

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: 22

DATE:

January 17, 2006

**RECOMMENDATION**

**MONTHLY REPORT - FINANCE AND AUDIT COMMITTEE**

**ACTION REQUESTED**

It is recommended that the Working Agenda for the January 17, 2006 Finance and Audit Committee meeting and the minutes for the November 15, 2005 Finance and Audit Committee meeting be received and placed on file.

**STAFF SUMMARY**

Regular agenda items for the November 15, 2005 Finance and Audit Committee meeting were: Finance and Audit Committee Monthly Report; Non-Bargained-For Merit Program Funding Fiscal Year 2005-06; Fiscal Year 2005 EMU Foundation Annual Report; Fiscal Year 2005 Eagle Crest Management Corporation Annual Report; and Collective Bargaining Agreement Between EMU and the EMU Federation of Teachers (EMU-FT). 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, Information and Communications Technology Initiatives 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

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

**January 17, 2006  
11:30 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 22: Finance and Audit Committee Monthly Report**  
Steve Holda, Interim Director of Finance

**CONSENT AGENDA**

- Section 1: Treasurer's Report**  
Steve Holda, Interim Director of Finance
- Section 2: Internal Audit Report**  
Kirk Balcom, Rehmann Robson
- 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**  
Thom Madden, Director, Student Business Services
- Section 6: Interim Budget Status Report**  
Al Levett, Director, Budget Management
- Section 7: Technology Plan Implementation Report**  
Connie Schaffer, Interim Chief Information Officer and Executive Director,  
Information and Communication Technology
- Section 8: Staff Appointments**  
Craig Reidsma, Director, Compensation, Employment and HRIS
- Section 9: Separations/Retirements**  
Craig Reidsma, Director, Compensation, Employment and HRIS

## **REGULAR AGENDA**

- Section 23:**      **2004-05 Financial Report on EMU Charter Schools**  
Joseph F. Pollack, Director
- Section 24:**      **State of Michigan Comprehensive Annual Financial Report**  
Daniel B. Cooper, Assistant Vice President and Controller
- Section 25:**      **FY 2005 WEMU-FM Audited Financial Statements**  
Daniel B. Cooper, Assistant Vice President and Controller
- Section 26:**      **Filing of Fiscal 2005 Exempt Organization Business Income Tax Return (Form 990T)**  
Daniel B. Cooper, Assistant Vice President and Controller
- Section 27:**      **Amendment to the Joint Operating Agreement Between EMU and the EMU Foundation**  
Tom Stevick, Interim Executive Director, EMU Foundation
- Section 28:**      **Restructuring General Fund Scholarship Program**  
Courtney McAnuff, Vice President for Enrollment Services
- Section 29:**      **TIAA-CREF Open Plan Solutions Recordkeeping Services**  
Jeanette Hassan, Director, Benefits
- Section 30:**      **JCOS Resolution**  
Ken McKanders, University Attorney

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

**MINUTES OF MEETING**  
November 15, 2005

**Present:** J. Antonini, J. Brandon, F. Clack, T. Sidlik, K. Valvo, R. Wilbanks, and Steve Holda

**MONTHLY REPORT**

Steve Holda recommended that the working agenda for the November 15, 2005 Finance And Audit Committee meeting and the minutes for the September 20, 2005 Finance And Audit Committee meeting be received and placed on file.

**TREASURER'S REPORT**

Steve Holda recommended that the Treasurer's Report for the month of September 2005 be received and placed on file. Cash and investments totaled \$97,979,616 and were invested to return a total annualized return of 3.25 percent. Holda stated that cash and investments (excluding bond proceeds) as of September 30, 2005 increased by \$13.4 million compared to prior year due to variances in tuition and fee revenue (\$9 million), accounts receivable collections (\$2.8 million), and Pell Grants, grants and contracts, and an increase in the state appropriation represent the rest of the variance.

**INTERNAL AUDIT REPORT**

Kirk Balcom from Rehmann Robson presented the internal audit activity report for the period October 2005 through November 2005. Balcom indicated that the report for the Physical Plant – Constuction audit was issued and includes findings and corresponding recommendations to improve controls. Management agrees with the recommendations and is proceeding to implement them. University management prepared and included a status report of previous audit recommendations: Cash Receipts, Parking Department, Procurement Cards, Mail Services, Business Continuity Plan/Disaster Recovery Plan, and Intercollegiate Athletics audits. Most of the recommendations have been fully implemented or are in progress.

**GRANTS AND CONTRACTS REPORT**

Brian Anderson recommended that 64 grants and contracts totaling \$4,287,188 for the period September 1, 2005 through October 31, 2005 be accepted. One-hundred percent sponsor-funded grants and contracts in the amount of \$2,039,662 were awarded during the period. Grants and contracts requiring EMU cost-sharing and/or in-kind contributions totaled \$2,247,526. Anderson reported that 124 proposals were processed during the reporting period, which is down 38 and \$1.6 million compared to last year. Awards processed to date were 94 with a total value of \$5,893,333 – down compared to last year by 35 awards and \$260,597 in value. Anderson reported that comparing performance with plan, the number of proposals is down by 40 and the dollar value is down \$4.2 million. Anderson gave a presentation, requested by the Regents, on grant activity at the University and the plan for increasing revenues. Discussed were the past five-year grant trends, current initiatives and

ideas under development for long term growth. Anderson indicated that more faculty need to get involved in research and grant writing.

### **CONSTRUCTION PROJECTS PROGRESS REPORT**

Tony Catner and Larry Ward presented the Construction Projects Progress Report for the period ending September 30, 2005. Steve Holda explained that the report has been restructured in order to provide more detail related to funding sources for the various projects. Ward reported that the Snow Elevator project is complete and in use, and the Varsity Soccer Field project is complete and being used. Catner explained how the Physical Plant met with several design/build firms and other local universities to gather information and best practices to create a unique closeout process for University projects.

### **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 September 30, 2005 be received and placed on file. Madden reported that the net receivable balance for the reporting period is \$28.8 million or 37.2 percent of revenue as compared to \$32.1 million or 44.7 percent of revenue as of September 30, 2004. The net receivable balance has decreased 0.1 percent when compared to the five-year average of 37.1 percent. Madden said that the large decrease from last year to this year is a result of the registration hold limit being reduced to \$300 from \$1,000. Cash collections increased by \$3.5 million over this time last year. Madden explained that the payment plans offered provide flexibility to the students, and students participating in these plans has increased 100 percent of this time last year.

### **FY 2006 GENERAL FUND INTERIM BUDGET STATUS REPORT**

Al Levett recommended that the fiscal 2006 General Fund Interim Budget Status Report as of September 30, 2005 be received and placed on file. Levett reported that general fund revenues for the reporting period total \$67.3 million, or 32 percent of plan. Levett said that the anticipated restoration of the FY 05 state appropriation of \$611,000 will increase the fiscal 2006 revenue expectation to \$217.8 million. Combined summer and fall enrollments total 273,800 student credit hours, which represents 98.4 percent of plan. Tuition and fee revenues are expected to meet plan. Levett reported that general fund expenditures total \$44.4 million which is 20 percent of the original plan.

### **INFORMATION AND COMMUNICATIONS TECHNOLOGY INITIATIVE REPORT**

Connie Schaffer recommended that the report on the progress of ICT initiatives and financial status report be received and placed on file. Schaffer also recommended that the Board approve the use of \$1.8 million of technology fee excess net revenue to support fiscal 2006 technology needs. Regent Antonini questioned the need to use the \$1.8 million and go over the approved budget of \$28.0 million. Steve Holda explained that the \$1.8 million is collected technology fee revenue, which exceeds technology expenditures over the last five years. Schaffer explained that the excess revenue would be primarily dedicated to upgrade the CORE infrastructure, which is needed to stay in compliance with Sysco equipment, and to support the increased technology need for future growth on campus. Regent

Brandon asked how the University plans to respond to a federal act related to communications assistance for law enforcement agencies (currently in appeal), in which all college campuses will be required to allow law enforcement agencies to track email communications by summer 2007. Brandon wanted to know if the University's system would allow compliance with the act, and if not, how it would impact the budget. Schaffer said if the act goes through, the University will stay in compliance one way or another. Schaffer said that she will provide an explanation of the act and status report. Regent Brandon indicated that students came forward at the Student Affairs Committee meeting and recommended that the University continue to assess the technology fee at \$10 per credit hour.

### **STAFF APPOINTMENTS**

Craig Reidsma recommended that the Board approve 20 staff appointments for the reporting period of August 20, 2005 through October 31, 2005. Reidsma reported that of the 20 appointments, 12 (60 percent) are females, and 8 (40 percent) are males. Demographics of the total group indicate 14 Caucasians (75 percent), one Hispanic (five percent), and five African American (20 percent).

### **STAFF SEPARATIONS AND RETIREMENTS**

Craig Reidsma recommended that the Board approve 34 separations and retirements for the reporting period August 20, 2005 through October 31, 2005. Reidsma reported that of the 34 separations and retirements, 19 (55 percent) are female and 15 (45 percent) are male. Demographics of the total group indicate 22 Caucasians (64 percent), eight African American (25 percent), one American Indian or Alaskan Native (three percent), one Hispanic (three percent) and two Asian (five percent).

### **NON-BARGAINED-FOR MERIT PROGRAM FUNDING FY 2005-06**

Steve Holda recommended that the Board approve a 3.2 percent merit increase pool for eligible non-bargained-for employees, which is based on similar wage increases negotiated with University bargained-for employee groups. Holda indicated that eligibility and individual salary increases will be determined using established guidelines. The requested action is projected to increase the fiscal 2005-06 non-bargained-for employees' total compensation costs by \$305,000.

### **2004-05 EASTERN MICHIGAN UNIVERSITY FOUNDATION ANNUAL REPORT**

Laura Wilbanks recommended that the Foundation Annual Report for fiscal 2004-05 be received and placed on file. Wilbanks reported that total endowment assets reported at year-end were \$39,762,915, which is an 11.1 percent increase over the June 30, 2004 market value. Contributions for the year totaled \$5.1 million of which \$4.8 million represented cash gifts. Funding from endowed scholarships and endowments totaled \$1,226,889 which is a 28.2 percent increase from last year. Regent Wilbanks congratulated Tom Stevick and his staff for a job well done.



### **2004-05 EAGLE CREST MANAGEMENT CORPORATION ANNUAL REPORT**

Kathy Vachon recommended that the Eagle Crest Management Corporation Annual Report for fiscal 2005 be received and placed on file. Vachon reported that Eagle Crest Management returned a net profit of \$34,013 for the year ending June 2005, which is a profit margin of three percent, and an improvement over last year. Net earnings of \$28,369 were realized for the year ending June 2005, and the Golf Course realized net earnings of a negative \$229,396. Vachon reported that the Golf Course experienced a five percent increase in rounds from the previous year. The Golf Course continues to host the Michigan high school boys and girls athletic golf championships. Vachon said that Eagle Crest Management is looking closely at the different market segments of the Golf Course in an effort to maximize potential revenues. The Golf Course has leagues booked and confirmed, and signed agreements which represent \$60,000 dollars in additional revenue next year. Regent Sidlik said that the loss is unacceptable. Sidlik said that he wants to see a plan for the Golf Course that will result in a net profit. Regent Wilbanks asked when the bond debt is scheduled to be paid. Vachon said it is scheduled for 2014. Vachon explained that the annual debt expense is \$329,000 and that the Golf Course operation would be profitable if there was no bond debt. Wilbanks asked how much money is in the joint operating reserve account. Vachon said the balance as of October 31 is \$294,000. Wilbanks asked if the joint operating reserve money could be used to renovate the locker rooms. Wilbanks recommended that the Golf Course receive revenue from the other Eagle Crest profit centers (food and beverage operation, media services, conference center) when the golf course is used by them. Regent Brandon recommended that Eagle Crest Management look at the financial benefit of charging a fee for the golf teams to use the course.

### **COLLECTIVE BARGAINING AGREEMENT – EMU FEDERATION OF TEACHERS**

Rhonda Longworth recommended that the Board approve the collective bargaining agreement between Eastern Michigan University and the Eastern Michigan University Federation of Teachers (EMU-FT) and that the president, Provost and University's bargaining committee be authorized to execute the agreement on behalf of the Board of Regents. Longworth said the recommendation is based on negotiations that were conducted over the summer 2005 and will cover the period September 1, 2005 through April 2010. It is projected that the proposed agreement will increase the University's fiscal year 2006 compensation costs by approximately \$196,501. The total cost to the University through the end of the contract will be \$1,614,726.

Regent Antonini asked for questions from the Board. Regent Sidlik commented that the Staff Appointments and Separations/Retirements reports reflect a net loss of 6 employees. Regent Antonini indicated that a demographic analysis of staff separations is needed.