

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: 21
DATE: September 19, 2006

**RECOMMENDATION**

**MONTHLY REPORT - FINANCE, AUDIT AND INVESTMENT COMMITTEE**

**ACTION REQUESTED**

It is recommended that the Working Agenda for September 19, 2006 and the minutes for the June 20, 2006 Finance, Audit and Investment Committee meeting be received and placed on file.

**STAFF SUMMARY**

Regular Agenda items discussed at the June 20, 2006 Finance, Audit and Investment Committee were: Finance, Audit and Investment Committee Monthly Report; General Fund Continuation Budget; FY 2007 Auxiliary Operations Budget; 2006-07 Room and Board Rates; Preliminary Lease Agreement – TCF Bank; Lease Amendment – Chemir Analytical Services; and Lease Amendment – T-Mobile. Consent Agenda items discussed were: Treasurer's Report, Grants/Contracts Report, Construction Projects Progress Report, Accounts Receivable Report, Information and Communications Technology Initiatives Report; Staff Appointments, and Separations and 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

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

September 19, 2006  
2:30 p.m.  
201 Welch Hall

**FINANCE, AUDIT AND INVESTMENT COMMITTEE MISSION:**

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

<b>Section 19:</b>	<b>Finance, Audit and Investment Committee Monthly Report</b> <i>Steve Holda, Interim Director of Finance</i>
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**CONSENT AGENDA**

<b>Section 1:</b>	<b>Treasurer's Report</b> <i>Steve Holda, Interim Director of Finance</i>
<b>Section 2:</b>	<b>Internal Audit Report</b> <i>Kirk Balcom, Rehmann Robson</i>
<b>Section 3:</b>	<b>Grants/Contracts Report</b> <i>Brian Anderson, Director, Office of Research Development</i>
<b>Section 4:</b>	<b>Construction Projects Progress Report</b> <i>Anthony Catner, Associate Vice President for Business and Finance – Facilities</i>
<b>Section 5:</b>	<b>Accounts Receivable Report</b> <i>Dan Cooper, Assistant Vice President and Controller</i>
<b>Section 6:</b>	<b>Information and Communications Technology Initiatives</b> <i>Connie Schaffer, Interim Chief Information Officer and Executive Director, Information and Communication Technology</i>
<b>Section 7:</b>	<b>Staff Appointments</b> <i>Craig Reidsma, Director, Compensation, Employment and HRIS</i>
<b>Section 8:</b>	<b>Separations/Retirements</b> <i>Craig Reidsma, Director, Compensation, Employment and HRIS</i>

## REGULAR AGENDA

<b>Section 20:</b>	<b>Consolidated Financial Statements and Supplementary Information as of June 30, 2006 and 2005</b> <i>Robb Rose, Plante &amp; Moran, PLLC</i>
<b>Section 21:</b>	<b>OMB Circular A-133 Supplementary Financial Reports for the Year Ended June 20, 2006</b> <i>Robb Rose, Plante &amp; Moran, PLLC</i>
<b>Section 22:</b>	<b>2005-06 General Fund Budget Management Report</b> <i>Vickie Bagherzadeh, Director, University Budgets</i>
<b>Section 23:</b>	<b>2005-06 General Fee Report</b> <i>Vickie Bagherzadeh, Director, University Budgets</i>
<b>Section 24:</b>	<b>2005-06 Auxiliary Fund Budget Management Report</b> <i>Vickie Bagherzadeh, Director, University Budgets</i>
<b>Section 25:</b>	<b>Collective Bargaining Agreement Between Eastern Michigan University and POLC (Campus Police)</b> <i>Ken McKanders, University Attorney</i>
<b>Section 26:</b>	<b>Collective Bargaining Agreement Between Eastern Michigan University and the EMU-AAUP (tentative)</b> <i>Ken McKanders, University Attorney</i>
<b>Section 27:</b>	<b>Program Statement – Science Complex</b> <i>Steve Holda, Interim Director of Finance</i>

**EASTERN MICHIGAN UNIVERSITY**  
**Board of Regents**  
**FINANCE, AUDIT AND INVESTMENT COMMITTEE**

**MINUTES OF MEETING**

June 20, 2006

**Present:** Regents Jan Brandon, Floyd Clack, Philip Incarnati, Sharon Rothwell, Thomas Sidlik, Karen Valvo, and Roy Wilbanks; Treasurer Steve Holda

**Absent:** Regent Joseph Antonini

Regent Sidlik acted as Chair of the Finance, Audit and Investment Committee meeting.

**MONTHLY REPORT**

Steve Holda recommended that the working agenda for the June 20, 2006 Finance, Audit and Investment Committee meeting and the minutes for the March 21, 2006 Finance, Audit and Investment Committee meeting be received and placed on file. Regent Sidlik motioned to approve the minutes. Motion passed.

**CONSENT AGENDA**

**Treasurer's Report**

Steve Holda recommended that the Treasurer's Report for the month of April 2006 be received and placed on file. Cash and investments totaled \$109,090,175 and were invested to return a total annualized return of 4.31 percent. Holda stated that cash and investments (excluding bond proceeds) as of April 30, 2006 increased by \$7.1 million compared to April 2005 due to higher tuition and fee rates collected for FY 06. Regent Sidlik motioned to approve the Treasurer's Report. Motion passed.

**Internal Audit Report**

There was no Internal Audit Report.

**Grants And Contracts Report**

Brian Anderson recommended that 80 grants and contracts totaling \$2,394,153 for the period March 1, 2006 through May 31, 2006 be accepted. One-hundred percent sponsor-funded grants and contracts in the amount of \$2,011,603 were awarded during the period. Grants and contracts requiring EMU cost-sharing and/or in-kind contributions totaled \$382,550. Cash contributions for awards during the period were \$500 for a fiscal year to date total of \$298,254 against a base budget of \$342,775. Anderson reported that 405 proposals with a total value of \$27,987,276 were processed during the reporting period. The value of proposals is down \$9,247,948 from last year. Anderson reported that 317 awards were processed with a total value of \$12,828,812. This is 42 fewer awards compared to last year – but the dollar value is up \$1,057,352. Comparing performance versus plan, the number of proposals is down 47 from the plan, and total proposal value is down \$8.6 million from the plan. The number of awards is down 41 from the plan, and the dollar value of awards is down \$646,000 from the plan. Regent Sidlik motioned to approve the Grants and Contracts report. Motion passed.

### **Construction Projects Progress Report**

Tony Catner and Larry Ward presented the Construction Projects Progress Report for the period ending April 30, 2006. Catner reported that the new student center project is on schedule. Regent Sidlik asked about the dorm renovations (Downing Hall project). Catner responded by saying the project is currently underway with drywall installation, and continues to be on schedule and within approved budget guidelines. Regent Sidlik motioned to approve the Construction Projects Progress Report. Motion passed.

### **Accounts Receivable Report**

Thom Madden recommended that the Student Accounts Receivable Ratio Analysis, the Student Accounts Receivable Reports, and the Collection Agency Inventory as of April 30, 2006 be received and placed on file. Madden reported that the net receivable balance for the reporting period is \$20.8 million or 12.69 percent of revenue as compared to \$17.7 million, or 11.75 percent of revenue as of April 30, 2005; which is a 0.94 percent increase. The net receivable balance has increased 0.88 percent when compared to the five-year average of 11.81 percent. Madden stated that the spring 2006 financial aid disbursement was delayed a month (May) and distorts the comparison to April 2005 numbers. Madden said that taking that variable into account, current student account receivables are still trending lower than last year and he expects the trend to continue to year-end. Madden said letters were recently mailed to students that explain payment options. Steve Holda said the administration is looking at collection strategies and alternatives to help make students more aware of their student account payment situation. Regent Sidlik motioned to approve the Accounts Receivable Report. Motion passed. Holda announced that Madden has accepted a position at another university. Madden said thank you for the friendship while at EMU and the support he received during his bout with cancer.

### **FY 2005 General Fund Interim Budget Status Report**

Vickie Bagherzadeh recommended that the fiscal 2006 General Fund Budget Interim Status Report as of April 30, 2006 be received and placed on file. The report overviews the year to date revenues and expenditures versus the operating plan as of April 30, 2006. Bagherzadeh reported that the final FY 06 appropriation from the state exceeded the approved plan by \$202,200; and the University received a FY 05 restoration payment of \$610,800 in January. The FY 06 total revenue expectation including the prior year carry forward authorization now totals \$217.3 million. General fund revenues through April 30, 2006 total 183.2 million or 86.2 percent of plan. Appropriations received to date from the state total \$49,072,451. Combined enrollments total 543,982 student credit hours or 99 percent of plan. Other student fee revenues are forecasted to meet plan. Bagherzadeh reported that general fund expenditures total \$169.3 million or 78 percent of the original plan. Regent Wilbanks asked if the enrollment numbers (student credit hours) are the final numbers. Bagherzadeh said they are, as of April 30. Regent Sidlik motioned to approve the General Fund Budget Interim Status Report. Motion passed.

### **Information And Communications Technology Initiative Report**

Connie Schaffer recommended that the ICT initiatives report be accepted and placed on file. Schaffer reported that the wireless installations continue with Quirk installation nearly complete. Approximately 90 percent of the classrooms on campus are finished. The voice over IP pilot project is underway with completion expected by late September or early October 2006. Schaffer reported that the Pierce Hall data network upgrade involves combining three small telecommunications closets into one major telecommunications area, while at the same time updating cabling to meet the code for current technology standards. Expected completion of the Pierce project is August 15. The computer refresh committee finished specifications for the models and are working with vendor pricing for FY07. Schaffer reported that the review of the CALEA Act related to the EDUCAUSE lawsuit is still in the federal court of appeals. Banner upgrade implementations remain on target for late this summer. Regent Sidlik motioned to approve the ICT Initiatives Report. Motion passed.

### **Staff Appointments**

Craig Reidsma recommended that the Board approve 19 staff appointments for the reporting period of March 1, 2006 through May 31, 2006. Reidsma reported that of the 19 appointments, seven or 37 percent are female and twelve, or 63 percent are males. The demographics of the total group indicate 15 Caucasians (79 percent), three African American (16 percent), and one Asian (five percent). Reidsma stated that the salaries are part of the University's 2005-2006 budget as approved by the Board of Regents. Regent Sidlik asked if the appointments are open budget positions. Reidsma stated that the appointments are part of the approved budget. Steve Holda said the administration is not increasing personnel costs above the overall University budget and that funding and budget must be available before any new positions are approved.

### **Staff Separations And Retirements**

Craig Reidsma recommended that the Board approve 35 separations and retirements for the reporting period March 1 2006 through May 31 2006. Of the 35 separations and retirements there are 19 (54 percent) female and 16 (46 percent) males. Demographics of the total group indicate 28 Caucasians (80 percent), six African American (17 percent) and one Hispanic (three percent). There are no fiscal implications.

Regent Sidlik motioned to approve the Staff Appointments report and the Staff Separations and Retirements report. Motion passed.



## **REGULAR AGENDA**

### **FY 2007 General Fund Continuation Budget**

Steve Holda requested that the FY 2007 continuation budget for the period July 1 through July 21, 2006 be accepted and placed on file. The continuation budget is basically continuing for a thirteenth month at the FY 2006 expenditure levels, thus allowing the University to operate until the special meeting of the Board of Regents on July 21, 2006. The continuation budget includes projected costs of all existing programs and services as approved by the Board, and includes actions taken throughout FY 2006. Holda said the proposed continuation budget is being recommended as an alternative for the operating budget pending resolution of the FY 2007 state appropriations, fall enrollment uncertainties and the 2006-2007 tuition and fee rate establishment. The 2006-2007 operating budget will be recommended for approval at the earliest possible date at which time final expenditure adjustments, division expense reduction plans, and tuition and fee rates and other revenues will be addressed resulting in a balanced budget. Regent Sidlik explained that this proposal was discussed during the prefinance conference call, and said Holda's revised recommendation clarifies the University's need for funds to operate until the new budget is approved. Regent Brandon asked for clarification of the statement referring to actions taken throughout fiscal year 2006. Regent Sidlik explained that Board-approved actions that fall into the one-month time frame would be included in the continuation budget. Holda said that this specifically refers to the carry-forward authorization of \$4.7 million that was approved by the Board in September 2005.

### **2006-07 Auxiliary Fund Operating Budget**

Jim Vick recommended that the FY 2007 auxiliary operating fund budget be approved. Vick said the revenue estimates for Housing and Dining Services are contingent upon approval of the recommendation for Housing and Dining rates. The FY 07 auxiliary revenue budgets are \$40.4 million, which is a decrease of \$2.0 million compared to the FY 06 budget. Vick said the decrease is primarily due to reduced occupancy in the residence halls, and the demolition of Pine Grove. The total operating expense budget before debt requirements, administrative fees and contributions to maintenance reserves is \$31.8 million. Vick said this is a decrease of \$3.7 million when compared to FY 06 levels. The decrease is primarily due to the reduction of cost of goods sold (\$1.4 million), and previous auxiliary staff positions moved to the general fund (\$1.1 million). Vick said these positions are being funded out of the general fund through an auxiliary prorate. Steve Holda said that the net impact to the general fund and auxiliary fund is zero. Vick said the total net of operations is \$8.6 million, of which \$2.4 million is allocated for debt; \$2.3 million for reserves, and \$3.4 million for administrative fees, facility plan commitments and operations at the power plant. The Housing and Dining Services budget includes funding \$9.4 million to maintenance and renovation projects, including \$5.8 million from bond proceeds for the Downing Hall project; \$388,000 from operations, \$3.2 million from plant reserves.

### **2006-07 Room and Board Rates**

Jim Vick recommended that the rates proposal for Housing and Dining Services be accepted. Vick said the proposal represents a four percent room and board increase in the residence halls, and an average of a two percent decrease in the apartments. Vick reported that the average approved increase for residence hall rates in the State is 4.11 percent. Vick said that EMU's four percent increase continues to run slightly below the average in the State, and the University ranks seventh in terms of cost compared to the other Michigan public institutions. Vick reported that the administration adjusted rent levels for University apartments based on current market conditions. Rent at Westview was reduced by eight percent. Brown-Munson rent was left unchanged pending review of the facility. Rent at Cornell, the most popular complex, was increased at the same rate as the residence hall rate increase. Regent Incarnati asked if any major revenue changes are expected as a result of the rent adjustments. Vick said he anticipates an increase in apartment occupancy may generate a little more revenue.

### **Preliminary Lease Agreement – TCF National Bank**

Jim Vick recommended that the Board authorize the University to negotiate and sign a five-year lease with TCF National Bank to provide a full-service bank at the new Student Center and campus ATM services. Vick said the lease will be brought back to the Board for final review and approval after the July 21 meeting. TCF has over a decade of demonstrated expertise in the field of campus banking, and has a division dedicated to campus banking with a proven record of understanding the needs of college students. Vick said TCF will invest \$275,000 in the build-out of the Student Center bank location. Vick said the lease may be extended for an additional five-year contract by mutual written consent. Vick said he expects annual rent will be approximately \$60,000.

### **Lease Agreement – Chemir Analytical Services, Inc.**

Ken McKanders recommended that the Board approve a three-year lease agreement with Chemir Analytical Services, Inc. for approximately 4,600 square feet of rental space in the University's Coatings Research building. McKanders said this is a renewal or extension of the existing lease arrangement that the University entered into with Paint Research Associates, or PRA Labs, in 1986. PRA Labs was bought out by Chemir in 2004, and so the new lease will be with Chemir. The proposed lease agreement calls for Chemir to pay the University \$84,680.88 per year in rent. McKanders said the lease includes a provision for two mutually agreed upon extensions. McKanders said the University clarified the language in the agreement, which indicates the tenant has the right to request an extension of the lease, and would need to be approved by Board; versus the original language that simply stated the tenant has a right to extend the lease.



**Lease Agreement Amendment – T-Mobile**

Ken McKanders recommended that the Board approve a request to amend the contract with T-Mobile Central (Omnipoint Holdings Inc.) to lease wireless communications antennae on WEMU's radio communication tower located on Clark Road in Ypsilanti. McKanders said the lease arrangement has been in existence since 1998, mainly with Omnipoint. McKanders explained that wireless carriers are attempting to amend or terminate existing leases. Holda said this situation has come from the consolidation of cell phone carriers not needing as many antennae. The University has agreed to amend the existing lease, thus providing for a reduction in rent from \$1,700 dollars a month to \$1,408 with a rent guarantee period of 72 months. Regent Sidlik asked how many other companies are renting space on the antenna. McKanders said there were several carriers that the University negotiated with in the mid-nineties, including one roof-top antennae lease. Sidlik asked where the rental income appears. Steve Holda said he's not sure where it goes, but will find the answer. Holda said the alternative to the income reduction was zero rental income.