WAYNE STATE UNIVERSITY

Board of Governors

BUDGET AND FINANCE COMMITTEE

March 21, 2007

Minutes

The meeting was called to order at 9:08 a.m. by Governor Massaron in Rooms B/C in McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Bernstein, Driker, Dunaskiss, Massaron and Washington; Michael McIntyre, Faculty Representative; Andrew Ricketts, Student Representative

Committee Members Absent: Louis Romano, Faculty Alternate Representative; Jason Pearsall, Student Alternate Representative

Also Present: Governors Abbott, Dingell and Miller and President Reid; Provost Barrett and Executive Vice President Dickson; Vice Presidents Burns, Davis, Heppner, Hollins, and Lessem; Secretary Miller

APPROVAL OF MINUTES, JANUARY 24, 2007

There were no objections or corrections to the Minutes, and the Minutes of the January 24, 2007 meeting were adopted as submitted.

CONTINGENCY RESERVE

There were no transfers from the Contingency Reserve, and the FY 2007 balance remains at its original allocation of $500,000.

ANNUAL REPORT ON LONG-TERM INVESTMENTS PROGRAM

Vice President Davis presented the annual report on long-term investments for the endowment funds for the fiscal year ending September 30, 2006. The report was reviewed in detail by the Investment Committee of the Wayne State University Foundation, and the chair of the Committee, Mr. Alan E. Schwartz, made a short presentation on the report and the endowment fund in general.

Mr. Schwartz said that when the investment committee was formed in 2002, the endowments transferred from the University to the Foundation were worth $133 million. At the end of FY 2006, the endowment fund has grown to $219 million and continues to grow. The fund investment performance for FY 2006 was 9.2%, placing Wayne State in the 60th percentile and outperforming 41% of its peer institutions. Mr. Schwartz noted that given the economic difficulties during that period of time, it was not an unattractive return, but not equal to the benchmark of 10.1%. The underperformance against benchmark was due primarily to the underperformance of the Foundation's large capitalization equity managers as well as the small capitalization equity manager. Mr. Schwartz said that if a different time period is considered, that of calendar year 2006, the results are improved. Performance for 2006 was actually 14.2%, placing Wayne State in the 20th percentile outperforming 80% of its peers. Three new managers were added recently, and the first five months of FY 2007 also saw good performance, so that the Investment Committee feels reasonably comfortable about its position.

Mr. Schwartz commented further on the current state of the portfolio. A tobacco restriction in the fixed income areas does not apply if tobacco is found in a mutual or a large pool fund that involves only a fraction of WSU funds and is not within the Foundation's purview; the Foundation is permitted to put funds into that pool since it is not its own selection, and therefore has been able to effect some savings. In November of 2006, the New England Pension Consultants (NEPC) were chosen as the new investment consultant. The new advisors are well known in both the for-profit and non-profit community throughout the United States, and have a substantial office located in the City of Detroit. They have instituted a review of and changes to the Foundation's allocations by reducing the target of domestic large capitalization equities from 40% to 20% and adding 15% to a new classification called the global asset allocation. This is a form of investment where the managers treat the entire globe as within their province and work with all different types of investments — equities, fixed, or real estate, with the goal of finding efficient and favorable forms of investing no matter where they might be. Mr. Schwartz said that three managers have been appointed and funds have been transferred accordingly. He assured the Board that this is currently a very common type of allocation in foundations throughout the country.

The Foundation intends to increase its allocation in the hedge fund field from 5% to 10%, although it will continue to explore new opportunities and study whether there is a reason for it to be within the Committee and with its investments. Mr. Schwartz said the problem is to get the maximum returns that are consistent with the type of risks the Foundation is prepared to take, while at the same time not subjecting the University to unusual risks and maintaining liquidity of the University's funds.

Governor Massaron expressed the Board's appreciation to the Investment Committee and the Foundation for the time and effort spent on the investment funds. Professor McIntyre added his gratitude, since one of the most important results of fundraising is that the funds become available to schools and colleges to support their programs. He said it is heartening to see that the return has gone up to the 9% to 10% range and asked if it would be safe to increase the return to schools and colleges from 4-1/4% back to 4-1/2%. Mr. Schwartz acknowledged that this rate is a bit lower than it is throughout the community. He noted, however, that one must consider the real return based on an inflation rate of 2-3% and the addition of expenses, and indicated that it would be necessary to achieve a return of 8-9% in order to increase the spending policy to that amount. Such a return could be difficult in the current environment. Nevertheless, Mr. Schwartz said the Investment Committee could study the question and make recommendations to the Foundations to see if it would feel comfortable with an increase.

President Reid explained that the reason the fund is at its current level of spending is due in part to the decision to use some of the fund income to finance the Capital Campaign. The President indicated that the policy of using fund income for the Capital Campaign was not intended to be a long-term commitment. Professor McIntyre said that Vice President Davis discussed averaging the spending policy over two or three years as a means of dealing with annual fluctuations in the market and putting money aside to cover the bad years. Mr. Schwartz agreed, saying that the spending policy is generally averaged over two to three years. He said this is an important question, since each one percent is worth about $2 million, and the Investment Committee would investigate the matter.

SOUTH UNIVERSITY VILLAGE PARKING STRUCTURE

Vice President Davis presented a recommendation to authorize construction of a new four-level parking structure in the University Village area for a cost not to exceed $15.9 million. Funding for the project will be provided from the sale of general revenue bonds in 2007 or 2008. Until then, the project will be paid for by funds borrowed from the University cash pool, which will later be repaid from the sale of the bonds. Mr. Davis explained that the bond resolution authorizing the bond sale will not be presented to the Board for approval until later in the year so that the administration will have time to complete plans for other projects that may be funded in part by the bond proceeds, specifically, the Engineering Development Center and the Education Commons in the School of Medicine.

Governor Massaron asked for clarification of the words “and others” that appear in the recommendation, and how much of the cost of the buildings would be covered by the bond proceeds. Vice President Davis replied that the Engineering Center and the Education Commons are the only two projects, other than the parking structure, that are currently at this stage of development. Both of those projects have other sources of funding. The bond proceeds would cover about $6 million of project costs for the Engineering Center, and about $13 million for the Education Commons. These amounts would be added to the $15.9 for the parking structure when finalizing plans for the bond resolution. In response to Governor Washington’s question about timing, Vice President Davis said the bond proposals would be ready to present to the Board no earlier than the fall of 2007.

Associate Vice President Jim Sears next presented a slide presentation on the South Village parking structure project. The parking structure is one part of a larger development agreement between the University and a private developer to construct residential and retail buildings on six acres of vacant land on the block bounded by Forest, Woodward, Canfield and Cass. The University Tower apartment building is located on the site, and the developer will construct the Studio One apartment building along the Woodward Avenue frontage. The parking structure will be physically connected to Studio One apartment building so that residents would have easy access between their apartments and their parking spaces. If specific occupancy levels are achieved, Phase II of the project will be constructed beginning 2010.

The Studio One apartment building includes retail and commercial components on the first floor such as a bank and a restaurant. The upper four floors will consist of 122 to 130 separate units, and Mr. Sears showed slide illustrations of the different apartment configurations that will be available to prospective residents. In response to concerns expressed by Board members in the past, he also discussed the building materials and offered representative samples for the Board to view. A granite veneer would be applied to the first floor at the sidewalks' edge, with two different colors of pre-cast panel, a beige and a reddish hue, to the upper four floors. Mr. Marcel Bergler, WSU's development partner, was available to discuss material selections as well as other project details with Board members.

Mr. Sears then described the parking structure project, which will be a four-story structure providing space for about 950 cars, constructed of materials similar to those of Studio One apartments. The parking structure would front Forest Avenue, and the first floor would be dedicated to retail space. Associate Vice President Sears said that certain amenities are desperately needed to make the University residential community viable, and they hope to attract a grocery store or a market as a key part of the retail complex. Parking for customers of the retail establishments would be also available on the first floor and accessed from the interior of the block. The upper three floors would be accessed from Forest Avenue.

A discussion then ensued concerning parking fees and assigned parking within the new structure. Mr. Sears said the decision was made not to dedicate parking spaces to any one group. Any member of the community, whether campus or the public at large, would have access to any space within the facility. Residents of the apartment buildings would not have assigned parking but would share the three upper floors with students and customers. Governor Abbott expressed concern about the lack of assigned parking for residents, but Associate Vice President Sears said the University has resisted that in order to maintain parking convenience for the commuting students. The current parking fee per day for students, faculty, and staff is $2.25 per day, and these fees would be paid on the OneCards. The guest rate is $3.50, which would apply to customers. However, to encourage customers to shop in the retail establishments, a plan could be worked out to allow the retailers to subsidize a portion of the parking fee.

Governor Washington asked about the retail possibilities that would be available. She said that one of the impediments to living midtown or downtown is the lack of access to various kinds of shopping. Mr. Sears asked Mr. Marcel Bergler of Prime Development to join the discussion. Mr. Bergler responded that Fifth Third Bank has been signed for both a bank branch as well as bank office for the Studio One apartment building on Woodward Avenue, and discussions are in progress with other retailers. Mr. Bergler said he was not at liberty to disclose the identity of the retailers until after the contracts were signed, but he did indicate the developer would be receptive to additional suggestions from Board members.

Governor Bernstein asked for assurance that the vote to be taken was exclusively for the parking structure. Governor Massaron replied that it was; his previous discussion regarding "and others" referred to the question of how many other construction projects would eventually be included in the bond proposal.

Professor McIntyre noted that the Academic Senate's Budget Committee had three areas of interest with respect to the parking structure; one was cost, the second was risk, and the third was the charge to the General Fund. The cost of the proposed parking structure is $15.5 million including contingencies, as compared to the Welcome Center's parking structure budget of $14.7 million. The Academic Senate continues to be concerned about the use of General Fund money drawn from the cash reserve to help finance auxiliary uses but that are not charged an appropriate interest rate.

The Academic Senate saw two elements of risk in the project. First, there were concerns about failure to rent out all the retail space, especially since the Maccabees Building still has vacant space available. The second element dealt with the use of the parking structure and the uncertainties to the project if Phase II is not completed. Vice President Davis replied that parking for the Phase II project would be part of those site plans. Phase II residents were never included in the plans for this parking structure since the two sites are located some distance from each other. He explained that the 500 parking spaces that are currently available on the surface of the entire block, including student parking, would be replaced by the parking structure.

Governor Miller had additional questions about student parking in the project site and about the contractors. Ms. Ghareeb replied that the students living in the University Tower currently pay $180 per semester for surface parking, and they will be charged the same fee as other residential students once they are moved into the new Forest Avenue parking structure. Mr. Sears said there are two separate design and construction teams for the two projects. Mr. Bergler of Prime Development is working with Houseman Construction and Design+, both of Grand Rapids, for the Studio One project, and Wayne State has contracted with Christman Construction, Neuman Smith, and Carl Walker Parking for the parking structure.

Governor Driker asked for further clarification about the construction of the buildings. He expressed distress about the University having to spend $2 million to demolish the Forest Apartment Building, which is only 30 years old, and hoped that the construction errors found in that building will not be repeated. Vice President Davis said that the Studio One project is being built under a 99-year ground lease from the University; after 99 years, the building and the land revert to Wayne State. Mr. Sears assured the Board that the quality of construction is monitored closely, and Vice President Davis noted that an additional factor in building maintenance is the period replacement of internal components. Governor Miller asked whether the parking structure being built by the University will meet the LEAD restrictions on public buildings. Mr. Sears replied that there are currently no requirements for parking structure facilities, although the project managers have paid considerable attention to the lighting equipment in the parking structure, since that will account for most of the energy consumed in the facility.

Governor Massaron called for a motion to approve the proposal, and Governor Bernstein asked for a roll-call vote.

> **ACTION** — Upon motion by Governor Driker and seconded by Mr. Ricketts, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to solicit bids and award contracts to construct a new four-level parking structure in support of the South University Village development project for a cost not to exceed $15,900,000. Funding for this project, plus capitalized interest if that is deemed appropriate, will be provided from sale of General Revenue Bonds, series 2007 or series 2008. A bond resolution authorizing the sale of bonds for this project, and others, will be submitted and approved at a later date. Until then, the funding for the payment of expenses for this project will be provided by the University's cash pool and will be repaid from the proceeds derived from the sale of the bonds. The motion carried with the following roll-call vote:

Governor Massaron — Yes
Governor Dunaskiss — Yes
Governor Washington — Yes
Governor Driker — Yes
Governor Bernstein — No
Professor McIntyre — Abstain
Mr. Ricketts — Yes

COMPUTING CENTER FIRE SUPPRESSION SYSTEM

Vice President Davis presented the administration's proposal to install a waterless fire suppression system in the Computing Center's main equipment room at 5925 Woodward Avenue. This building houses the main computing systems for the University, and the proposal has been recommended by the University's auditors and insurance carriers.

Funding for the project will come from deferred maintenance reserves, and Governor Massaron asked for additional explanation on the source of deferred maintenance funds and how they are used. Vice President Davis replied that each year during the budget process, funds are transferred from the General Fund to the Plant Fund and specifically to the deferred maintenance reserve. Funding for various projects has been drawn from the reserve since the beginning of the fiscal year, and currently the reserve holds a little over $6.6 million. The current fire suppression proposal will withdraw an additional $300,000. Governor Massaron requested that the administration show the balance of the deferred maintenance reserve each time a proposal is presented to the Board.

> **ACTION** — Upon motion by Governor Bernstein and seconded by Governor Washington, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to proceed with the design, solicitation of bids, and the award of contracts for the installation of a waterless fire suppression system in the Computing Center's main equipment rooms for a project cost not to exceed $300,000. Funding for this project will be provided from deferred maintenance reserves. The motion carried.

DEMOLITION OF FOREST APARTMENTS

The next recommendation presented by Vice President Davis was for the demolition of the Forest Apartment Building. Because of the initial inferior construction and the resulting water damage to the interior of the building, the administration determined it was more economical to demolish the building and make the site available for another future use.

Governor Miller was concerned about hazardous materials such as asbestos that would be released during demolition. She was assured by President Reid that the University will not knowingly use hazardous or unsustainable materials in any current or future construction on campus. Governor Washington recalled how distressed she was about the condition of the building during a tour several years ago; she was sorry it has taken so long to decide on demolition and will support the proposal.

Governor Abbott said she believed that the buildings being demolished have not had proper maintenance, and she expressed concern that a 30-year-old building is being torn down. She asked whether maintenance funds are set aside each time a new building is constructed. Vice President Davis replied that no special funds are set aside for each building's maintenance. The existing Deferred Maintenance Reserve deals primarily with deferred maintenance on older, existing buildings. The Housing Authority, however, does set aside any operating surplus for the upkeep of their buildings.

Governor Dunaskiss understood that the initial construction was inferior and served as the primary cause of the extreme deterioration of the building. She asked for further clarification of maintenance funds set aside by the Housing Authority. Associate Vice President Ghareeb replied that each year when the budget and rental fees are determined, the administration incorporates a line item for a reserve fund to pay for maintenance issues. For example, the elevators at the Chatsworth and the Deroy Apartments recently were upgraded at a cost of over $2.5 million, and that money was drawn from the reserve fund. In the apartments, the reserve fund is based on an occupancy rate of 90%; in the resident halls it is based at 80%, which was achieved this year in two of the three buildings, with the third residence hall being a little under 80%.

Governor Dunaskiss was glad to hear that reserves are set aside for ongoing maintenance. However, given the fact that there will be significant deferred maintenance issues in any given building, she suggested that they be included in the rental rate in order to build up a deferred maintenance for larger projects. Ms. Ghareeb agreed. She said that, as an example, the DeRoy Apartment Building is a good building with a very high occupancy rate. The University has invested considerable funds into it, but she, Vice President Davis, and Mr. Sears have already discussed the possibility of upgrading the building in many areas beyond the strictly maintenance issues.

Professor McIntyre referred to the issue of General Fund money being used for the deferred maintenance of an auxiliary function. He cautioned that maintenance costs for Housing Authority buildings should be taken out of auxiliary function budgets, rather than the General Fund. President Reid said the administration hopes that eventually the auxiliary functions can direct money toward the General Fund, not away from it.

> **ACTION** — Upon motion by Governor Dunaskiss and seconded by Governor Washington, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to proceed with the design, solicitation of bids, and the award of contracts for the abatement of hazardous materials, demolition of the Forest Apartment Building, and subsequent site improvements for a project cost not to exceed $2,000,000. Funding for this project will be provided from the Reserve for Deferred Maintenance. The motion carried.

PURCHASING EXCEPTIONS

Vice President Davis presented a report on purchasing exceptions for the first quarter of FY 2007. This is an informational report on sole source purchases over $20,000 which were awarded without competitive bids. Governor Massaron called attention to the item under ECG Management Consultants, and said that he understood these to be unavoidable costs that must be absorbed as part of the negotiations between Wayne State University and the Detroit Medical Center.

BONDED DEBT AND RELATED FINANCIAL ANALYSIS

Vice President Davis presented a report on the University's debt profile as an update to a report presented to the Board of Governors in June, 2004. Also present at the Committee meeting were Thomas Coomes, managing director, and Mike Shoemaker of UBS Securities, LLC, the University's bond underwriter, as well as Johan Rosenberg of Sound Capital Management in Minnesota who serves as the University's bond advisor.

Vice President Davis explained that there is no external "legal" limit on the amount of debt that Wayne State or another institution can issue. That amount is influenced by such factors as the amount of funds that the institution is willing to set aside to pay for annual debt service, normally for a period of 30 years, as well as by the amount of financing costs that an institution is willing to incur, understanding that credit ratings could eventually be lowered in response to the increased debt load relative to the institution's financial resources. In Mr. Davis's estimation, Wayne State compares well in one of the most critical factors, that of the institution's ability to cover debt service payments. An institution's debt ratio should be about 2% of its expendable financial resources. Wayne State's general revenues are in excess of $300 million; with an annual debt service of about $25 million, its debt ratio is well below that level.

Mr. Davis then reviewed several charts prepared by the University's bond underwriter that were submitted to the Committee as supporting documentation. The debt analysis included an assessment and the impact of the University's financial operation, its strategic goals, and the effect of future debt service on WSU's credit rating which currently is AA- by both Fitch and S&P. The focus of the analysis is on financial and statistical ratios. Mr. Davis cautioned that these formulas cannot be mechanically used to evaluate Wayne State's debt position because other factors, such as the economy and the state of Michigan, can influence the University's credit rating.

Wayne State University has several strengths, including adequate liquidity, a comprehensive array of programs, revenue diversity, stable student enrollment, a consistently balanced financial operation, a manageable debt burden and management stability. It also has some limitations. Its total financial resources such as endowment funds, general reserves and surpluses, and non-general fund reserves including auxiliary fund balances are not as strong compared to other institutions. Another limitation is a narrow geographic student draw, relying primarily on students in the southeast Michigan metropolitan area. The weak financial situation of the State and its declining support to higher education makes the University vulnerable, given its reliance on state support.

Mr. Davis next reviewed the University's existing capital structure and the estimated debt service for the next 30 years. All the outstanding debt was refinanced in 1999, and the debt service remains level, averaging $22 million annually, through 2031, after which it declines considerably, covering debt issued after 1999. He also discussed the existing capital debt structure, listing all the bonds that are outstanding as of September 30, 2006 and the fund sources used to pay the debt service.

Governor Driker asked about the use of auxiliary sources for debt service. Mr. Davis said that when auxiliary sources are used for funding debt service, the University's general credit is exposed, even though the source of repayment is from specific auxiliary sources. All bonds are general revenue-type bonds supported and backed up by the University's general fund. Governor Driker noted the reference to the Forest Apartments, and Mr. Davis replied that the University is committed to paying off the bonds within the next two years, and doubts there would be any ramifications to the bond structure because of the demolition.

The next chart showed how the percentage of revenue that is allocated to debt service has grown since 1995. Mr. Davis explained that historically, Wayne State has been averse to incurring debt. A small amount of bonds were sold in 1971, 1972, 1975, 1986, and 1993. When the decision was made to evolve into more of a residential campus, beginning in 1999 a series of bonds have been sold to finance the residence halls and fund other projects such as the boiler project.

Next, Mr. Davis referred to a chart prepared by Moody's listing the six major factors that drive credit analysis for a public higher education issuer. Governor Driker asked why Moody's does not cover Wayne State's debt. Vice President Davis replied that it was the University's choice not to be rated by Moody's, partly because they charge for their ratings. The company rated Wayne State until 1999. At that time the University was making a conscious effort to get the rating upgraded from an A1 in Moody's framework, which is an A+ in the other two agencies, Fitch and Standard & Poors (S&P). The criteria used by Moody's does not favor urban campuses with commuting populations, so a conscious decision was made to move from Moody's to Fitch and S&P, both of which upgraded WSU's ranking. The underwriter participated in that decision, and there do not seem to be any problems distributing WSU's bonds without a Moody's rating. Governor Abbott asked for further comment about Moody's reference to urban universities. Vice President Davis explained that all the agencies have commented on the narrow geographic draw exhibited in the University's enrollment. About 85% of WSU students come from the metropolitan area, and over 90% are drawn from Michigan. Moody's, however, interprets those statistics as more of a disadvantage than do the other two agencies. Mr. Davis presented a chart listing the various credit ratings used by the three agencies under discussion, ranging from AAA to BBB, with WSU currently in the A- category, defined as "demonstrating very strong creditworthiness relative to other U.S. municipal or tax-exempt issues."

Governor Massaron asked how much of an impact the state's rating has upon the University's rating and its ability to sell bonds. Vice President Davis replied that would depend on how much the University relies on the state for its revenue. The University of Michigan is rated AAA and will not be as affected by the State's economy as much as Wayne. At the same time, a downgrading of the state's rating does not necessarily mean an automatic downgrading of Wayne. Although the University's capital ratios and debt service ratios are not as good as they used to be, they are still in line with a Moody's Aa3 institution. Mr. Davis said, however, that even if the University were downgraded one step, it would not cost that much more in today's market.

Governor Driker asked whether WSU bonds trade with any regularity in the marketplace, and if so, whether there is any indication how the purchasing public views the University's credit. Mr. Thomas Coomes, from UBS Securities, replied that almost all of WSU bonds have found their way to buy-and-hold investors, which is the most favorable situation for bonds. Although it is difficult to glean what the public's view is of WSU's credit, Mr. Coomes indicated that the University's financial ratios are very close to a single A rating. Mr. Rosenberg, of Sound Capital Management, explained further that since many university bonds are insured by a AAA entity, information can be gathered from bonds with the same underlying credit rating as WSU's. For example, the current price range that could be garnered would be 4.3%, and the single A rating would be about seven basis points less.

Governor Bernstein asked what steps the University could take to improve its rating. Mr. Rosenberg replied that a more geographically diverse student population would be helpful, as would more success with the Capital Campaign. Vice President Davis added that an institution's statistical ratios are improved by such factors as increasing its operating surplus, establishing larger endowments, diversifying its student population, and residing in a state with a good credit rating.

Governor Bernstein said he does not understand the relevance that the student body has to bond ratings. Mr. Davis replied that the agencies believe that a geographically diversified student body reflects a greater demand for that university and one that is sustainable over time. President Reid added that a university drawing from a much broader geographical area would be less likely to be affected by economic turmoil or downturn in a particular area. Michigan State University and the University of Michigan have student bodies that are more nationally and internationally representative than Wayne's students.

In concluding his presentation, Vice President Davis read two paragraphs published by Moody's that were not available to him at the time the documents were prepared. He concluded from the statements that a downgrading, for example to an A category, may hurt the institution's pride, but in the long term will not have much of an impact on cost and may improve the institution's situation depending on the projects that are financed.

> "*Debt capacity is not a static concept, but rather changes over time as an organization's fundamental credit factors evolve. As a rule, an institution's debt capacity could increase for a variety of reasons independent of leverage measures, meaning ratios. For example, if enrollment grows, state funding strengthens, external gifts increase or endowment levels improve, and institutions' debt capacity is expanded to some degree. Conversely, debt capacity could decline if student demands or operating performances were to weaken or if other fundamental credit factors worsen. The amount of debt that an organization has outstanding or plans to have outstanding is only one factor in assessing its additional debt capacity*."

Another quote:

> *"Debt capacity also depends on an institution's risk tolerance. Additionally, the level of debt capacity is also a function of management comfort with risk level. An A rated institution may have limited debt capacity at its current rating level but significant debt capacity at a lower rating, but a higher risk level. If an institution believes that debt financed capital investments are important to maintaining or improving its competitive position, it may make strategic sense to issue additional debt. While this could potentially increase their risk profile over the short term and could result in a rating downgrade, it might also improve that credit profile over the longer term if the finance projects are successful in improving institutional reputation and student demand."*

Professor McIntyre suggested that the comparative analysis portion of the Debt Briefing report should be formatted into a time series so that the information would be more thorough and helpful. He also commented that the quarterly budget performance report was not presented at the Committee meeting, and looks forward to receiving the report next month after the new Director of Budget familiarizes himself with issues at Wayne State.

Governor Washington noted that the debt briefing report was last presented in June 2004, and wondered if it the report should be presented more frequently, especially since the University plans to issue more bonds. Vice President Davis replied that the report could be prepared after each audit is completed and the final numbers are available.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:35 a.m.

Respectfully submitted,

Julie H. Miller
Secretary to the Board of Governors