5/3rd
General Revenue Refunding Bonds, Series 2013B	22,900,000	2.995%	Fixed	2,301,567	2026	A1	Refunded 2004, 1995 Bonds - Sports, Recreation and Athletics Center	5/3rd and BOAML
General Revenue Refunding Bonds, Series 2014	28,060,000 ⁽³⁾	3.562%	Fixed	1,321,643	2039	A1	Refunded 2009 Bonds - HHB, Infrastructure Projects	JP Morgan Chase
Other Capital Debt:								
2005 ESA II Loan	13,491,372	3.785%	Fixed	1,302,687	2027		Energy Services Agreement II	
2012 Golf Car Lease	332,468	1.980%	Fixed	88,234	2017		Golf Cars	
2013 Golf Equipment Lease	97,077	1.980%	Fixed	44,149	2017		Golf Equipment	
	<u>\$ 220,790,917</u>	<u>3.623%</u> ⁽⁴⁾		<u>\$ 12,866,525</u>				

⁽¹⁾ The 2012 Bonds were issued with an original issue premium of \$4,970,975, resulting in total bond proceeds of \$49,125,795.

⁽²⁾ The 2013A Bonds were issued with an original issue premium of \$7,141,047, resulting in total bond proceeds of \$65,001,047.

⁽³⁾ The 2014 Bonds were issued with an original issue premium of \$4,383,960, resulting in total bond proceeds of \$32,443,960.

⁽⁴⁾ 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, 2014, the University recorded \$247,944,040 (unaudited) in qualified General Revenues while the calculated debt service covenant requirement amounted to \$28,518,513. The University exceeds its debt covenant requirements by a multiple of 8.7.

	<u>Counterparty</u>	<u>Current Notional Amount</u>	<u>Termination Present Value</u>	<u>Counterparty Rating</u>	<u>Purpose/Comment</u>
Debt-Based Derivatives:					
Constant Maturity Swap (CMS)	JP Morgan Chase Bank	\$ 32,465,000	\$ 2,201,590	Aa3	Yield curve swap paying about \$50K-\$60K per month.
Interest Rate Swap - Synthetically Fix 2008 Bonds	Dexia Credit Local	49,295,000	(8,019,008)	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 (0.05 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 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
October 31, 2014

Item	JCOS Approval/Notification Required	Original Budget	Revised Project Budget	Actual Expenditures to Date	Forecast of Final Cost	Source of Funding	
Item Projects in Progress - over \$500,000							
1 Engineering Center Fund Number 70494 Status: Renovation in Dodge Hall 15% and New Construction 99% (foundations, concrete flooring, steel, drywall, stairs, duct work, curtain wall, landscaping, irrigation, equipment & furniture 100%, mechanical systems 99%,) Board of Trustees Approved: October 31, 2011 Projected Completion Date: New building August 2014 Dodge Hall renovation February 2015	Yes	11/4/2011	\$74,551,739	\$74,551,739	\$61,465,984	\$74,551,739	\$44,551,739 - 2012 General Revenue Bonds \$30,000,000 - State Appropriations
2 New Student Housing Fund Number 70459 Status: Construction 100%, working on Punch List Board of Trustees Approved: December 3, 2012 Projected Completion Date: August 2014	Yes	6/30/2013	\$29,950,000	\$29,950,000	\$29,463,356	\$29,950,000	\$29,950,000 - 2013A General Revenue Bonds
3 P-32 Parking Structure Fund Number 70468 Status: Construction 100%, working on Punch List Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$22,831,000	\$22,831,000	\$18,944,749	\$22,831,000	\$22,831,000 - 2013A General Revenue Bonds
4 HTHW / UTS / O'Dowd Windows Fund Number: 70849 Status: Construction and warranty work 100%; waiting on final invoice Board of Trustees Approved: July 2, 2009 Projected Completion Date: November 2014	Yes	2/4/2010	\$11,000,000	\$11,000,000	\$10,808,985	\$11,000,000	\$11,000,000 - 2009 General Revenue Bonds
5 Upper Field Expansion Fund Number 70469 Status: Construction 99% (hill removed, rough grading, finish grading, foundations, walls, electrical, lighting, tennis courts, track surface, and turf 100%, landscaping 98%) Board of Trustees Approved: February 12, 2013 Projected Completion Date: October 2014	Yes	6/30/2013	\$7,850,000	\$7,850,000	\$3,813,751	\$7,850,000	\$ 7,850,000 - 2013A General Revenue Bonds
6 Hannah Hall of Science Anatomy Lab Fund Number: 70402 Status: Completed, waiting on final invoices Board of Trustees Approved: March 28, 2012 Project Completion Date: August 2013	Yes	6/30/2012	\$6,575,150	\$6,575,150	\$6,564,168	\$6,575,150	\$ 6,575,150 - Capital Projects Supplement

Oakland University
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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	
7	Elliott Tower Fund Number: 70448 Status: Construction 98% (foundations, steel, bells, fountain, roofing, clock, brick, limestone 100%, controls delivered, plaza 97%, sidewalks 98%, landscaping 80%) Board of Trustees Approved: December 21, 2012 Projected Completion Date: November 2014	Yes	12/21/2012	\$6,500,000	\$6,500,000	\$5,426,809	\$6,500,000	\$ 6,500,000 - #39641 Elliott Tower Gift
8	Athletic Dome Replacement Fund Number: 70453 Status: Construction 70% (foundations and form work 100%, rough grading 100%, masonry 98%, dome 100% turf to be delivered November 15, lighting 4% and interior finishes 5%) Board of Trustees Approved: May 7, 2014 Project Completion Date: December 2014	Yes	6/30/2014	\$4,829,419	\$4,829,419	\$1,500,282	\$4,829,419	\$ 4,829,419 - #24556 Athletic Dome Financing
9	ODH SOM Fund Number: 70401 Status: CLOSED Board of Trustees Approved: March 28, 2012 Projected Completion Date: March 2014	Yes	6/30/2012	\$3,751,217	\$3,751,217	\$3,732,940	\$3,732,940	\$ 3,751,217 - #26010 Rainy Day Fund
10	Hamlin Hall Plumbing Renovation Phase II Fund Number: 70317 Status: Completed, waiting on final invoices Board of Trustees Approved: February 24, 2014 Projected Completion Date: November 2014	Yes	6/30/2014	\$2,895,000	\$2,895,000	\$2,590,915	\$2,895,000	\$ 2,895,000 - #45489 Residence Halls
11	NFH Renovation of Communication Core Fund Number: 70956 Status: Phase I Construction 90%, phase II to start in March 2015 Board of Trustees Approved: December 3, 2012 Projected Completion Date: September 2015	Yes	12/21/2012	\$2,425,533	\$2,425,533	\$1,593,309	\$2,425,533	\$ 1,012,782 - #70956 IT Infrastructure Projects \$ 1,024,219 - #70955 IT Strategic Planning \$ 388,532 - #12147 Technology Fund
12	Library Drive Extension Fund Number: 70466 Status: Completed, except traffic light that is contingent on study that is under way; waiting on final invoices Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,950,000	\$1,950,000	\$1,775,829	\$1,950,000	\$ 1,950,000 - 2013A General Revenue Bonds
13	Facilities Management Building Fund Number: 70467 Status: Completed, waiting on final invoices Board of Trustees Approved: February 12, 2013 Projected Completion Date: August 2014	Yes	6/30/2013	\$1,750,000	\$1,750,000	\$1,672,501	\$1,750,000	\$ 1,750,000 - 2013A General Revenue Bonds
14	Vandenberg Lower Level Dining Fund Number: 70323 Status: Completed, waiting on final invoices Board of Trustees Approved: May 7, 2014 Projected Completion Date: October 2014	Yes	6/30/2014	\$1,431,536	\$1,431,536	\$1,269,640	\$1,431,536	\$1,431,536 - #45489 Residence Halls Rooms

Oakland University
CONSTRUCTION REPORT
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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
15	Golf Course Banquet Facility Fund Number: 70460 Status: Completed, waiting on final invoices Board of Trustees Approved: December 21, 2012 Projected Completion Date: April 2014	Yes	12/21/2012	\$1,300,000	\$1,300,000	\$1,299,839	\$1,300,000	\$ 500,000 - #24350 Capital Project Supplement \$ 800,000 - Golf & Learning Center
16	KL SOM Expansion Fund Number: 70690 Status: Completed, waiting on final invoices Projected Completion Date: July 2014	No		\$850,000	\$850,000	\$805,002	\$850,000	\$ 850,000 - #24350 Capital Project Supplement
17	BRS HTHW Replacement Fund Number: 70447 Status: Completed, waiting on final invoices Projected Completion Date: November 2014	No		\$750,000	\$750,000	\$604,285	\$750,000	\$ 750,000 - #24350 Capital Project Supplement
18	Temporary Parking for FY13/14 Fund Number: 70689 Status: Completed, waiting on final invoices Projected Completion Date: August 2014	No		\$560,000	\$575,000	\$547,404	\$575,000	\$ 560,000 - #24350 Capital Project Supplement \$ 15,000 - #24350 Capital Project Supplement
19	Repair Bridges Entrance Hill & Van Wagoner Fund Number: 70338 Status: Completed, waiting on final invoices Projected Completion Date: September 2014	No		\$571,800	\$571,800	\$503,035	\$571,800	\$ 571,800 - #70206 University Housing Reserve
20	Housing Wireless Infrastructure Fund Number: 70363 Status: Engineering phase Projected Completion Date: September 2015	No		\$565,951	\$565,951	\$0	\$565,951	\$ 565,951 - #45489 Residence Halls
21	East Vandenberg Hall Renovation Fund Number: 70361 Status: Engineering phase Projected Completion Date: September 2015	No		\$515,620	\$515,620	\$0	\$515,620	\$ 515,620 - #45489 Residence Halls
22	Meadowbrook Hall Elevator Upgrade Fund Number: 70455 Status: Phase 1 - Completed & Phase 2 for Service Elevator - Construction 80% Project completion: December 2014	No		\$120,000	\$512,257	\$479,052	\$512,257	\$ 120,000 - #43725 MBH Facility Operations \$ 119,696 - #43760 MBH Finance & Administration \$ 272,561 - #33751 Matilda R. Wilson Matching Gift Fund
TOTAL PROJECTS IN PROGRESS				\$183,523,965	\$183,931,222	\$154,861,835	\$183,912,945	

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.