

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 20

DATE:

January 18, 2005

RECOMMENDATION

MONTHLY REPORT - FINANCE AND AUDIT COMMITTEE

ACTION REQUESTED

It is recommended that the Working Agenda for the January 18, 2005 Finance and Audit Committee meeting and the minutes for the November 30, 2004 Finance and Audit Committee meeting be received and placed on file.

STAFF SUMMARY

Reports and recommendations on the November 30, 2004 Finance Committee Regular Agenda were: Finance and Audit Committee Monthly Report, FY 2006 Appropriation Request, FY 2006 Capital Outlay Project Request, FY 2004 EMU Foundation Annual Report, FY 2004 Eagle Crest Management Corporation Annual Report; Collective Bargaining Agreement ("Wage Re-opener") Between EMU and the International UAW, Office and Professional, Local 1976 (Professional/Technical "PT"); Collective Bargaining Agreement ("Wage Re-opener") Between EMU and the International UAW, Office and Professional, Local 1975 (Clerical "CS"); Collective Bargaining Agreement ("Wage Re-opener") Between EMU and Local 3866 Affiliated with Council 25 of the American Federation of State, County, and Municipal Employees and the AFL-CIO (AFSCME "FM"); Non-Bargained-For Merit Program Funding; Policy: Discounted Tuition Rate for Seniors; Equalized Benefits for AP/AC/CC Employees; and Authorization to Guarantee Michigan Broadband Development Authority (MBDA) Loan to Merit Network, Inc..

Consent Agenda items discussed were: Treasurer's Report, Internal Audit Report, Grants/Contracts Report, Construction Projects Progress Report, Accounts Receivable Report, Interim Budget Status Report, Technology Plan Implementation Report, Staff Appointments, and Separations/Retirements.

FISCAL IMPLICATIONS

The fiscal impact of the actions taken are listed in the appropriate sections and are included in the Board minutes.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board Approval.

University Executive Officer

Date

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**EASTERN MICHIGAN UNIVERSITY
BOARD OF REGENTS
FINANCE AND AUDIT COMMITTEE MEETING**

**January 18, 2005
10:30 a.m.
201 Welch Hall**

FINANCE AND AUDIT COMMITTEE MISSION:

To review the financial affairs of the University, assuring costs are managed effectively, revenues are sufficient, the budget is balanced, valuable resources protected with uncompromising integrity while working effectively with the many different constituencies to achieve University goals.

Section 20: Finance and Audit Committee Monthly Report
John W. Beaghan, Vice President for Business and Finance

CONSENT AGENDA

Section 1: Treasurer's Report
John W. Beaghan, Vice President for Business and Finance

Section 2: Internal Audit Report
Jeff Fineis, Andrews Hooper & Pavlik P.L.C.

Section 3: Grants/Contracts Report
Brian Anderson, Director, Office of Research Development

Section 4: Construction Projects Progress Report
Anthony Catner, Associate Vice President for Business and Finance – Facilities

Section 5: Accounts Receivable Report
Dan Cooper, Assistant Vice President and Controller

Section 6: Interim Budget Status Report
Al Levett, Executive Director, Budget Management

Section 7: Information and Communications Technology Initiatives
Margaret Cline, Chief Information Officer and Executive Director, Information and Communication Technology

Section 8: Staff Appointments
Craig Reidsma, Director, Compensation

Section 9: Separations/Retirements
Craig Reidsma, Director, Compensation

REGULAR AGENDA

Section 21: 2003-04 Financial Report on EMU Charter Schools
Joseph Pollack, Director, Charter Schools

Section 22: State of Michigan Comprehensive Annual Financial Report (CAFR) for Fiscal 2004
Dan Cooper, Assistant Vice President and Controller

- Section 23:** **Fiscal 2004 WEMU-FM Audited Financial Statements**
Dan Cooper, Assistant Vice President and Controller
- Section 24:** **Fiscal 2004 EMU Intercollegiate Athletics Program Agreed-Upon Procedures**
Dan Cooper, Assistant Vice President and Controller
- Section 25:** **Filing of Fiscal 2004 Exempt Organization Business Income Tax Return (Form 990T)**
Dan Cooper, Assistant Vice President and Controller
- Section 26:** **Report: Campus Facilities and Physical Plant Operations**
John W. Beaghan, Vice President for Business and Finance
Anthony Catner, Associate Vice President for Business and Finance – Facilities
Melinda Ostrander, Director, Custodial, Waste Management, Motor Pool & Grounds Services
Larry Ward, Director, Facility Maintenance
- Section 27:** **Resolution Requesting and Approving the Conveyance of Property (Physical Plant Building)**
John W. Beaghan, Vice President for Business and Finance
- Section 28:** **Report: Strategic Use of Financial Aid**
Courtney McAnuff, Vice President for Enrollment Services
- Section 29:** **Report: Financial Condition of the University**
John W. Beaghan, Vice President for Business and Finance

EASTERN MICHIGAN UNIVERSITY
Board of Regents
FINANCE AND AUDIT COMMITTEE

MINUTES OF MEETING
November 30, 2004

Present: Antonini, Morris, Rothwell, Brandon, Griffin, Incarnati, Gordon, Valvo and Vice President Beaghan

MONTHLY REPORT

John Beaghan recommended that the Board approve the working agenda for the November 30, 2004 Finance and Audit Committee meeting and the minutes of the September 21, 2004 Finance and Audit Committee. There were no questions.

TREASURER'S REPORT

John Beaghan recommended that the Treasurer's Report for September 2004 be received and placed on file. Beaghan reported that as of September 30, 2004 cash and investments totaled \$95,774,579 and were invested to receive an annualized return of 2.95 percent. Total cash and investments, excluding bond proceeds, decreased \$10.2 million when compared to September 2003. Beaghan attributed \$9.2 million of the variance to an increased student accounts receivable, lower Pell grant cash on hand, and other expenses that vary from year to year. Beaghan stated that the October Treasurer's Report shows some improvement of approximately \$2 million, and shows that the University has invested bond proceeds following the construction and payment schedule per the contractual agreement with Turner Construction for the new student center and McKenny renovation. Beaghan reported that these bonds are invested at an average rate of 2.34 percent and the funds will be available to make the payments as needed. Beaghan reported that other individual investments are attaining their benchmarks. Regents Antonini and Morris asked for more information regarding a portion of the \$10.2 million variance, i.e. \$1.0 million in higher health care and other costs, of the total decreased cash flow. Beaghan stated that he would provide specifics following the meeting.

INTERNAL AUDIT REPORT

Jeff Fineis of Andrews Hooper and Pavlik P.L.C. recommended that internal auditor's activity report for the period October through November 2004 be received and placed on file. Fineis stated that the report for the Charter Schools audit has been issued and that the report includes no findings or recommendations. Also included was a report prepared by University management on the status of two previous audits: the Physical Plant bidding selection audit, and the University Apartments audit, both of which were completed in July 2004. The status report indicates that all of the recommendations have been implemented for these two audits. Fineis presented an updated internal audit schedule for 2004.

Regent Antonini asked Fineis for his opinion on whether Charter Schools are worth the money spent. Fineis explained that the internal auditors look at the procedures in place for the financial monitoring of the charter schools. He said that the internal auditors do not make a judgment on whether or not money spent on charter schools is worthwhile. Regent Morris stated that, in his experience, an audit with no recommendations is unusual. Fineis stated that the internal auditors had excellent cooperation from management with the charter schools audit. Regent Morris asked

if the University is responsible for overseeing the process when a charter school hires a consultant or other outside contract. Juanita Reid stated that when the contract is entered into between the University and the consultant, the University follows established Board policy; if the contract is between the charter school and a school district, they follow their own board policies and procedures. Regent Morris asked if the Charter Schools office is responsible for monitoring the financial condition of the charter schools. Fineis answered that the University has established a checklist of reporting requirements. Fineis stated that the internal auditors also visited three of the charter schools as part of their audit and found minor recommendations specific for the three individual schools. The Charter Schools office has followed up on those recommendations. Juanita Reid stated that the charter schools office pays an indirect cost fee to the general fund. John Beaghan stated that the University has a full time accountant who monitors only charter schools budgets and financial reports, and averages one or two site visits per school per month.

GRANTS AND CONTRACTS REPORT

Brian Anderson recommended that 69 grants and contracts totaling \$3,608,610 for the period September 1 through October 31, 2004 be accepted. Of those awards, one hundred percent sponsor-funded grants and contracts for \$2,921,481 were awarded. Anderson reported that grants and contracts requiring University cost sharing and/or in kind contributions totaled \$687,129; and the cash contributions for those awards were \$103,082 for a fiscal year to date total of \$173,668 against a base budget of \$349,055.

Anderson reported that 162 proposals were processed totaling \$10,705,948. This is two more as compared to last year, but the dollar value is down \$5.9 million. Awards received for the period numbered 129 with a total value of \$6,153,930. Anderson said that awards are up compared to last year and the dollar value of those awards is up \$721,475. Anderson reported that 8 fewer proposals were processed when comparing performance to plan, and the dollar value of those proposals is down \$8.4 million from the plan. Anderson reported that the number of awards received is up two and the dollar value is up \$1.153 million from the plan. Anderson stated that the plan for this year is actually down \$300,000 from last year. Anderson explained that the University in effect lost \$900,000 worth of business: when a project director, who steadily brought in large grants, retired earlier this year; and a ten-year relation with the Skillman Foundation ended as of last year.

CONSTRUCTION PROJECTS PROGRESS REPORT

Tony Catner and Larry Ward recommended that the Board receive and place on file the Construction Projects Progress Report for the period ending October 31, 2004. Catner reported that the work has begun on the new student center, and gave special recognition to Glenna Frank Miller, Carlos Costa, Aaron Preston and Scott Storrar. Catner introduced Scott Storrar, construction project manager for the new student center, who reported that the site mass excavation and underground utility work has been awarded to contractors and is in progress; underground storm and sanitary piping is being installed, and the main domestic water supply will be installed in December 2004. Catner reported on the status of the McKenny renovation project. Roof repairs have been made and other critical deterioration items are being addressed and are in progress. Catner reported that efforts are underway with the city of Ypsilanti to

construct a ten-foot wide non-motorized pathway along the northern edge of campus, which will run west to Cornell and then south to the existing railroad right-of-way. Larry Ward reported that the classroom upgrade project continues with most of the furniture being delivered to classrooms.

Ward thanked Tom Venner and his staff for their cooperation during the window installation and fire alarm upgrades projects in Ford Hall. Work is underway to add wheelchair access, power-assisted doors, and restroom modifications to the lower floor of Quirk.

Regent Valvo asked Catner if McKenny will continue to deteriorate. Catner explained that accelerated deterioration issues have been remedied, and other issues will be addressed during the renovation project.

Regent Brandon stated that in a recent visit to the College of Health and Human Services she was made aware of security issues involving technology "walking away". Regent Brandon asked what is being done to safeguard the technology on campus. Catner stated that the Physical Plant remains directly involved in identifying the need for security and alarm systems, and reviewing a campus-wide camera security system

Regent Morris asked for more information regarding the Mark Jefferson cooling tower replacement project, and why the project budget increased from \$280,000 to \$501,400. Ward and Catner explained that, after work on the project began, unforeseen deterioration was found that was necessary to repair. Regent Morris asked about the Sill Hall Roof and Flashing Repairs project, where the budget was revised to repair damage that exceeded the original estimated cost. Morris asked if the damage was an insurance issue or caused by wear and tear. Ward stated that it was wear and tear caused by equipment being on the roof. Morris asked about the Warner fire alarm repair, and who is responsible for estimating the cost for removing asbestos. Larry Ward stated that Physical Plant personnel survey the project area for asbestos, and then an external consultant is brought in to conduct testing and auditing of the area where work is to be done.

ACCOUNTS RECEIVABLE REPORT

Thom Madden recommended that the Accounts Receivable Ratio Analysis, the Student Accounts Receivable Report, and the Collection Agency Inventory as of October 31, 2004 be received and placed on file. Madden reported that the Accounts Receivable Ratio Analysis reflects a net receivable balance of \$22 million or 30.36 percent of revenue for the period ending October 31, 2004 as compared to \$14.9 million or 20.79 percent of revenue as of October 31, 2003, or an increase of 9.5 percent. Madden said the report also shows an increase of 8.09 percent as compared to the five-year average of 22.27 percent. Madden explained the variance is in part due to deferred student payments totaling \$1.5 million, due by November 30 for the last installment of the new student payment plan. Madden reported that his staff have been contacting students with past due bills. He also stated that increasing the registration hold limit from \$300 to \$1,000 in order to influence enrollment had a negative affect on accounts receivable. Madden said he expects to lower the registration hold back to \$300 over the summer, which is also the strongest collection time. Discussion followed regarding the lowering of the hold limit and its impact on accounts receivable and enrollment. Regent Incarnati stated that the University needs to determine if accounts receivable has increased beyond what was expected when raising the hold limit. Regent Antonini stated that cash flow at this time is critical. Madden said that the University's internal payment plan has 2,000 students involved versus 700

participants with the external payment plan at this time a year ago. Madden said he expects the program will continue to grow, and that the long term impact to the University will be increased cash flow and a decreased accounts receivable. Madden said that all impacts to the payment plan will be realized within the fiscal year.

Regent Valvo asked if the student business services offices direct students who need help with paying their tuition. Madden stated that four of his staff handle those problems exclusively, and other staff are being trained to provide financial counseling to students. He said that his office works closely with the Financial Aid office to assist as many students as possible.

Regent Morris asked Madden to add an analysis of the payment plan to the accounts receivable report.

FY 2005 GENERAL FUND BUDGET INTERIM STATUS REPORT

Al Levett recommended that the fiscal year 2005 general fund budget interim status report as of October 31, 2004 be accepted and placed on file. This report overviews the year to date revenue and expenditures versus the operating plan as of October 31, 2004. Levett reported that the state of Michigan has returned \$2,366,000 to the University under the terms of the tuition restraint pledge. Levett reported that the University's combined official summer and unofficial fall enrollments total 276,311 student credit hours versus a plan of 282,170 student credit hours. Because of this enrollment shortfall, tuition and fee revenues are forecasted to fall short of plan by \$3,573,000 for the fiscal year. Our other revenue collections are accumulating at normal rates. Levett reported that increases in faculty and staff compensation coupled with unanticipated operating costs will exceed the original provision by an additional \$1,544,000. Reductions in spending will total \$5,117,000 and those plans are being formulated. Other general fund expenditures and transfers to date are accumulating at a rate that is consistent with the original plan. Levett reported that the tuition revenue shortfall and additional unanticipated costs will be offset by reductions in spending authorizations as adjusted revenues and expenditures are generally consistent within the operating plan. Regent Morris asked Levett to explain the cost overrun in faculty staff compensation. Levett stated that the faculty contract exceeded the provision that had been set aside, and the University had contract wage openers with the collective bargaining units. The unanticipated expenses were primarily costs associated with transition for the University president and the presidential search.

INFORMATION AND COMMUNICATION TECHNOLOGY INITIATIVES

Margaret Cline recommended that the ICT initiatives progress report and financial status report be accepted and placed on file. Cline reported that the Banner implementation is now complete, and ready for the next upgrade (7.0). Using the new my.emich portal, which was implemented October 2004, the majority of campus members who voted for the location of the next wireless implementation favored Pray-Harrold. Cline reported that portal sessions are averaging over 1,200 concurrent users with average peak usage of approximately 3,000 concurrent users.

Cline reported that the PC refresh program has been suspended for this fiscal year. Registration started on time with no problems. Cline reported that ICT initiatives are staying very close to the original budget.

STAFF APPOINTMENTS

Craig Reidsma recommended that the Board approve 25 staff appointments for the reporting period of September 9, 2004 through November 15, 2004. Of the 25 appointments, 20 (80 percent) are females, and five (20 percent) are males. Demographics of the total group indicate 19 Caucasians (76 percent), three African Americans (12 percent), and three Asians (12 percent). Reidsma reported that the salaries are included with the University's 2004-05 budget as approved by the Board of Regents. Reidsma reported that the Human Resources office implemented a process in which all new vacancies are being reviewed throughout the divisions. John Beaghan added that President Willis has issued instructions that no position be posted without his approval.

STAFF SEPARATIONS/RETIREMENTS

Craig Reidsma recommended that the Board approve 17 separations and retirements for the reporting period September 9, 2004 through November 15, 2004. Of the 17 separations and retirements there are 12 (71 percent) females, and five (29 percent) males. Demographics of the total group indicate 11 Caucasians (65 percent), four African Americans (24 percent), and two Hispanics (11 percent). Reidsma reported that he looked at the demographics for the regular staff and faculty population, comparing last year to this current year; and the total is down 55 positions.

FY 2006 APPROPRIATION REQUEST

John Beaghan recommended that the Board approve the fiscal year 2006 appropriation request. Beaghan explained that the request establishes the University's initial resource planning parameters and identifies the fiscal needs of the University for the office of the state budget. Beaghan reported that cost reductions and tuition restraint have resulted in the elimination of 134 positions during the last three years; base budget reductions of nearly \$19 million, and over \$6million of one-time budget cuts. Beaghan stated that the fiscal 2005 appropriation of \$77.3 million is \$1.6 million less than the fiscal 1999 appropriation level. The state appropriation currently accounts for only 38 percent of the University's general fund operating budget. Beaghan reported that EMU ranks tenth in state appropriations per student among the 15 universities. Cost increases for fiscal year 2006 include contractual faculty and staff compensation, health care, utilities, scholarships and financial aid, and MPSERS retirement program. Beaghan said tuition rates and cost reductions are impacted by changes in the state appropriation; i.e. if the state were to minimally increase the University's appropriation by the higher education CPI, which is currently 2.75 percent, a tuition and fee increase of 8.5 percent would still require \$4 million of budget reductions. The University is requesting the state to minimally increase appropriations at the rate of the higher education CPI, and to return to a base funding level of \$4,600 per full-time student. EMU is currently receiving less than \$4,000 per student in state funding. Beaghan reported that there are other challenges as well as the \$8.3 million cost reductions. The University was able to balance the fiscal 2005 budget with the \$2.4

million appropriation rebate from the state. Those funds are not available for fiscal 2006. The University has made a number of other one-time budget cuts, such as suspending the personal computer refreshment program. Beaghan presented several charts to illustrate the makeup of the \$16,500,000 funding challenge for fiscal 2006, and different scenarios to show the University's reliance on appropriation changes, tuition and fee increases, and cost reductions. Regent Antonini said that EMU has been number four in enrollment, but number 10 in fiscal allocations from the state. He said it is critical that the University work hard to show Michigan legislators that EMU is an efficient and effective university, requiring funding based on enrollment.

FY 2006 CAPITAL OUTLAY BUDGET REQUEST

John Beaghan recommended that the Board approve the fiscal 2006 capital outlay budget request. The modernization of Pray-Harrold has been identified as the University's top capital project again this year with an estimated project cost of \$41 million. Beaghan reported that the University's cost share would be \$10 million, or 25 percent. The University's required match would be provided through the sale of bonds supported by tuition and fee revenue if the project is funded. The Capital Outlay request also includes a five-year asset preservation plan for \$2.6 million of asset preservation funding per year. Beaghan stated that the asset preservation funding falls short of the amount needed to address the true deferred maintenance problem on campus.

2003-04 EASTERN MICHIGAN UNIVERSITY FOUNDATION ANNUAL REPORT

Laura Wilbanks recommended that the Board receive and place on file the Eastern Michigan University Foundation annual report for the year ended June 30, 2004. Wilbanks reported that the financial audit was performed by Plante & Moran, PLLC, and they reviewed and approved the content of the report presented, and provided an unqualified financial opinion. Wilbanks reported that total endowment assets reported at year-end were \$35,796,418 which is an increase of 18.1 percent above the June 30, 2003 market value. Fiscal 2004 contributions were \$5,860,867. Contributions designated toward endowed scholarships and endowments totaled \$1,370,057. The endowment portfolio experienced an investment return of 16.6 percent. Current expendable gifts distributed to the University for programs and scholarships totaled \$3,909,038 for fiscal 2004. Of that, approximate \$1.5 million was gifts in-kind. Funding from endowed scholarships and endowments totaled \$956,354 which is a 14.5 percent increase over the previous year. John Beaghan noted that because of changes in GASB, the Foundation's financial statements have been incorporated into the University's financial statements. Stu Starner introduced Tom Stevick, interim vice president and executive director of the Foundation.

2003-04 EAGLE CREST MANAGEMENT CORPORATION ANNUAL REPORT

Kathy Vachon recommended that the 2004 Eagle Crest Management Corporation (ECMC) Annual Report be received and placed on file. Vachon reported that ECMC returned a net profit of \$29,987 for fiscal 2004 - a profit margin of two percent, which is down from five percent in the prior year. ECMC paid \$20,000 to the EMU Foundation at year-end, which represents a 66 percent payout ratio of dividend income for that year. Vachon reported that the conference center realized net earnings of \$30,481. Vachon said that occupancy in the conference center increased three percent over the prior year. The golf course resulted in net negative earnings of \$198,600 for the year, even though the number of rounds increased ten percent over the prior year. Vachon

stated that ECMC discounted pricing as a strategy to increase rounds, and rounds for leagues increased by 2,100 rounds. Golf outings, which also provide food, beverage, and ancillary revenues, increased by 1,100 rounds. Vachon reported that ECMC again hosted the Michigan high school boy's golf championships. The Democratic Governor's association hosted a meeting during Ryder Cup and Governor Granholm and her fellow key governors were at Eagle Crest for a policy committee meeting. The NCAA cross-country Midwest regional championships were held on the golf course. Vachon reported that 33 schools participated from the Midwest region. Vachon reported that Golf Digest magazine rated Eagle Crest as a four-star golf course, which is an improvement over prior year ratings. Eagle Crest hired David Horsman, a PGA professional from Pheasant Run in Canton Township. Horsman is currently an EMU student.

MEMO OF UNDERSTANDING – EMU AND THE PROFESSIONAL TECHNICAL EMPLOYEES BARGAINING UNIT, UAW LOCAL 1976

Don Wood recommended that the Board approve a Memorandum of Understanding between EMU and the International Union United Automobile Aerospace and Agricultural Implement Workers of America Technical, Office and Professional Local 1976. Wood said that the recommendation is based upon a wage re-opener negotiation with the UAW Local 1976 bargaining unit for July 1, 2004 to June 30, 2005. The memorandum of understanding is projected to increase the University's professional and technical bargaining unit employees' fiscal 2005 net compensation costs by \$163,209 in addition to the contractually mandated two percent minimum wage increase.

MEMO OF UNDERSTANDING – EMU AND THE CLERICAL/SECRETARIAL EMPLOYEES BARGAINING UNIT, UAW LOCAL 1975

The University recommended that the Board approve a Memorandum of Understanding between EMU and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, Technical, Office and Professional Local 1975. The recommendation is based upon a wage re-opener negotiation with the UAW Local 1975 bargaining unit for July 1, 2004 to June 30, 2005. The memorandum of understanding is projected to increase the University's clerical/secretarial bargaining unit employees' fiscal 2005 net compensation costs by \$88,004 in addition to the contractually mandated two percent minimum wage increase.

MEMO OF UNDERSTANDING – EMU AND THE MAINTENANCE, FOOD SERVICE AND CUSTODIAL EMPLOYEES' BARGAINING UNIT, AFSCME LOCAL 3866

The University recommended that the Board approve a Memorandum of Understanding between EMU and Local 3866 affiliated with Council 25 of the American Federation of State, County, and Municipal Employees and the AFL-CIO. The recommendation is based upon a wage re-opener negotiation with the maintenance, food service, and custodial employees' bargaining unit for July 1, 2004 to June 30, 2005. The memorandum of understanding is projected to increase the bargaining unit's fiscal 2005 net compensation costs by \$76,229 in addition to the contractually mandated two percent minimum wage increase.

NON-BARGAINED-FOR MERIT PROGRAM FUNDING FY 2004-05

Don Wood recommended that the Board approve a three-percent merit funding pool to eligible non-bargained-for employees. The recommendation is based upon similar wage increases negotiated with University bargained-for employee groups. Wood reported that eligibility and individual salary increases will be determined based on established merit based program guidelines. The requested action is projected to increase the University's non-bargained-for employees fiscal year 2004-05 total compensation costs by \$277,780 in addition to the currently budgeted and authorized amount of two percent. Regent Morris asked how the three percent compares to similar employee groups at Central Michigan University or Western Michigan University. John Beaghan stated that it compares favorably. Beaghan said that the University used the EMU faculty contract and the other three wage re-openers for this year as benchmarks.

POLICY: DISCOUNTED TUITION RATE FOR SENIOR CITIZENS

Vice President Courtney McAnuff recommended that the Board approve a policy whereby the University will offer reduced tuition and fees for enrolled students who are age 65 and older. The ElderQuest program is designed to increase enrollment and enrich the lives of the community members who are over the age of 65 by providing discounted tuition and fees for classes at EMU. McAnuff reported that the senior citizen students participating in the ElderQuest program will be permitted to enroll in classes on a space available basis beginning with the winter 2005 semester. ElderQuest students will pay one-half the undergraduate or graduate tuition rate, the General Fee, and the Technology Fee. All other fees will be waived. McAnuff reported that the University currently has at least 18 students enrolled who are over 65 years of age.

EQUALIZED BENEFITS FOR AP/AC/CC EMPLOYEES

Jeanette Hassan recommended that the Board approve a change to the tuition waiver benefit plan for non-bargained-for employees. The spouse dependent one-half undergraduate tuition waiver benefit will be changed to include same sex domestic partners. Hassan reported that EMU has historically given non-bargained-for employees the same benefits as those negotiated by employees represented by bargaining units. As a result of both the latest clerical/secretarial and faculty contract agreements the tuition waiver benefit for non-bargained-for employees is not consistent with that of represented employees. The adoption of this change will eliminate the discrepancy that presently exists between the athletic coaches, administrative professionals and confidential clericals' spouse-dependent one-half undergraduate tuition waiver benefit and employees represented by the bargaining units. The incremental cost to the University is projected to be approximately \$2,000 per year for each same-sex domestic partner. Regent Brandon asked how many people the change will affect. Hassan stated that the University currently has 14 employees across the bargaining units who have declared same-sex domestic partners and are eligible for same-sex domestic partner benefits.

**AUTHORIZATION TO GUARANTEE MICHIGAN BROADBAND DEVELOPMENT
AUTHORITY (MBDA) LOAN TO MERIT NETWORK, INC.**

Margaret Cline recommended that the Board authorize the Vice President for Business and Finance to guarantee a loan from the Michigan Broad Band Development Authority to Merit

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Network, Inc. for the purpose of connecting EMU and five other mid and southern Michigan public higher education institutions to the high-speed internet connection to be provided by Merit Network. Cline stated that this loan has a seven-year term, and so needs Board approval. Cline reported that Merit Network, Inc. began in 1966 and is one of the oldest network research institutions in the world, providing research and services for the entire time. Cline explained that the EMU, Central Michigan University, Ferris State University, Grand Valley State University, Oakland University and Western Michigan University will be connected to a high-speed internet connection provided by Merit Network, Inc. Cline said that the savings to EMU during the term of the loan is over \$350,000 if the University's bandwidth usage remains at the current level. As usage increases, savings also increase. John Beaghan noted that there is no additional debt service associated with this initiative. Cline stated that the loan needs to be guaranteed as a requirement of the broadband authority. Regent Brandon asked what the life of the technology is. Cline stated that the technology would be indefinite. The University would "own" the delivery mechanism.