

**EASTERN MICHIGAN UNIVERSITY  
FISCAL YEAR 2010-11  
BUDGET FORUM**

August 11, 2010

# University Budget Forums...Today's Agenda

- ✓ **Second Year of Budget Forums with President Martin**
- ✓ **Commitment/Purpose...**  
to continue to build campus-wide knowledge and understanding of Eastern's financial position, budget, and budget processes
  - ✓ Open Communication/Transparency > shared knowledge of finances > better understanding/alignment of strategies and objectives

## May/June Forum Focus

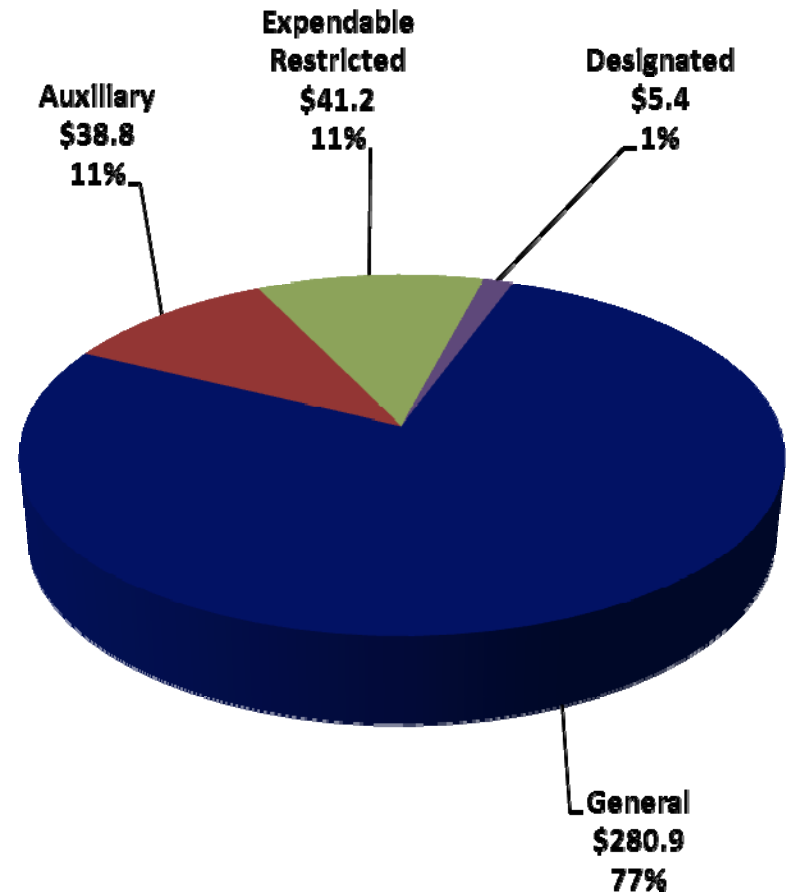
- ✓ FY2010-11 operating budget and 0%, 0%, 0%
  - ✓ Strategy and Context
  - ✓ Key Assumptions, Enablers, and Risks
- ✓ Budget Process – ABBP
- ✓ Capital Spending Overview

## Today's Focus

- ✓ FY 2009-10 Financial Results
  - ✓ Financial Position as of June 2010
- ✓ Tuition Increases for Fall 2010
- ✓ FY2010-11 Budget
  - ✓ Key Assumptions – Current Status
  - ✓ Health Care Reform Act – Implications for Eastern

# Eastern's Operating Budget Has Four Major Sources of Revenue...and Four Fund Categories

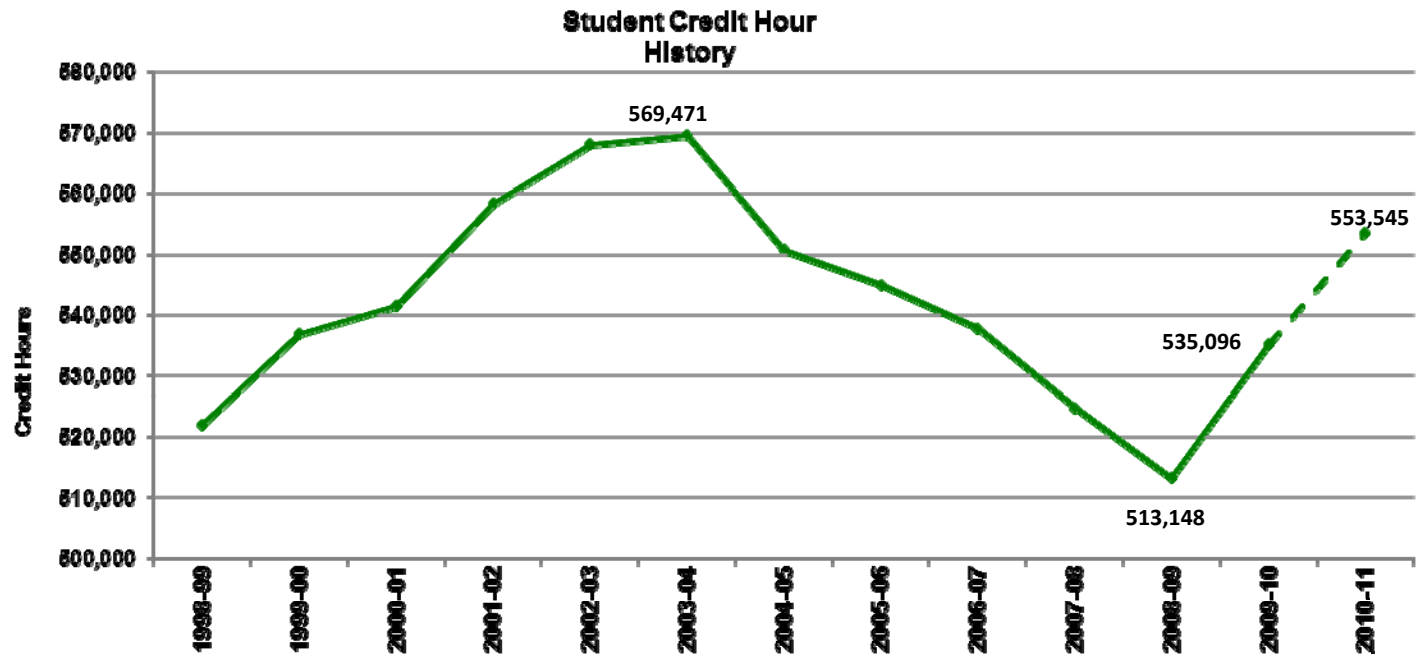
<p align="center"><b>General Fund</b></p>	<p align="center"><b>Expendable Restricted Funds</b></p>
<p>Funding comes from:</p> <ul style="list-style-type: none"> <li>✓ Tuition &amp; Fees</li> <li>✓ State support</li> <li>✓ Misc. Other</li> </ul>	<p>Funding where use is specifically designated by supporting agencies or donors:</p> <ul style="list-style-type: none"> <li>✓ Financial Aid pass through to students (\$23M)</li> <li>✓ Research Grants &amp; Contracts (\$15M)</li> <li>✓ Gifts (\$3M)</li> </ul>
<p align="center"><b>Auxiliary Funds</b></p>	<p align="center"><b>Designated Funds</b></p>
<p>Self-supporting business and service entities:</p> <ul style="list-style-type: none"> <li>✓ Student housing</li> <li>✓ Student dining</li> <li>✓ Eagle Crest</li> <li>✓ University parking</li> <li>✓ Apartments</li> <li>✓ Other activities</li> </ul>	<p>Funds where use designated by university policy to the revenue generating activity:</p> <ul style="list-style-type: none"> <li>✓ Athletics Game Guarantee</li> <li>✓ Revenue</li> <li>✓ Indirect Cost Recovery from Grants &amp; Contracts</li> <li>✓ Conferences, Workshops &amp; Camps</li> <li>✓ Other activities</li> </ul>



**Total FY11 Budget \$366.3 Million**

# Fiscal Year 2009-10 Financial Results...A Solid Year

- ✓ Student Credit Hours up 4.3% to 535,096 (first increase in six years)



- ✓ General Fund – Operating Surplus for Third Consecutive Year (\$1.3M)
  - ✓ \$3.8 Million before \$2.5M of one-time ABBP funding
- ✓ All Funds – Operating Surplus Offset by Non-Cash, Finance-related Charge

	<u>Change in Net Assets</u>
Operating Surplus	\$4.9
“Mark-to-Market” on Interest Rate Swaps	(7.1)
<b>Total</b>	<b><u>\$(2.2)</u></b>

# Eastern's Balance Sheet... Stable, But Financial Leverage Is High

(In Millions)

June 2009    June 2010    Notes:  
(Audited)        (Preliminary)

## Assets

- Cash and Investments	\$174	\$126	Capital asset increase and cash decrease reflects capital spending (Science Complex, Pray-Harrold, Other)
- Capital Assets (Buildings, etc.)	326	379	
- Other Assets	<u>52</u>	<u>59</u>	
<b>Total Assets</b>	<b><u>\$552</u></b>	<b><u>\$564</u></b>	

## Liabilities

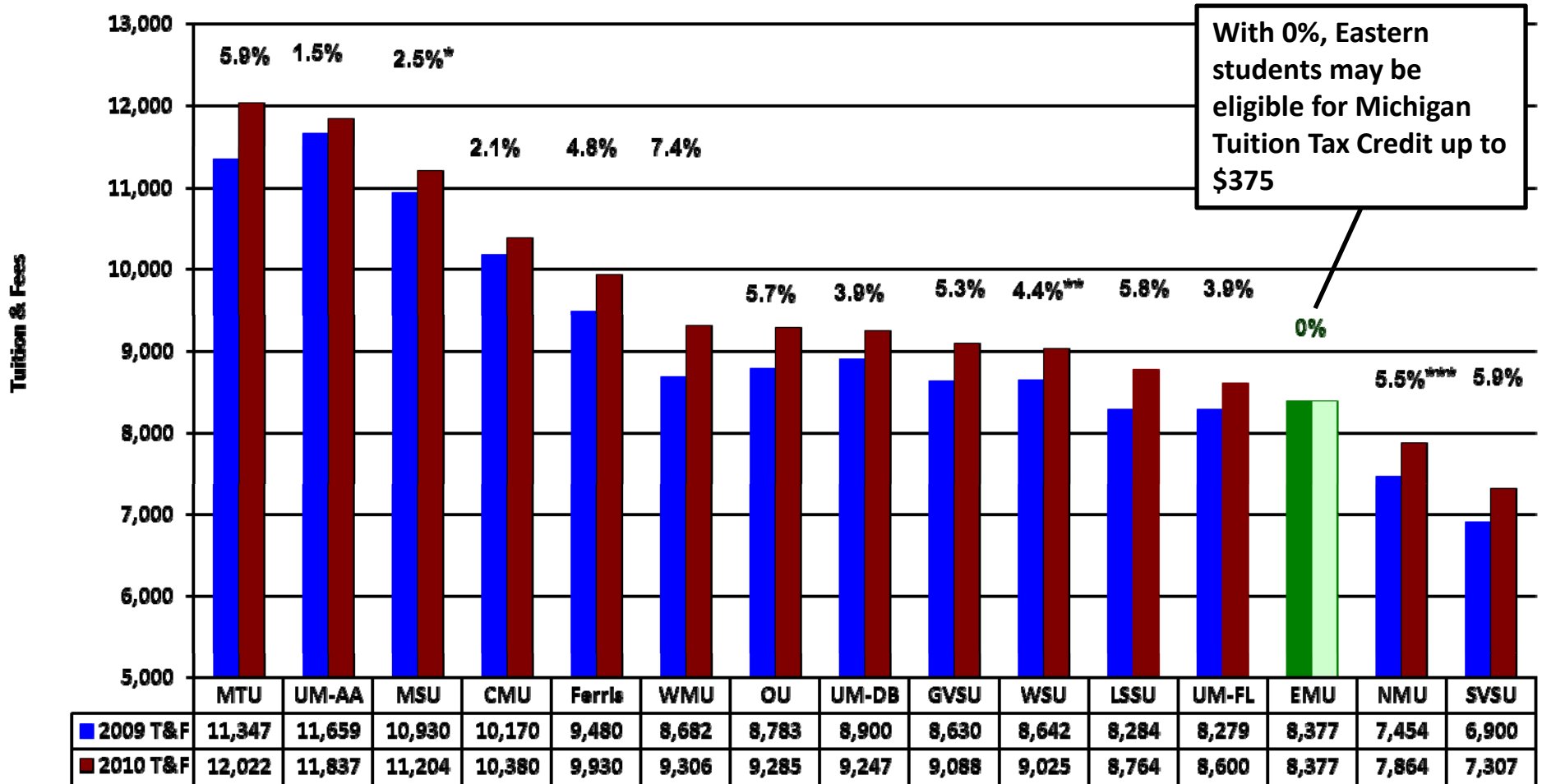
- Debt	\$245	\$241	Financial leverage -- debt in relation to reserves – is high
- Other Liabilities	<u>75</u>	<u>93</u>	
<b>Total Liabilities</b>	<b><u>\$320</u></b>	<b><u>\$334</u></b>	

## Net Assets

- Invested in Capital, Net of Debt	\$158	\$166	Reduction in unrestricted net assets reflects planned investment in capital; continues in FY11
- Restricted, Expendable	9	9	
- Unrestricted	<u>65</u>	<u>55</u>	
<b>Total Net Assets</b>	<b><u>\$232</u></b>	<b><u>\$230</u></b>	

# Tuition and Fee Increases for Fall 2010...Average of 4.3%, Range 0% to 7.4%

Resident Undergraduate Tuition & Mandatory Fees  
(Fall 2009 vs. Fall 2010)



- MSU split its tuition increase, assessing a 2.5% increase in Fall 2010 plus a 2.4% increase in Summer 2011.
- \*\* Wayne split its tuition increase, assessing a 4.4% increase in Fall 2010 plus a 2.0% increase in Summer 2011.
- \*\*\* NMU is increasing tuition by 5.5%, however, they are providing a \$192 credit for Fall 2010, resulting in an academic year (2010-11) increase of 2.9%.

# 2010-11 Budget...Tight Budget, Health Care Reform Act An Added Challenge

## Budget Assumption

## Status / Outlook

### Revenue-related

- ✓ Student Credit Hours increase 3.4% over FY09-10
- ✓ State Appropriation reduced 3.1%

### Expense-related

- ✓ Invest in faculty (up 10), facilities (\$66.6M) and financial aid (\$30.4M)
- ✓ Health Care - no significant impact of Health Care Reform Act
- ✓ ABBP funding of \$1.6M
- ✓ Other cost elements

- ✓ Summer – up 5.6%  
Fall – registration 85% complete
- ✓ State budget not finalized – appropriations linked to stimulus funding
- ✓ 38 successful faculty searches – Fall faculty expected to increase 14
- ✓ Provisions of Act (19-26 year old, preventative care) will add to plan cost
- ✓ Included in Divisional budgets
- ✓ Utilities and debt service forecast to be under budget

## **Health Care Cost and Reform Act Implications**

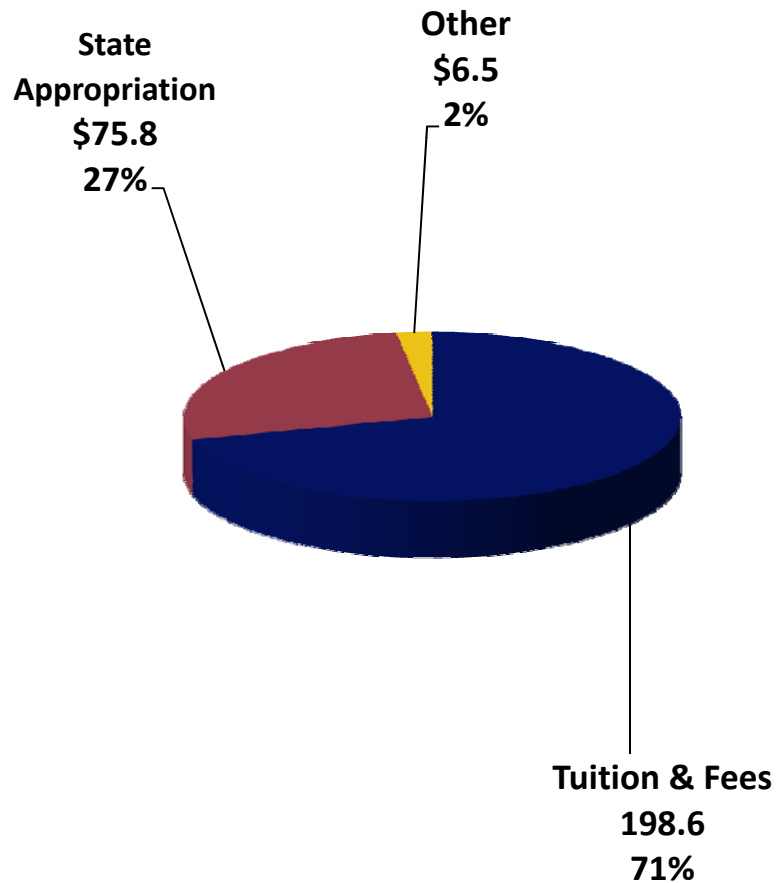
- ✓ **Annual Cost In 2009 For Active Faculty and Staff About \$21 Million**
  - ✓ Faculty, staff paid about 15% of total cost through premium sharing, deductibles, co-pays, and co-insurance
  - ✓ Eastern paid about 85% of total cost
  
- ✓ **Provisions of Reform Act Relating To 19 - 26 Year-Olds Will Have Major Impact Beginning January 2011**
  - ✓ Significant added benefit for some faculty, staff
  - ✓ Added cost to Eastern not known – could be \$1.5 Million to \$2 Million
  
- ✓ **Health Care Inflation Rates A Challenge To Budgets**



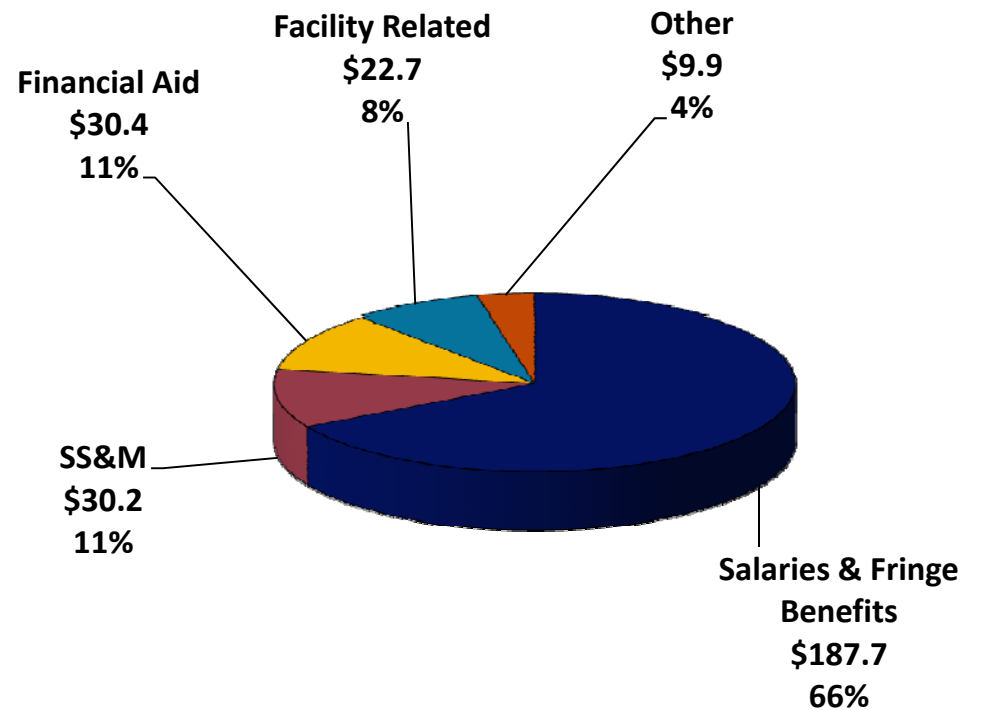
# FY10-11 General Fund...

## Revenues and Expenditures Balanced at \$280.9 Million

### FY10-11 GF Revenues (\$280.9)

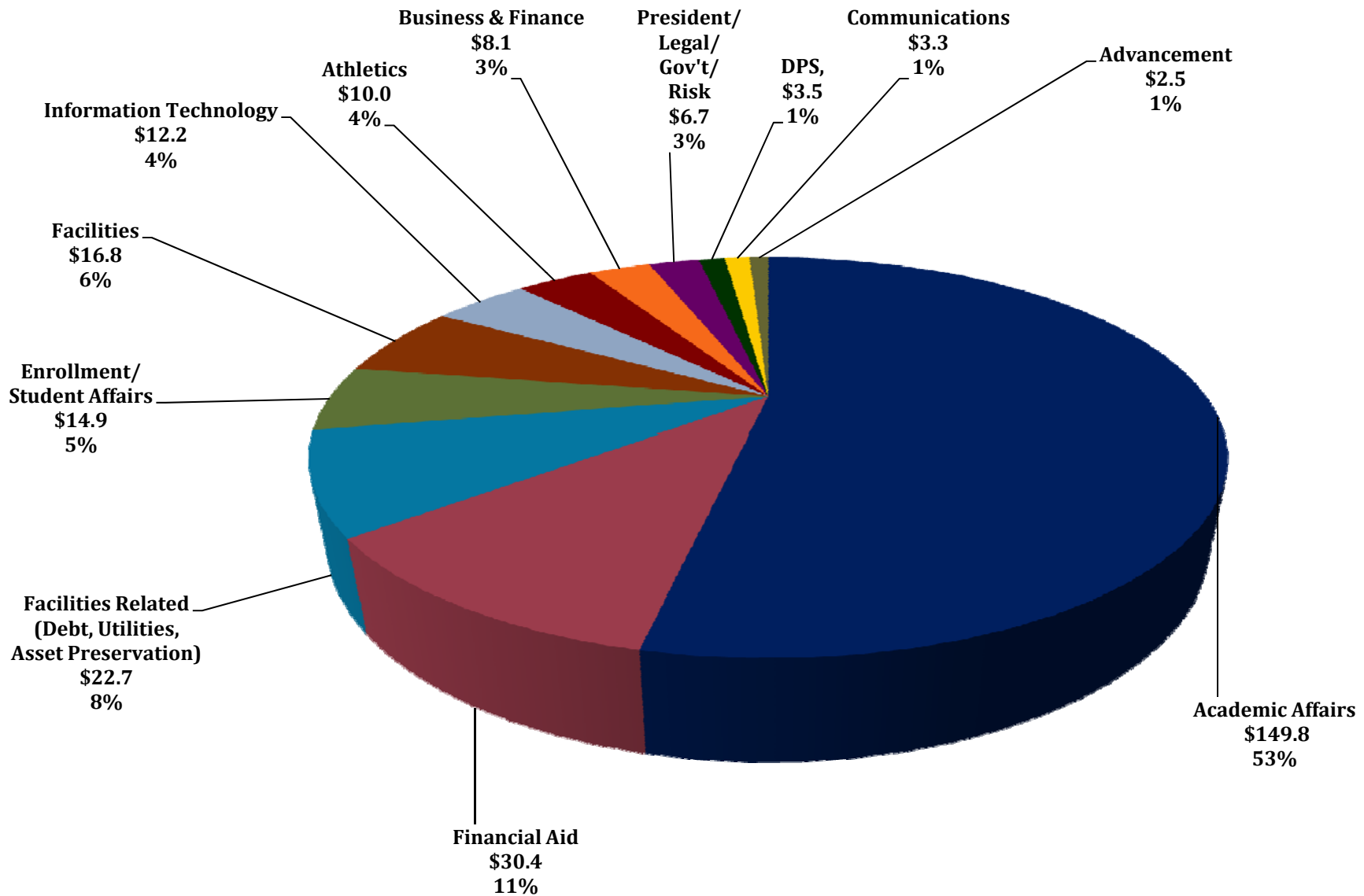


### FY10-11 GF Expenses (\$280.9)



# FY10-11 General Fund... Expenditures by Division

FY10-11 GF Expenses (\$280.9)



# Investing in Our Future - Eastern's Capital Plan

In addition to the Operating Budgets, Eastern has an Annual Capital Budget and a Rolling Three-Year Capital Plan

- ❑ FY11 capital budget of \$66.6M with planned investment of \$195M over four years (FY09-10 through FY12-13)
- ❑ Unprecedented level of investment -- Mark Jefferson Science Complex (\$90M) and Pray-Harrold (\$42M) largest projects; Also significant investments in housing facilities, other campus facilities, and infrastructure.
- ❑ Funding has been secured for projects:
  - ❑ Mark-Jefferson (100% EMU funded-bonds issued May 2009)
  - ❑ Pray-Harrold (State 75%, Eastern 25%)

<b>Capital Expenditures FY09-10 through FY12-13</b>	<b>Amount</b>	<b>Percent of Total</b>
<b><u>Academic Facility Enhancements</u></b>		
Mark Jefferson Science Complex	\$90.0	
Pray-Harrold	42.0	
All Other (Fletcher, Halle, TBD)	5.9	
<b>Total Academic Facility Enhancements</b>	<b>\$137.9</b>	<b>71%</b>
<b><u>Housing Facility Enhancements</u></b>		
First Year Center Windows	\$3.1	
Brown-Munson Windows	1.8	
Pittman Renovation	1.6	
Hoyt Renovation	1.8	
All Other	5.4	
<b>Total Housing Facility Enhancements</b>	<b>\$13.7</b>	<b>7%</b>
<b><u>Other University Facility Enhancements</u></b>		
Athletics-Related (Indoor Facility, Rynearson Scoreboard)	\$4.4	
Other (Eagle Crest, McKenny, Signage)	4.1	
<b>Total Other University Facility Enhancements</b>	<b>\$8.5</b>	<b>4%</b>
<b><u>Infrastructure, Asset Preservation, Energy Savings</u></b>		
IT Infrastructure	\$5.5	
Energy Savings	4.0	
Safety & Security	2.8	
Parking-Related	1.9	
On-Going Campus Asset Preservation	20.5	
<b>Total Infrastructure, Asset Preservation, Energy Savings</b>	<b>\$34.7</b>	<b>18%</b>
<b>Total Capital Expenditures</b>	<b>\$194.8</b>	<b>100%</b>

# Questions or Comments?

❑ Overview posted on EMU's website:

❑ <http://www.emich.edu/budget>

❑ <http://www.emich.edu/busfin>

❑ Other budget and financial information available:

❑ <http://www.emich.edu/busfin>

❑ Tell us what you think:

❑ John Lumm, Chief Financial Officer

[jlumm@emich.edu](mailto:jlumm@emich.edu)

❑ Veda Jenkins, Assoc. Director, University Budget

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