

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

RECOMMENDATION
FINANCE AND INVESTMENT COMMITTEE

SECTION: 17

DATE:
October 7, 2014

ACTION REQUESTED

It is recommended that the Board of Regents receive and place on file the minutes from the June 10, 2014 Finance and Investment Committee meeting and the Working Agenda for the October 7, 2014 meeting.

STAFF SUMMARY

June 10, 2014 Meeting Agenda

Agenda items include the following recommendations:

- FY 2014-15 Tuition and Fees Recommendation
- FY 2014-15 General Fund Operating Budget Recommendation
- FY 2014-15 Auxiliaries Fund Operating Budget Recommendation
- FY 2014-15 Capital Budget Recommendation and Three Year Capital Plan
- Resolution of the Board of Regents of Eastern Michigan University Authorizing the refunding of General Revenue Bonds.
- Approval of External Auditors
- Landlord Time Share Lease Agreement with Trinity Health-Michigan regarding Medical Simulation Center
- Landlord Lease Agreement with Trinity Health-Michigan regarding Cadaver Lab
- Emeritus Staff Awards

October 7, 2014 Meeting Agenda

Agenda items include the following recommendations:

- Consolidated Financial Statements and Supplementary Information as of June 30, 2014
- FY2015-16 General Fund, Scholarships, Awards and Grants Request
- FY2015-16 State Capital Outlay Request
- Updated Policy: University Investment Policy
- Updated Policy: Conflict of Interest Policy-Board of Regents
- Updated Policy: Conflict of Interest Policy-University Employees
- Updated Policy: Travel Policy
- Emeritus Staff Awards

FISCAL IMPLICATIONS

None

ADMINISTRATIVE RECOMMENDATION

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

University Executive Officer

Date

Eastern Michigan University
Finance and Investment Committee
Meeting Minutes
June 10, 2014

The meeting was called to order by Regent Mary Treder Lang at 11:00 a.m.

A motion was made, seconded and approved to accept the minutes from the March 25, 2014 Finance and Investment Committee meeting.

The agenda includes 9 items.

Section 25: Recommendation: 2014-15 Tuition and Fees

This recommendation continues Eastern's commitment to provide students a high quality education at an affordable price. Eastern is the State's leader in tuition restraint. Since the Fall 2008 (past 6 years), Eastern has had the lowest dollar tuition increase of any of the 15 public universities in the State of Michigan. With this recommendation, Eastern's tuition increases will have averaged 3.1% over the 6 years.

For an Undergraduate Michigan resident student taking 30 credit hours, the annual cost for tuition and mandatory fees would be \$9,663, a 3.2% increase over last academic year. This equates to an increase of \$299 per year or approximately \$10 per credit hour.

Section 26: Recommendation: Fiscal Year 2014-2015 General Fund Operating Budget

The recommended 2014-15 General Fund operating budget includes \$302.6 million of revenues and \$301.9 million of expenditures resulting in a budgeted surplus of \$0.7 million. The Board-approved General Fund expenditure budget for 2013-14 was \$296.4 million.

Recommended revenues include \$219.8 million in tuition and fees, a \$72.4 million state appropriation (\$67.3 million base appropriation and \$5.1 million one-time performance funding), and \$10.4 million of other revenues. The revenue budget reflects the tuition and fee recommendations contained in Section 25.

The recommended expenditure budget includes \$43.8 million in University-sponsored financial aid, an increase of \$4.6 million (11.7%) compared with the 2013-14 budget. Over the last seven years, Eastern's University-sponsored financial aid will have more than doubled (from \$21.4 million in 2007-2008 to the \$43.8 million in 2014-2015). The recommended budget reflects the new Physician's Assistant's Program launched last month as well as continuation of the University's enhanced public safety initiatives, which includes 10 additional officers. The recommended expenditure budget also includes over \$5 million in cost savings actions.

Section 27: Recommendation: Fiscal Year 2014-2015 Auxiliary Funds Operating Budgets

The recommended Auxiliary Activities 2014-15 budget is \$49.2 million and reflects the Room, Board, and Apartment rates approved by the Board on March 25, 2014.

The 2014-15 recommendation also reflects the fourth consecutive year of increased housing occupancy. It is expected that the number of students living on campus this Fall in residence halls and university-owned

apartments will exceed 4,100 which would represent an increase in students housed of about 700 (or 20%) compared with the Fall of 2010.

The Auxiliary Activities operating expenditure budget contains provisions for all necessary operating costs including direct operating costs, auxiliary-specific debt service, and a transfer to the University's General Fund for services received. The recommended budgets result in an operating margin of \$6 million which provides the necessary funding for continued asset preservation and capital investment in the University's auxiliary facilities.

Section 28: Recommendation: Fiscal Year 2014-15 Capital Budget and Three Year Capital Projection

The projects in the recommended \$12.6 million fiscal year 2014-15 capital budget include significant investments supporting the new Physician Assistant program and growth in the School of Health and Human Services. The recommended budget also reflects our continuing commitment to upgrade campus technology, both in the classrooms and in other campus buildings, as well as safety and security enhancements. Investments in these priorities account for about three-quarters of the recommended spending for fiscal year 2014-15.

The five years from fiscal year 2008-09 through fiscal year 2012-13 represented a period of unprecedented capital investment at Eastern. Over the period, capital spending exceeded \$220 million. Approximately two-thirds of the spending was invested in academic facility enhancements including the Science Complex addition/renovation and the Pray-Harrold renovation. Significant investments also were made in housing facility improvements and campus infrastructure (buildings, grounds, parking, roadway improvements) as well as in IT infrastructure, campus technology and other student and athletic facilities.

Over the next three years, capital spending of \$36.9 million is projected. In addition to ongoing investments in academic building enhancements and technology which represent over half of the projected three-year spending, \$4.1 million in capital investment is planned for housing, dining and student facility renovations with Wise Hall the next residence hall to undergo a major renovation in the Summer of 2015.

Section 29: Recommendation: Resolution of the Board of Regents of Eastern Michigan University Authorizing the Issuance and Delivery of General Revenue Refunding Bonds and Providing For Other Matters Relating Thereto

In June 2009, in order to finance a portion of certain capital projects, the University issued \$79,220,000 of General Revenue Bonds, Series 2009D. A portion of the General Revenue Bonds, Series 2009D issued included a 5-year callable option. Currently, \$9,960,000 of the remaining outstanding balance may be refunded by the University.

In February 2000, in order to refund certain bonds issued by the Board in 1992 and to finance certain capital projects, the University issued \$9,555,000 General Revenue Bonds and Refunding, Series 2000. Currently, \$1,240,000 remains outstanding and when combined with Series 2009D may be refunded by the University at a significant present value savings.

This resolution authorizes the issuance, execution, and delivery of bonds of the Board in registered form in one of more series, to be designated GENERAL REVENUE REFUNDING BONDS, SERIES 2014, to refund the prior bonds. The aggregate principal amount of the Bonds will not exceed \$11,500,000 (the amount necessary to produce proceeds sufficient to implement the refunding and pay the costs incidental to the issuance of the Bonds.) The first maturity will not be earlier than February 1, 2015 and the last

maturity will not be later than February 1, 2039. The interest will be at a fixed rate, with an average coupon that will not to exceed 5.50% per annum.

Section 30: Approval of External Auditors

The Board of Regent bylaws (4.06 Auditor) provide that the Board's Audit Committee shall recommend to the Board the selection of an external auditor, who shall be appointed by the Board, and who shall receive supervision from the Chairperson of the Audit Committee.

An RFP was issued March 28, 2014 seeking proposals and qualifications of firms to perform external audit services for the University. Four firms responded. On May 19th, each of the firms were interviewed by a review committee consisting of Regent Jim Webb (Chair of the Board's Audit Committee), Regent Mary Treder Lang (Chair of the Board's Finance and Investment Committee and member of the Board's Audit Committee), CFO and Board Treasurer John Lumm, Foundation CFO Laura Wilbanks, Purchasing Director Dean Backos and Andrea Jaeckel and Tim Griffith of the finance office.

Based on the RFP responses and the on-campus interviews, the selection committee recommends that Eastern Michigan University enter into a contract for external audit services with Plante Moran, PLLC who has served as the University's External Audit firm since 2005. The term of the contract is July 1, 2014 through June 30, 2017, with two, mutually-agreeable one-year extensions. Eastern will pay Plante Moran \$108,000 in year one, \$113,000 in year two, and \$108,000 in year three, which represents savings to the University of about \$11,000 a year compared with the current fees.

Section 31: Recommendation: Landlord Time Share Lease Agreement with Trinity Health-Michigan Regarding Medical Simulation Center

Trinity Health-Michigan, through St. Joseph Mercy Hospital, and Eastern Michigan University have finalized negotiations for EMU's lease of a Medical Simulation Center at the hospital. This is a 10-year lease, running from 2014 through 2024, for use in EMU's Physician Assistant and Nursing programs. Rent for the 6,879 square foot lab is \$33 per square foot, projected to increase over the next 3 years to stabilize at about \$200,000 per year. EMU's contributions to one-time lab construction costs were approved previously and are reflected in the FY2014 Capital Budget. This lease will not affect EMU's affiliations with other local hospital systems. EMU may terminate the lease if the hospital attempts to move the tenancy to a substituted space, if EMU believes the substituted space is inadequate for the Nursing and Physician Assistant programs. Each side may terminate the lease if the other side breaches the agreement and does not cure the breach within 30 days.

Section 32: Recommendation: Landlord Lease Agreement with Trinity Health-Michigan Regarding Cadaver Lab

Trinity Health-Michigan, through St. Joseph Mercy Hospital, and Eastern Michigan University have finalized negotiations for EMU's lease of a to-be-built Cadaver Laboratory at the hospital. This is an 8-year lease, running from 2015 through 2023, for the lab's use in EMU's Physician Assistant Program. Rent for the 1,745 square foot lab will be approximately \$33 per square foot, and is projected to cost between \$ 53,000 and \$ 65,000 per year. Rent must be paid within 30 days of its due date or lease is subject to termination. EMU's contribution to the one-time

lab construction costs are reflected in the FY2015 Capital Budget. Each side may terminate the lease if the other side breaches the agreement and does not cure of breach within 30 days.

The hospital may also terminate the agreement in the event EMU abandons, or fails to occupy, the premises. Insurance will be obtained through M.U.S.I.C. as normal. Each party bears the costs, including the legal cost, of its own negligence or breach of the contract.

Section 33: Recommendation: Emeritus Staff Status

It is recommended that the Board of Regents grant Emeritus Staff Status to Four (4) staff members: Holly Smith, Executive Assistant, President Office, who retired on March 31, 2014, Bryan Howay, Database Specialist Senior, Division of Information Technology Department, who retired on May 2, 2014, Donald Schoolmaster, Manager, Department/Office of Chemistry, who retired on June 28, 2013, Lynette Findley, Assistant Vice President for Academic Success Partnerships, who retired on June 10, 2014.

The meeting was adjourned at 12:00 p.m.

Respectfully submitted,
Jada Wester
Executive Assistant to the
Chief Financial Officer

BOARD OF REGENTS
Eastern Michigan University
201 Welch Hall
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FINANCE and INVESTMENT COMMITTEE
Tuesday, October 7, 2014
11:30 a.m.

REGULAR AGENDA

- Minutes from June 10, 2014
- October 7, 2014 Finance and Investment Committee Agenda
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