

Board of Governors

BUDGET AND FINANCE COMMITTEE

March 27, 2015

Minutes

The meeting was called to order at 10:59 a.m. by Governor Massaron in Room FGH of the McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Kelly, Massaron, Pollard, and Thompson; Linda Beale, Faculty Representative and Louis Romano, Faculty Alternate Representative; Madhu Sanam, Student Representative; Diana Svinarich, student alternate representative

Committee Members Absent: Governor Nicholson

Also Present: Governors Dunaskiss, O'Brien, and Trent; and President Wilson; Provost Winters; Vice Presidents Johnson, Lanier, Lessem, Lindsey, Nork, Staebler and Wright, and Secretary Miller

APPROVAL OF MINUTES, FEBRUARY 6, 2015

The Minutes of the Budget and Finance Committee meeting of February 6, 2015 were approved by acclamation, as presented.

CONTINGENCY RESERVE

There were no requests for transfers from the Contingency Reserve Fund, and the FY 2015 balance remains at \$220,000.

FY 2016 BUDGET OUTLOOK

Mr. Kohrman presented a review of the FY 2016 budget, focusing primarily on the state funding situation. In determining its budget, WSU must deal with a cost structure comprised of many high fixed costs, which makes it difficult to make adjustments when budget reductions are necessary. Tuition rates are low, comparing favorably with most universities and on par with regional universities. State support has been challenging; it has decreased from a high of \$250 million in 2002 to about \$191 million in 2015. In addition, a cut of \$32 million was taken in 2011, with only \$10 million restored to date.

During the decade from 2001-2010, balanced budgets were possible because of increased enrollment, averaging about a 1.8% increase each year. The last several years, however, enrollment has declined, at the same time that state funding has declined, resulting in several years of budget reductions.

Mr. Kohrman next reviewed the Governor's budget proposal and its impact on WSU. The current proposal is a 2% increase for all of higher education, with WSU's portion at \$1.1 million, or a 0.6% increase; the proposed tuition restraint language is at 2.8% on resident undergraduate students. All of the funding is being allocated through Performance Metrics, specifically undergraduate critical skills, research expenditures, six-year graduation rates, total number of degrees granted, administrative costs, and percent of students receiving a Pell grant. These Metrics do not include graduate students or the institution's mission, and WSU believes that eventually Metrics should evaluate performance and mission, rather than the characteristics of the institution. The challenge WSU faces is that both the increase and the tuition restraint are lower than they were in FY 2015. The state appropriation would be only \$1 million this year compared to \$7 million in FY 2015, with a tuition restraint of 2.8% compared to 3.2% last year.

Two tables compared WSU's budget position to the other 14 Michigan Public Universities (MPUs). Over the last three years, WSU's average increase was the smallest at 1.6%, compared to Grand Valley State University's average of 5.9%. Of the \$32 million that was cut from WSU's budget in FY 2011, only \$10 million has been restored, leaving WSU \$22 million short in its budget base, compared to FY 2011. The result is that over the last 15 years, the major source of the University's revenue has shifted from state appropriations, at 63% in FY 2001, to tuition and fee revenue, at 60% in FY 2015. The state now covers only 33% of the cost of a student's education. Mr. Kohrman also displayed a graph using the consumer price index that showed that WSU would have received \$160 million more in state appropriations than it currently receives, if nothing more than inflationary increases had been applied each year. Again, comparing WSU with the other 14 MPUs, WSU's tuition ranks 11th in terms of 24 undergraduate credits per year, with the U of M 46% and MSU 15% higher, and with only four universities ranking lower than WSU.

In conclusion, Mr. Kohrman explained that this is just the start of the budget process, and additional meetings will be held before the June 26 Board meetings to discuss the budget in more detail, including budget hearings the President will hold with each vice president and dean during April and May. The administration should have statistically reliable fall enrollment in about 30-45 days. Tuition rates for the School of Medicine will be brought to the Board at the May meetings, and recommendations on the General Fund budget, the Auxiliary budgets, and general tuition and fee rates for FY 2016 will be presented to the Board at the June Board meetings.

Governor Massaron proposed two additional meetings of the Budget and Finance Committee that are not in the regular schedule. They would be informational meetings only, with no action taken, and would be open to all Board members and members of

the Committee. Telephone arrangements could be made if necessary. Board members are expected to vote on very important tuition and budget issues at the next two regularly scheduled meetings, and the additional meetings would help all Board members as well as Committee members understand the budget recommendations, unit allocations, and how the University's strategic plan or initiatives fit into the budget. Secretary Miller will poll Board members and members of the Committee to schedule those meetings, which will be held after the hearings with the administration and the deans and department heads. There were no objections to the proposal.

PURCHASING EXCEPTIONS

Vice President Nork presented the quarterly purchasing exceptions report for all purchases over \$25,000 issued with competitive bids for the first quarter of FY 2015. He explained that the policy requires that any item with a cost of over \$25,000 would normally require three competitive bids. Over the past few years the administration has implemented about 12 strategic sourcing contracts for purchases of frequently used commodities such as office supplies, scientific supplies, computer equipment and computer peripherals. The contracts average about three years in duration and provide substantial price discounts, enabling the University to save about \$2.5 million per year. One example is a contract just negotiated for maintenance on scientific equipment, an area where the University spends just over one million dollars a year, but the agreement will save the University about \$250,000 each year. Another example is Cyquest, a purchasing system implemented three years ago for which the University received a national award last week for innovation in its application of the system. Mr. Nork explained that C&IT implemented an interface to the system which allowed use of the product in ways that no other university in the country is using it and produced many more efficiencies than with normal use.

FY2016 PROPOSED HOUSING AND RESIDENTIAL LIFE ROOM & BOARD RATES

The administration presented a recommendation to set room and board rates for FY 2016. Vice President Nork explained that these rates are set ahead of the tuition approvals because housing contracts are already being made available for the Fall 2015 semester. He asked Mr. Tim Michael, associate vice president for business and auxiliary administration and chief housing officer, to present the recommendation and background information on housing and dining services.

Mr. Michael said that before he presented the recommendation, he would review occupancy rates, present highlights of the year, and explain how the room and board rates are set. Before 2002, WSU's housing was all apartment-style. Between 2002 and 2005, three residence halls were opened, and since 2006 those halls and three apartment buildings have been basically full. He explained that from a budget and management perspective, anything above 90% is considered to be full occupancy. Since 2006, the apartments have averaged above 95% and the residence halls at 90%.

A more recent view of the last five years show numbers higher than that. Occupancy varies during the academic year, with the highest on opening day and then varying as students come and go. In terms of numbers, a graph of occupancy rates between 2006 and 2014 shows that an average 2,810 students per year have lived on campus, with the highest number at 3,033 in September 2014. The latter is due partly to a new program of international students from the Brazilian Scientific Mobility Program, which added 260 Brazilian students to the undergraduate population, diversifying and enriching the experience for all students living on campus. Since there is no requirement to live on campus, as some universities have, Mr. Michael said this high occupancy rate indicates that students want to participate in campus life. He added that to date the University seems to be meeting the growing demand from graduate students for apartment housing, but not for undergraduates.

Wayne State's room and board rates for the 2014-15 academic year were at \$8,762 for first-year FTIAC students. That includes the food service program which is required for all students in the residence halls and optional and available to all others: commuter students, faculty, and staff. Compared to other Michigan Public Universities (MPUs), WSU's annual room and board rate is about \$140 below the MPU average, with WSU ranking fifth lowest of the 15 universities. Mr. Michael commented that there has been a steady growth in the food service, not only because occupancy continues to increase but also because of increased use of residential dining by others on campus. It is an important trend he hopes will continue, adding that one advantage of a meal plan on a campus in the state of Michigan is that it is exempt from the 6% sales tax, unlike the retail locations on campus.

Mr. Michael highlighted some of the Housing activities during the year. Last summer saw the busiest conference season ever, generating over one million dollars for the first time in housing and dining revenue. The revenue was important, helping to defray academic year costs and to support the capital renewal program. The Residence Hall Association (RHA), a new student leadership group, met for the first time in September. For the past three years, the Hall Councils have provided opportunities for student groups to provide leadership in their buildings. They also serve as a student advisory board to the Housing Office and have joined regional and national associations.

The second Aim Higher leadership conference was held in February. It is sponsored by Housing but open to all students. Mr. Michael described it as a very important component of campus housing; besides providing just a bed and meals, it provides an educational component, where students volunteer their time and work with the professional staff in housing on leadership development.

On a practical note, Mr. Michael said that one of the ongoing improvements will be upgrading all the laundry facilities on campus in May. The new system will provide students with web-based real-time monitoring so that they can check availability without having to walk to the laundry room. In addition, the new high efficiency, high capacity machines would help save about 300,000 gallons of water per year.

A housing market study was completed in December 2014 and compared to results obtained in the 2010 survey. During those four years, there was an increase of 300 students living on campus, despite the decline in undergraduate enrollment. Although freshmen resident numbers have not increased, WSU's market share of the other students, including graduate students, has increased. Compared to other MPUs, Wayne's student population has a smaller percentage of undergraduates but a significantly higher percentage of international and graduate students. Nevertheless, there is pressure on WSU's system for more undergraduate housing. In the survey, 99% of the respondents said the number one recommendation is to keep campus housing affordable. Ninety-three percent said that campus housing is a recruitment tool for prospective students. If students come to campus for admission visits and tour the residence halls, the chances of their attending WSU increases, as well as the chances of them living on campus.

The survey involved over 27,000 students, comparing results from 2014 to those in 2010, and Mr. Michael shared some responses from students who currently live on or have ever lived on campus. WSU's scores from 2010 were above the national average of the consultant's company that conducted the survey, and Mr. Michael said it was good to see that those scores were actually increased in 2014. About 95% of the students feel safe living on campus, 94% said that living on campus helped them acclimate to life as a college student, and 87% said that the leadership opportunities available in the residence halls had a positive influence on their academic performance. The staff in the Housing Office is proud of these scores, and Mr. Michael attributed them to the hard work of the resident life staff, the student RAs, and the professional staff. Another question was asked of all students whether they lived on or off campus: What was your level of satisfaction where you live as you engage with Wayne State? Four residential buildings – the three residence halls and the University Tower Apartment, ranked above the average score for someone who lives off campus, followed closely by Chatsworth and DeRoy Apartment.

Campus dining is an important component of campus life, and the University is at the end of a four-year effort to renovate and improve both residential and retail dining. The Towers Café opened last summer after a \$2 million renovation; and the Student Center renovation was completed and a new food court opened in January. In addition, in consideration of WSU's student population, the Gold 'n' Greens has Kosher certification, and the Towers Café will soon receive Halal certification.

The Housing Office performs its own evaluation on an every-other-year basis through a variety of personal contacts with students, surveying, and meetings with advisory groups such as the RHA and the food service advisory committee. The self-evaluation during this past year indicated that program effectiveness, measured by both satisfaction and student learning, has statistically improved since 2010. Mr. Michael noted that overall satisfaction of student residents who are in learning communities – the academic partnerships with the Honors Colleges and with the College of Engineering – was significantly higher than that of other students, who already had a high level of satisfaction. He concluded that from a learning outcome perspective, the

learning communities are very important, and two more will be established in the fall for the School of Business Administration and the College of Fine, Performing, and Communication Arts. He added that international students fared well in the survey, and that dining has some areas for improvement, although the scores had improved over those of 2010.

Mr. Michael then discussed room and board rates and how they are determined. Since WSU does not have a housing requirement, they must compete for the interests of students to either live on or off campus. The goal is to have market rate rents for apartments because of the demand, and then to approach average room and board rates of the MPUs. A benchmarking survey of over 30 apartment buildings in a five-mile radius around campus showed that WSU's average price is slightly above average rents in the area, which is considered an acceptable premium for the convenience of living on campus and being close to activities. At the same time, WSU must be cost-sensitive; therefore, the Housing Office works with enrollment management each year to determine the total cost of attendance and where room and board fits into the picture. The revenues and rates must be sufficient to provide a budget that would allow them to have a balanced budget each year, reinvest in facilities so they can evolve as student interests and needs change, provide money for student leadership initiatives, and finish the new dining paradigm.

The meal plans were all changed last year, and there will be no change to the formats of the meal plans for FY 2016. With the Warrior Pass, students can come and go as many times during the day as they would like in the cafeteria between 6:30 a.m. and 2:00 a.m. Currently WSU is at the bottom in terms of cost compared to the MPUs, offering a good and effectively priced program. The recommendation for FY 2016 is for an average increase to the meal plans of 4.2%. Those prices are driven primarily by wage and health care increases of the contractor, inflationary increases in food costs, and utility costs. Rates for FTIAC freshmen room and board would increase by 3.33%, or \$9.73 more per week, to an annual rate of \$9,054. For returning students, who have different meal plan option choices, their room rate increases would vary between 3 and 3.98%, while apartment rate increases would be between 3.4% and 5%.

President Wilson asked the student representatives for their opinion of the dining and other options available on campus. Ms. Sadham replied that she has lived on campus for four years, and the food options are much better now than they were four years ago. Also, the vendors are much more sensitive to the food needs of students with allergen and dietary needs. She serves on the food service committee that meets monthly, and although there has been great improvement, she hears that there are many students living on campus who still have issues with the availability and quality of food.

Professor Romano asked for more specifics on housing demand. Mr. Michael replied that there has been a wait list each fall for the last three years, numbering in excess of several hundred for the apartments, and this year numbering in excess of a hundred for the residence halls. The demand study showed that, based on preferences and price

sensitivity, an additional 400 students would live on campus if appropriate housing were available.

Several committee members took part in the ensuing discussion about the hours that campus dining is available, as well as comments about the quality of the food. Cafeteria food service is available five days a week from 6:40 a.m. to 2:00 a.m., and on the weekends from 9:00 a.m. to 7:00 p.m. The retail food vendors in the Student Center Building, however, are open seven days from 7:00 a.m. until 9:00 p.m. or some until midnight. There is also a late-night food program from Sunday evening through Thursday evening, providing a fourth meal period for students with meal plans, and about 500-600 students take advantage of this service each night.

Several comments were made about the quality and insufficient labeling of food. Students observing Halal or those with food allergies often are not getting correct information about the food available. Ms. Sadham said the Student Senate has raised this concern with the food committee, but there is still some work to be done with quality as well as with food labeling. Professor Beale said that as a vegetarian, she has noticed problems with some food such as wilted lettuce. She also has heard from both students and faculty that there has been a deterioration of quality over time since Aramark first started on campus. She asked how the administration plans to address these issues. Mr. Michael replied that dining is always a work in progress, and several things have been done to try to improve the situation, including meeting regularly with student groups, pursuing the Kosher and Halal certifications that will lead to special training for the staff and special evaluations, and increasing inspections especially during the evening program when many complaints occur. Catering on campus is another aspect of dining services, and there is an annual meeting of support staff and faculty representatives who spend half a day evaluating the catering program.

President Wilson wanted to end the discussion on a positive note. He often eats at the Tower and Gold 'n' Greens and found the food to be quite good, particularly at the Gold 'n' Greens, perhaps a little less so at the Towers but still acceptable. There is always room for improvement but he feels sincere efforts are being made to resolve problems. He believes the food is a pretty good value, as shown by the fact that many more faculty and staff are opting to eat at these campus dining facilities. Mr. Michael agreed, adding that in 2008 only about 70 commuter students, faculty and staff purchased meal plans, while this year the number was over 500.

Ms. Sadham asked whether a student choosing to live in the residence halls with a premium meal plan would have to pay \$12,500 a year. Mr. Michael said that no combination of room and board would be that high. The proposed FTIAC rate with a standard meal plan would be \$9,054; a premium meal plan would add about \$300 or \$400 more. Upperclassmen have a greater variety of meal plans to choose from which cost less, and they often do because of the flexibility on meals. Also, students can add Warrior Dollars anytime across the semester. Nevertheless, room and board with premium, flexible meal plans would generally run under \$10,000 per year.

In response to a question about corresponding increases in financial aid, Mr. Michael indicated that when the Financial Aid Office sets the total cost in the budget for each student, there is a rate for on-campus room and board, and another rate for living off campus. The rate is set relative to the prices that Housing charges each year as the financial aid package is built.

Governor Massaron called for a vote on the recommendation.

ACTION — Upon motion by Governor Thompson and seconded by Professor Romano, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2016 room and board rates as presented. In summary, the typical freshman resident room and board rate will increase 3.33% from \$8,762 in 2014-15 to \$9,054 in 2015-16. Room rates for a variety of accommodation types are proposed to increase in varying amounts from 3.00% to 3.98%, and 3.4% to 5.00% for apartment rentals. The motion carried.

DETROIT INSTITUTE FOR CHILDREN RENOVATION FOR SCHOOL OF SOCIAL WORK

Vice President Nork presented a recommendation to approve renovations to the Detroit Institute for Children building, which was purchased two years ago for the purpose of relocating the School of Social Work from the Thompson Home. In June of 2014 the Board authorized funds to start design activities and to solicit bids. The bids came in higher than envisioned because of additional scope to the renovations, but the administration allocated about one million dollars from the deferred maintenance reserve since much of the additional scope was in the area of deferred maintenance. In addition, the Manoogian renovations were completed for about one million dollars less than originally budgeted from the bond proceeds, and those savings were also reallocated to the current project. Mr. Nork said construction work should begin shortly, with a target move date of Christmas break this year. Plans for the Thompson Home are not finalized, but there have been discussions about the administrative offices of the College of Fine, Performing and Communication Arts moving out of the Linsell House to Thompson, which in turn would free up the Linsell House.

ACTION — Upon motion by Governor Pollard and seconded by Professor Romano, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to complete Phase I renovations of the former Detroit Institute for Children building at 5447 Woodward, and to relocate the School of Social Work from Thompson Home for a project cost not to exceed \$5,750,000. Funding for this project will be provided from Series 2013 bond proceeds (\$4.5 million) and the deferred maintenance reserve (\$1.0 million) whose balance was \$2.3 million on February 17, 2015. In addition, \$250,000 has already been approved and provided by the Provost's Office. The motion carried.

ELLIMAN RENOVATIONS TO ENABLE KARMANOS CANCER INSTITUTE RELOCATION

The second recommendation dealt with renovations to the Elliman Building and the relocation of Karmanos Center Institute (KCI) operations. Mr. Nork said that when the IBio building is completed, Elliman will be vacated and most of those research teams will be relocated to IBio. The Elliman will then be renovated and the Karmanos Cancer Institute (KCI) operations will be moved to the renovated quarters in the Elliman. KCI's current location at 110 East Warren will be closed due to significant issues, including asbestos, that are cost-prohibitive to correct. The current recommendation requests approval of up to \$350,000 to complete the design and planning for those renovations. Construction should start later this year, but at this time Vice President Nork has only a general estimate of about \$3-5 million for total construction costs. Vice President Johnson said that as of now there is no assumption of philanthropy for the construction. It is not necessarily a source that alumni would easily identify with, but development officers will try to identify prospects and funds that would come in through the Pivotal Moments Campaign.

ACTION — Upon motion by Governor Kelly and seconded by Governor Thompson, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to complete Phase I renovations of the former Detroit Institute for Children building at 5447 Woodward, and to relocate the School of Social Work from Thompson Home for a project cost not to exceed \$5,750,000. Funding for this project will be provided from Series 2013 bond proceeds (\$4.5 million) and the deferred maintenance reserve (\$1.0 million) whose balance was \$2.3 million on February 17, 2015. In addition, \$250,000 has already been approved and provided by the Provost's Office. The motion carried.

PARKING STRUCTURE NO. 1 – 2015 STRUCTURAL REPAIRS AND IMPROVEMENTS

Vice President Nork presented a recommendation to continue repairs and renovations on Parking Structure No. 1 on the corner of Cass and Palmer. Mr. Nork said that work on the structure has continued every summer for the past few years, in accordance with the Five-Year Parking Plan adopted in April 12 and prepared by the Walker Parking Consultants. The consultants update the study every year, evaluating the success of the improvements that have been made and reaffirming the continued improvements that need to be made. Mr. Nork said there may be only two more years left on the required renovations for P.S. #1. The \$2.4 million for the project will be paid for by the Parking Auxiliary.

A question was asked on whether the Parking Auxiliary would be expected to run a surplus or a deficit once the restorations are completed. Mr. Nork explained that currently, the Auxiliary generates about \$2 million a year that is used to fund major

capital construction projects. However, they spend twice that much, about \$4 million a year. The difference is made up by loans from the Cash Pool. Rather than incurring debt in the capital markets, it was decided to self-fund the structure renovations through Cash Pool loans of about \$7.5 million total. For the next five years after the renovations are completed, the \$7.5 million will be paid back to the cash pool. After that point in time, the expected renovation level will be more in the \$2 million range rather than \$4 million per year, and surpluses could be expected. Whether the surpluses would be used to reduce parking rates, or for other purposes, would be evaluated by the administration five years from now.

ACTION — Upon motion by Governor Pollard and seconded by Governor Thompson, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to solicit bids and award contracts to complete structural repairs and improvements to Parking Structure No. 1 for a project cost not to exceed \$2,340,000. Funding for this project will be provided from the Parking Auxiliary. The motion carried.

SCIENCE HALL RENOVATIONS FOR NUTRITION AND FOOD SCIENCE

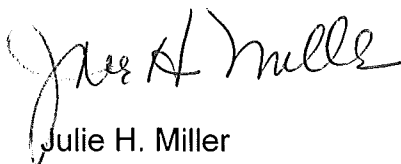
The final recommendation dealt with the renovation of Science Hall for the Department of Nutrition and Food Science. This project was considered a high priority when the Campus Facilities Master Plan was updated in 2012, and funds were allocated from the Series 2013 bond issue for the renovation. Last year the Board authorized funds to proceed with the design of the renovations, and Mr. Nork said they are ready to proceed with the construction, which they hope to complete during the summer of 2015.

ACTION — Upon motion by Governor Pollard and seconded by Governor Kelly, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to renovate research and teaching laboratories on the third floor of Science Hall for the Department of Nutrition and Food Science, for a project cost not to exceed \$3,250,000. Funding for this project will be provided from Series 2013 bond proceeds allocated for this purpose. The motion carried.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:01 p.m.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors