

BUDGET AND FINANCE COMMITTEE

June 19, 2002

Minutes

The meeting was called to order at 1:15 p.m. by Governor Washington in the Alumni Lounge. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Atchison, Hillegonds, Kelly Massaron, and Washington; Michael McIntyre, Faculty Representative, Charles Elder, Faculty Alternate Representative, Taras Kurtas, Student Representative, Barbara Flis, Student Alternate Representative

Also Present: Governor Miller and President Reid; Provost Bantz and Executive Vice President Gibbs; Vice Presidents Brown, Dambach, Davis, Johnson, Lessem, Nelson, Rounding; and Secretary Miller

President Reid and Governor Washington began the meeting by welcoming the two new student representatives to the committee.

APPROVAL OF MINUTES, MAY 1, 2002

Governor Massaron moved that the minutes of the previous meeting be approved as presented, and Governor Atchison supported the motion. Professor McIntyre indicated that he felt some modifications needed to be made to the comments attributed to him during the discussion about Law School tuition described in the minutes. He provided Secretary Miller with a copy of his proposed corrections. Secretary Miller suggested that the approval of the minutes be tabled until the next meeting, so that the proposed corrections could be reviewed and presented to the Board.

ACTION: The Budget and Finance Committee voted 6-0 to table the approval of the minutes to the next meeting.

CONTINGENCY RESERVE REPORT

Executive Vice President Gibbs presented the Contingency Reserve Report. There were no requests for transfer, and the balance remains at \$467,900.

UNIVERSITY PUBLIC SCHOOL PROPOSED OPERATING BUDGET FY2003

Provost Bantz reported that the budget for the University Public Schools comes before the Board today because it operates on a traditional academic fiscal year beginning in the summer. There has been an increase in the enrollment at the school of 13 students; the principal of the school, Fred Borowski, came forward to answer questions related to the budget and the school.

Governor Washington questioned the increase in students, in that when the Board visited the University Public School last year, it appeared that they were at full capacity, and will this increase lead to overcrowding? Mr. Borowski indicated that the school has rented more space on the third floor, and created four more classrooms. Governor Miller asked about the increase in the percentage of at-risk students, and how it compares with the general public school percentage of at-risk students. Mr. Borowski indicated that he does not have the data on the Detroit Public School at-risk percentages, but that the University Public School attracts a needier type of student, not only academically, but in other areas as well. Governor Miller would like a better analysis of how University Public School compares with the public schools in this area. Provost Bantz asked Mr. Borowski to explain the definition of “at-risk” in this context. Mr. Borowski indicated that these are federal guidelines, based upon economics, and can include the number of children from disruptive homes, number of children incarcerated, number of children involved in the criminal justice system. Governor Miller asked about the breakdown of demographics for these students, and if the school has information about whether these students come from separated homes. Mr. Borowski reported that they have a breakdown by sex, by at-risk versus not-at-risk, and other categories used from time to time.

Governor Massaron asked about the mission of the University Public School, and whether or not the original mission, rather than the shorter version in the budget document, included development of best practices and the sharing of those best practices with the public school system. It appears from recent meetings and visits that development of this mission has not yet been achieved. Provost Bantz indicated that there have been numerous studies of the school, and that there has been ongoing interaction with the College of Education and the School of Social Work. Dean Wood described some of the programs that the College of

Education has focused on, which include the after-school program, and the reading and literacy programs for children and parents. Other assistance from the School of Social Work and the College of Nursing are also ongoing. While these individual programs have been evaluated and presented in various forums, overall evaluation of the school has been performed by the Center for Urban Studies. Mr. Borowski described a number of the surveys and types of data that have been developed about the school over time, and some of the methods of instruction and delivery systems that are in place at the school. Governor Hillegonds commended the school on its recent MEAP achievements, and indicated that while University Public School MEAP scores are going up, statewide, the scores are going down. He also commented on the pupil to teacher ratios, growing enrollment, after school programming, and support for reading, and indicated that the University Public School is achieving in after-school programming what the Detroit Public Schools under Dr. Burnley and Mayor Kilpatrick are hoping to do.

Professor McIntyre indicated that the Academic Senate has asked for several years for supplemental information about the school, which include comparison of MEAP scores for each grade with the state averages, information on faculty attrition, and comparisons with other schools. What has been provided thus far is not sufficient for the Senate to make a judgment about the recommendation. The Senate is concerned about why this information has not been forthcoming. President Reid asked that the request be made to the Provost, and that the Provost would see to it that the information would be provided. Governor Washington indicated that even after the fact the information would be helpful. Governor Massaron indicated that the Secretary of the Board has set up a system to follow-up on requests made by Governors, and asked that requests made by committee members of the Board during meetings be added to the tracking system. Governor Massaron also asked for confirmation that the school has corrected any deficiencies in handling its financial matters and is providing the audited financial statements, as stipulated in the budget notes. Mr. Borowski indicated that an additional staff member will be hired in the administrative office to ensure these issues will be handled.

Governor Miller asked for clarification on the designation of the school as the first university charter school in the state. Vice President Lessem indicated that the school was created by a grant from the Department of Education, and that it is not a charter school. It is the only university school of its kind. Governor Miller asked that the designation be clarified in the budget documents. Mr. Borowski indicated that the federal government and the state categorize the University Public School as a charter school, and that they are eligible for charter school as well as academy monies.

ACTION: Upon motion by Governor Atchison and supported by Governor Hillegonds, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2003 budget for the University Public School in the amount of \$4.8 million. The University Public School operates on a June 30 fiscal year-end – consistent with the academic year. The budget, if approved, will be effective for the twelve-month period beginning July 1, 2002. The motion carried with a vote of 5 yes, 0 no, and 1 abstention.

DEMOLITION OF BUILDINGS AT 701 W. WARREN AND 4854 THIRD

Senior Vice President Davis presented the next two recommendations, which concern two buildings located on the southeast corner of W. Warren and Anthony Wayne Drive. The proposal to demolish these two buildings was presented at the May 1 Board meeting, and at that time, Governor Kelly requested that a decision be delayed until he had a chance to tour the building at 4854 Third Avenue. Governor Kelly, Senior Vice President Davis, Secretary Miller and several staff members from Facilities toured the building earlier in the week. At that time, Governor Kelly suggested that, in light of the fact that the university does not have immediate plans for this location, a private developer may be interested in renovating the property, renting the 8 housing units out, and recouping their investment over the short-term. Senior Vice President Davis was to consider this possibility to see if it was feasible. After reviewing the potential repairs that need to be made to bring this building up to code, the Facilities, Planning & Management office gave a very rough estimate of about \$85.00 per square foot, or approximately \$775,000 to correct the deficiencies. Given the amount of capital needed for renovation, it would be unlikely that a private developer would be able to recoup their investment prior to the property being needed for a future project. The administration, therefore, is recommending that these two buildings be demolished at this time.

Governor Miller asked how long the university has owned the property. Senior Vice President Davis indicated that the university has owned the property at 701 W. Warren for many years, but it has been vacant since 1998. The property at 4854 Third Avenue was purchased in February 2002. Professor Elder asked whether the building on Third Avenue is occupied. Senior Vice President Davis indicated that there are two tenants in the building. Governor Washington indicated that the committee would take action on these two items separately.

ACTION: Upon motion by Governor Massaron and supported by Governor Hillegonds, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to design, solicit bids, and award contracts for the abatement of hazardous materials, demolition of 701 W. Warren Avenue and subsequent site improvements. Costs for this work are not to exceed \$150,000. Funding for this project will be from reserves in the plant fund. The motion carried with a vote of 6-0.

[Governor Kelly arrives at meeting]. Governor Massaron indicated that it was his understanding that the university's intention from the beginning was that the building at 4854 Third Avenue was to be demolished. He asked for additional comments from Governor Kelly related to the property at 4854 Third Avenue. Governor Kelly indicated that there is great beauty in some of the architecture that can be found throughout the city, and these buildings represent a part of the history and culture of the city. The piece of property on Third Avenue, while needing repair, could be saved. Not all buildings should be torn down, and new ones built to take their place. If a private sector developer could be identified, that person could take on the responsibility for renovating the 8 units in this building, and then be able to lease out the property long enough to get their investment back. The university's master development plan indicates that this building will be taken down eventually, and Governor Kelly indicated that when a project is identified for this particular spot, that would be the time for it to be demolished. He further stated that this building is situated in a prime location, and other properties in the area are selling for six figures, or renting from \$800-\$1000 per month. He believes that buildings such as this one keep the urban character of the campus, and the issue at hand is one of a policy decision by the Board.

Governor Washington asked Senior Vice President Davis to go over the figures he had reported prior to Governor Kelly's arrival at the meeting. Senior Vice President Davis indicated to Governor Kelly that the rough estimate he received indicates that renovations to the building to bring it up to code and perform needed repairs were approximately \$85.00 per square foot. The building is approximately 9000 square feet, and the estimated repairs are more than \$700,000, and current annual income is approximately \$43,000. Even adjusting figures to higher values based upon a renovated building, it would take a private developer about 20 years to recoup their investment. Governor Kelly indicated that he believes the \$85.00 per square foot is highly inflated and the total cost for renovations is overstated. The building is structurally sound and has beautiful brick work and wood work. He reiterated his earlier statement that the Board should consider this as a policy matter related to the future of buildings that the university acquires.

ACTION: Upon motion by Governor Hillegonds and supported by Governor Atchison, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to design, solicit bids, and award contracts for the abatement of hazardous materials, demolition of 4854 Third Avenue and subsequent site improvements. Costs for this work are not to exceed \$175,000. Funding for this project will be from reserves in the plant fund. The motion carried with a vote of 4 yes, 1 no, and 2 abstentions.

Before voting, Professor Elder asked for additional information about the status of reserves in the plant fund. Senior Vice President Davis indicated that a rough estimate of the balance in the plant fund is \$6–7 million dollars.

UNDERGRADUATE LIBRARY AND ENGINEERING BUILDING STEAM SERVICE AND UTILITY/SERVICE DRIVE RELOCATIONS

Senior Vice President Davis indicated that to support the ongoing effort to reduce energy consumption, several projects are under review. The purpose of this recommendation is to expand the capabilities of the Biological Science Building and the Engineering Library, which will require that some steam lines be moved and the boiler be expanded. The steam lines must be moved now, as they will impact the construction project for Phase II of the Undergraduate Residence Hall.

Governor Massaron asked for additional information about where this work will take place. Assistant Vice President Sears described the area between the Engineering Building, the Undergraduate Library and the Biological Sciences building. Professor McIntyre asked about the age of the steam lines being moved, whether they were old lines, or new ones. Assistant Vice President Sears indicated that about half of them were created for the Undergraduate Library, and the other half were installed many years ago when the campus grounds were mainly a residential community. Professor McIntyre asked about the balance in the utilities reserves. Senior Vice President Davis indicated that the balance in the utilities reserves is approximately \$5 million.

Governor Miller asked why the funds to move the steam lines were not included in the projected cost of the two undergraduate dormitories, as this issue should have been foreseen when those two projects were being planned. Senior Vice President Davis indicated that a major portion of this project is related to the expansion of the Biological Sciences Building expansion. He also indicated that, in general, the administration prefers to provide a clean site for housing projects, so that Housing itself does not have to bear the burden of clearing the site for construction.

ACTION: Upon motion by Governor Massaron and supported by Professor McIntyre, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to design, solicit bids, and award contracts to partially install a new steam service from the Biological Sciences Building to the Undergraduate Library and the Engineering Building and to relocate various underground utilities, including the steam lines, that support the Undergraduate Library that are in conflict with the construction of the Residence Hall for Undergraduates – Phase II. The total project cost will not exceed \$550,000. Funding for this project will be provided from the Reserve for Utilities Related Projects and reserves in the plant fund. The motion carried with a vote of 7-0.

PURCHASING EXCEPTIONS

Senior Vice President Davis provided an informational report on purchasing exceptions made for the quarter ending March 31, 2002. Professor Elder identified a typographical error in the word judgment and asked that it be corrected.

STATE BUILDING AUTHORITY—WELCOME CENTER BUILDING

Vice President Lessem presented a recommendation related to the funding for the Welcome Center. The Welcome Center is one of several campus buildings whose construction has been funded through bonds issued by the State Building Authority. The State Building Authority finances projects of this nature by bundling a number of projects together, then issues bonds to finance the projects, and identifies individuals to support them. However, in order to proceed, the Building Authority must own the project. The university will need to transfer ownership of the project to the Building Authority, which will immediately lease the building back to the university. The university will then pay rent at their proportionate share of the debt service on the bond, and when the bond is paid off, the State Building Authority will return the building to the university. Previously the Undergraduate Library, the Faculty/Administration Building and the Engineering Building were funded in this manner.

ACTION: Upon motion by Governor Atchison and supported by Governor Massaron, the Budget and Finance Committee recommended that the Board of Governors adopt the attached resolution authorizing the President, and the Senior Vice President for Finance and Administration and Treasurer to execute those agreements necessary to allow the University to participate in the State Building Authority's Commercial Paper Note Program with respect to the construction of the new Welcome Center Building. The motion carried with a vote of 7-0.

OTHER BUSINESS

Governor Massaron asked the Board to consider the development of a policy related to the preservation of buildings discussed earlier by Governor Kelly. President Reid indicated that the University has been very supportive of Preservation Wayne, and a number of the buildings in the university inventory, including the Criminal Justice building and the American Beauty Iron building, are ones with architectural and historical significance. Governor Massaron indicated that a policy should be developed separately from actions taken at a Board meeting, and not intimidated by actions taken by the Board.

Professor McIntyre raised an objection about the level of faculty input and involvement in the development of the tentative budget proposal. Professor McIntyre indicated that the Academic Senate received only a preliminary briefing of overall numbers and were not given details about the budget deficit or the tuition proposal. Although the Budget Review Committee, which has had some consultation, has some faculty representation, it is a separate body from the Academic Senate Budget Committee, which has not had the opportunity to have input into the process. President Reid indicated that, due to the extraordinary circumstances in Lansing, the administration is not presenting anything to the Board for action today on either the tuition or the budget. There is faculty representation on the Budget Review Committee, and it is certainly the administration's intention to have a broad discussion with the campus before coming back to the Board in July with a formal recommendation.

ADJOURNMENT

There being no further business, the meeting adjourned at 2:30 p.m.

Respectfully submitted,

Julie H. Miller
Secretary to the Board of Governors

JHM/dlh