



BOARD OF GOVERNORS

BUDGET AND FINANCE COMMITTEE

June 23, 2017

Minutes

The meeting was called to order at 10:13 a.m. by Governor Kelly in the Room BC at the McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Busuito, Kelly, Nicholson, O'Brien, and Thompson; Louis Romano, Faculty Alternate Representative; Zachary Rich, Student Representative and Aaron Szpytman, Student Alternate Representative

Committee Members Absent: Linda Beale, Faculty Representative

Also Present: Governors Dunaskiss, Gaffney, and Trent; and President Wilson; Provost Whitfield; Vice Presidents Decatur, Hefner, Lanier, Lessem, Staebler, and Wright; and Secretary Miller

APPROVAL OF MINUTES, APRIL 28, 2017

ACTION – Upon motion by Governor Nicholson and seconded by Governor Thompson, the Minutes of the April 28, 2017 meeting of the Budget and Finance Committee were approved as submitted. The motion carried.

CONTINGENCY RESERVE

Vice President Decatur presented a request for funding from the FY 2017 Contingency Reserve in the amount of \$150,000, leaving a balance in the Reserve of \$200,000. Requested funds will be used to conduct a search for the Dean, School of Social Work.

ACTION – Upon motion made by Chair O'Brien and seconded by Governor Gaffney, the Budget and Finance committee approved the transfer of \$150,000 from the Contingency Reserve for the purpose of funding search activities for the Dean, School of Social Work. The motion carried.

**FY 2017-18 TUITION AND FEE RATE RECOMMENDATION
FY 2018 GENERAL FUND BUDGET
FY 2018 AUXILIARY FUND BUDGET**

Vice President Decatur began the presentation on budget, tuition and fee rates for FY 2017-18 with some introductory remarks about the process used to develop the recommendations before the Board. A budget planning council was created last year, with key stakeholder representation. The budget presented is balanced, with an undergraduate tuition level below the state cap. He then called on Senior AVP Diana Goode, who began the discussion with a presentation on the FY 2017-18 Tuition & Fee Rate Recommendation. Ms. Goode noted that the FY 2018 budget included an undergraduate increase in the tuition rate of 3.75% and a graduate tuition increase of 4%. Ms. Goode presented charts of comparisons of tuition and fee increases between Wayne State and other Michigan public universities, as well as enrollment projections by aggregate student type, from Fiscal Year 2016-2017, in order to compare undergraduate and graduate rates. Increases in freshmen enrollment numbers and a decrease in graduate student enrollment were noted and the overall effect on revenue was discussed. She spent some time highlighting the components of revenue and expenditures that comprise the budget, and the factors that impact it. The projected revenue increase from FY 2017 to FY 2018 is \$14 million. The University has certain unavoidable expenditures that must be met, including contractual obligations, fringe benefit increases, health insurance, and utilities, among others. While the Detroit CPI is 2.3% for this year, many of the University's mandated costs will rise by more than that amount. A number of changes have been enacted to help manage expenditures. Included in this year's budget is an increase to the financial aid budget matching the increase in tuition and fees, as is Board policy, an increase to the budget for public safety, to provide funding for new officers, and an increase in the budget for counseling and psychological services, strengthening services to our students. Areas of reduction in expenditures include a reduction in the general fund subsidy of auxiliaries, a reduction in student fees earmarked for C&IT, and a reduction in faculty startup funds.

Ms. Goode then moved on to an overview of the Auxiliary Fund budget, which includes the University Press and South End, WDET, the Recreation & Fitness Center, the Bookstore, Student Center, Parking & Transportation and Housing. This year, the University has decreased the cost for student parking pass rates by 25%, made possible by the reduction of the \$1 million subsidy to University Housing that has been eliminated by the Corvias Campus Living partnership. Those funds have directly offset the cost for student annual parking passes, allowing for this reduction in cost to students. Ms. Goode reviewed the revenue and expenditure sources for the auxiliary budget, and then concluded her presentation.

Governor Nicholson noted that while he hated to see any increase in tuition, he supported the administration's recommendations because of their continued hard work improving student success and research. He hopes that not only the administration, but every department and college will look for opportunities for additional savings, to help keep any future increases in tuition minimal, and the university affordable and open to all Michigan

residents. Governor Kelly agreed. Governor Thompson also agreed and noted the importance of continued focus on savings by the colleges, schools, divisions. Governor Dunaskiss commented that all Governors struggle with tuition each year, balancing the needs of the University with consideration for the cost to the students. She appreciated the efforts the administration has made to address budget and resource issues, and hopes to see further progress next year. Professor Romano voiced his concern regarding continued cuts to college budgets, which often result in fewer part-time faculty to teach needed classes. Governor Busuito noted that in the past 2-3 decades nationwide, about 85-90% of the increase of the cost to the student was due to cuts in appropriations from the government and he hoped that the students appreciated that. He noted full faith in the administration's actions. Mr. Szpytman noted that with increased tuition, students needed to see a tangible benefit and was pleased with the lowering of the parking fees and financial aid caps. Chair O'Brien noted that she agreed with the increase and had confidence in the administration's financial review. She agreed that students need to understand state funding, and that it is important that everyone understand that WSU is not even back to its 2011 appropriation funding levels from the State of Michigan. Governor Trent agreed with the prior comments on the increase and noted that no one wants to raise tuition, but although a difficult decision, the board has to balance what is in the best interest of the university and in the best interest of the State. She it would be offset by increased investment in financial aid packages.

With no further questions, the Committee took the following three actions:

ACTION – Upon motion made by Governor Nicholson and supported by Chair O'Brien, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2018 tuition rates and mandatory fee increases as presented. In summary, the base tuition and fees for Wayne State University are proposed to increase by 3.75 percent for undergraduates and 4.0 percent for graduate students and third year students in the Law School JD Program. The motion carried. A brief summary of the tuition rate increases for a resident student in general programs is shown in the table below:

WAYNE STATE UNIVERSITY FY 2018 TUITION RATE RECOMMENDATION				
Category & Level	Resident – per Credit Hour			
	FY 2017 Diff	FY 2018	\$ Diff.	
Undergrad-Lower Division	\$360.39	\$373.90	\$13.61	3.75%
Undergrad-Upper Division	\$427.67	\$433.71	\$16.04	3.75%
Graduate (General Programs)	\$614.40	\$638.98	\$24.58	4.00%

ACTION – Upon motion made by Governor Busuito and supported by Governor Nicholson, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2018 General Fund budget, its projected revenues and expenditures, and the budgets for individual university units and specifically funded programs as presented. The Board of Governors authorizes the President to implement the budget management procedures, and budget-related policies, with such modifications as may be deemed necessary during the fiscal year.

The Board also authorizes the President to make budget adjustments and/or recommend tuition adjustments to the Board in sufficient amount to offset any subsequent state appropriation funding adjustment from the projected amount as shown in the proposed FY 2018 General Fund budget. The motion carried.

Professor Romano noted concern regarding the proposed cut in the faculty startup funds and asked whether those monies would be replaced. He noted that it was not clear where start up monies came from for each new hire and that the VP for Finance had promised to do an analysis for the budget committee

ACTION – Upon motion made by Governor O'Brien and supported by Governor Busuito, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2018 budgets for the auxiliary activity units as presented and detailed in the FY 2018 Current Funds Budget book. The motion carried.

CAMPUS HEALTH CENTER RELOCATION

Vice President Decatur advised that after the Anthony Wayne Drive project is completed, and Chatsworth is renovated, DeRoy will be demolished, and the university will need to relocate the student health center currently located on the first floor of DeRoy. The proposal is to move the Center to first floor of the Anthony Wayne Drive apartment complex. Funding for design efforts will be provided by the housing operating budget, with estimated costs of \$1.6 million through the design process. The nursing practice plan will make a \$500,000 contribution to this project. In response to a question from Governor Gaffney, Vice President Decatur noted that a seamless move was expected with no gap in services for the students. In response to a question from Governor Thompson on whether the project was contemplated when the Corvias project was approved, Tim Michael noted that relocation of the Center had been planned from the beginning.

ACTION – Upon motion made by Governor Nicholson and supported by Professor Romano, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to solicit proposals and award contracts for design phase activities for the construction and relocation of the Campus Health Center. It is further

recommended that the Board of Governors authorize spending up to \$161,000 to complete the design and finalize the project budget. Funding for this design effort will be provided by Housing FY 2017 operating budget. The motion carried.

PARKING STRUCTURES 1, 2, 4, 5, & 6 LIGHTING RETROFIT

Vice President Decatur presented a map of parking decks 1, 2, 4, 5 and 6 where lighting changes were proposed at a cost not to exceed \$1.2 million, noting that the project would pay for itself over a 5-year period through energy reductions and savings. Governor Gaffney asked if it was an LED retrofit, to which Vice President Decatur agreed. Governor Nicholson asked for an estimate on project completion. Ken Doherty, Assistant Vice President for Procurement, noted project completion is expected by January of 2018 with minimal disruption to parking for the students and faculty. Governor O'Brien asked whether Energy Systems Group is a Michigan company. Mr. Doherty noted that Energy Systems Group was a local company from Southeast Michigan

ACTION – Upon motion made by Governor Thompson and supported by Governor Busuito, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to implement Lighting Retrofits to Parking Structures 1, 2, 4, 5, and 6 at a cost not to exceed \$1,200,000. Funding for the project will be provided by vendor financing at a rate of 2.09%. The motion carried.

STEM INNOVATION LEARNING CENTER

Vice President Decatur advised that the STEM Learning Center will renovate the existing Science and Engineering Library into a state of the art Science, Technology, Engineering, and Math (STEM) laboratory and classroom facility, contingent on the appropriation of state funds.

In response to a question from Governor Kelly, Vice President Decatur noted that 50% of the project cost was covered and an affirmative board vote would approve 50% funding match from University funds. He advised that he may come back to the board if the funding from the legislature is less than 50%. Professor Romano asked about relocation and accessibility of material currently housed in the Library. Vice President Decatur indicated that there is a plan in place, and asked Sandy Yee, Dean of the Libraries, to respond. Dean Yee reported that funds were set aside to add adequate shelving and storage for these materials, and locations may include both the basement of the Undergraduate Library and any of the other libraries in operation. The process to access these materials will remain unchanged. Governor Thompson asked whether, given this is a renovation and not a new build project, any of the programming intended for the space changed. Vice President Decatur noted that this project has always been intended to be a renovation. Given that it was initially developed 3 years ago, the Provost has appointed a committee to review it, given the length of time it has taken for the project to move forward. President

Wilson added that the state scoring system for capital projects is boosted by renovation of an existing property rather than new construction and the University scored well as a result.

ACTION – Upon motion made by Governor Busuito and supported by Professor Romano, the Budget and Finance Committee recommends, contingent upon State of Michigan appropriation of the requested capital funds for this project, that the Board of Governors authorize the President, or his designee, to award contracts to conduct program and design activities and necessary physical relocations for the eventual construction of the STEM Innovation Center not to exceed \$2 million. Funding for this effort will be provided by borrowing from the University Cash Pool, with repayment provided by future bond proceeds that would be secured for the purpose of implementing this project. The motion carried.

DEVELOPMENT EXPENSES: CRIMINAL JUSTICE BUILDING AND LOT 11

Vice President Decatur reviewed a map of the site and discussion of the project budget ensued. Components of the university's financial obligations in this recommendation include relocation of the Geology Rock collection currently housed in the Criminal Justice building, relocation of existing fiber in the building and grounds to a nearby area, relocation of the salt bin located in parking lot 11, payment of outside legal fees, and a \$2.4 million contribution to the design and construction of a 6,000 square foot art gallery. With the unanticipated costs for the fiber relocation, a 20% contingency fee has been added, which if not used, will be returned to the University.

Professor Romano asked for the balance in the Plant Fund. Vice President Decatur advised that there is a plant fund reserve of \$1.7 million. Governor Gaffney asked about the potential customers for the condos and apartments. Vice President Decatur noted that the condos were not targeted to students, and added that another project along Antoinette would be marketed at a price point aimed at students.

Governor Nicholson asked about the progress of the fund raising efforts. Ms. Goode indicated that half of the \$500,000 target has been raised.

ACTION – Upon motion made by Governor Busuito and supported by Governor Nicholson, the Budget and Finance Committee recommends that the Board of Governors approve and authorize the President, or his designee to proceed with project expenses associated with 6001 Cass and 445 York, commonly known as the Criminal Justice Building and Lot#11.

Wayne State's protected financial obligations under the executed Memorandum of Understanding and forth coming project documents to support expenses on behalf of the University shall not exceed \$3,520,000.

Funding for the projects will be provided from University Cash Reserves to be partially offset from the sale of 6001 Cass Avenue, the sale of 445 York and ground lease payments. The motion carried.

INFORMATIONAL REPORT: MAJOR CAPITAL AND REAL ESTATE PROJECTS

Vice President Decatur presented two informational reports. The report on major capital projects provides highlights on major improvement projects on campus. The new major real estate development report discusses progress in new real estate ventures. These reports cover projects that have previously been presented to the Board of Governors and have received some level of approval.

Governor Thompson asked if there was a dollar amount that distinguished between a major and a minor project and the criteria for getting on the list. Vice President Decatur noted that a project over a million dollars would be considered major, although there were no hard set rules. Governor Kelly asked if the Business School was on target and Vice President Decatur affirmed that it is on target. Chair O'Brien asked for an update on the Cass and Canfield and Vernor project, inquired whether there was an approved budget voted on by the Board in 2013, and whether the project was on University property. Vice President Decatur noted that they were ready to begin construction on the hotel and were in the schematic design phase for the apartment complex. He went on to advise that the University had no direct investments in the construction projects and that it is a private development on University property. Vice President Staebler noted that the University will receive some financial benefits from the project, including a lease payment, parking fees, and payment of property taxes. In response to a question from Chair O'Brien, Vice President Staebler advised that the contracts were already in place and that the onus was on the developer to make the project work. Governor Thompson asked about the Thompson House conversion and the structural conditions. Vice President Decatur advised that the cause of deteriorated foundational elements was found to be termite infestations, which led to an increase in costs and has slowed the progress. They are working with the contractor to try to accelerate the project.

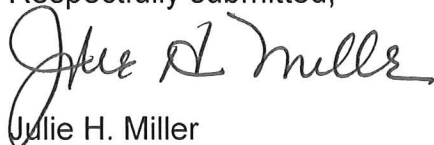
PURCHASING EXCEPTIONS

The administration presented a report of purchase orders greater than \$25 000 that were issued during March and April 2017 without soliciting competitive bids.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:06 a.m.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors