



BOARD OF GOVERNORS

BUDGET AND FINANCE COMMITTEE

October 6, 2017

Minutes

The meeting was called to order at 10:25 a.m. in Room Garage, TechTown. Secretary Miller called the roll. A quorum was present.

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

Committee Members Absent: Anthony Eid, Student Alternate Representative

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

APPROVAL OF MINUTES, June 23, 2017

ACTION: Upon motion made by Governor Thompson and supported by Governor Nicholson, the Minutes of the June 23, 2017 meeting of the Budget and Finance Committee were approved as submitted. The motion carried.

CONTINGENCY RESERVE

Vice President Decatur presented two requests for transfers from the FY 2017 Contingency Reserve in the amount of \$150,000 for the purpose of conducting a search for a new Dean of the College of Liberal Arts and Sciences, and \$120,000 taken out over 2017 and 2018 for the search for a new Associate VP for Human Resources. The remaining balance for FY 2017 will be \$0, and for FY 2018, the remaining balance will be \$430, 000.

ACTION: Upon motion made by Governor Thompson and supported by Governor Busuito, the transfer from the Contingency Reserve of \$150,000 for the purpose of a search for a new Dean of the College of Liberal Arts and Sciences, and \$120,000 for the purpose of a search for a new Associate VP for Human Resources, was approved. The motion carried.

CORVIAS CAMPUS LIVING – WSU, LLC CONDITIONAL EXTENSION AGREEMENT

Vice President Decatur discussed his request for a conditional term extension of the approved term of agreements with Corvias Campus Living for the housing partnership. The financing for the partnership is a 35 year amortized bond issue by the special purpose entity. Under the terms of the agreement, the bond buyers will get a conditional one year extension if there is any activity that would cause the bond term to be extended beyond the 40 year partnership. It will continue year by year until the bonds are paid off. Governor Kelly raised concerns regarding who would be liable to pay off the remaining unpaid amount, if it is not paid off by the end of the term, and asked whether the Bond buyer's counsel will draft an agreement that will be signed by the parties. Vice President Decatur assured Governor Kelly that the SPE will be liable for the payments, and noted that the extension was conditioned on the bonds not being paid off. The housing revenue stream will go into the SPE to pay for operating costs and the remainder reserved, with half to the university, to reduce risk to all parties. Governor Gaffney suggested that the agreement clearly state the terms. Vice President Decatur noted that the language is clear on these issues, and advised that there is no additional liability on the part of the University. President Wilson added that the extension was requested by the bond buyer's counsel as the bonds will be soon on the market and the closing is the first week of November. Governor Nicholson added that the extension will improve the University's financial position in the agreement.

ACTION: Upon motion made by Governor Nicholson and supported by Governor O'Brien, the Budget and Finance Committee recommended that the Board of Governors adopt the following Resolution authorizing the conditional extension of the approved term of agreements with Corvias Campus Living – WSU, LLC for the financing, construction, renovation, management, operation, maintenance, and repair of on-campus student housing facilities.

RESOLUTION OF THE BOARD OF GOVERNORS OF WAYNE STATE UNIVERSITY AUTHORIZING THE CONDITIONAL EXTENSION OF THE APPROVED TERM OF AGREEMENTS WITH CORVIAS COMPUS LIVING – WSU, LLC FOR THE CONSTRUCTION AND OPERATION OF ON-CAMPUS STUDENT HOUSING FACILITIES.

WHEREAS, the Board of Governors of Wayne State University (the "Board") is a constitutional body corporate established pursuant to Article VIII, Section 5 of the Constitution of Michigan of 1963, as amended, with general supervision of Wayne State University (the "University") and the control and direction of all expenditures from the University's funds; and

WHEREAS, by resolution adopted on September 23, 2016, the Board authorized the formation of a public-private partnership with Corvias Campus Living, LLC for the development, improvement and management of the University's on-campus student housing facilities for a term of not to exceed forty (40) years (the "Original Term"); and

WHEREAS, under the terms of agreements (the "Agreements") to be entered into between the Board and Corvias Campus Living. – WSU, LLC, as concessionaire (the "Concessionaire"), the Concessionaire will be responsible for, among other things, obtaining project indebtedness (the "Project Indebtedness") to provide financing for the construction of new student apartment buildings on Anthony Wayne Drive, the demolition of the Helen L. DeRoy Apartments, the renovation of the Chatsworth Apartments, the defeasance of certain existing indebtedness of the Board, and the funding of related operational and transaction costs and expenses; and

WHEREAS, the University has been advised by the Concessionaire that, in order to facilitate the successful marketing and sale of the Project Indebtedness and to provide additional assurances to prospective investors of the full and complete repayment of the Project Indebtedness, it is necessary for the Agreements to be subject to automatic extensions of the Original Term in the event that the Project Indebtedness is not paid in full as of the expiration date of the Original Term; and

WHEREAS, any required automatic extensions of the Original Term of the Agreements would be for successive periods of one (1) year each, until all Project Indebtedness has been paid in full; and

WHEREAS, in the exercise of its constitutional duties, the Board has determined that it is necessary and in the best interests of the University to authorize automatic extensions of the Original Term of the Agreements upon the terms and conditions provided herein.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF WAYNE STATE UNIVERSITY, AS FOLLOWS:

1. The Original Term of the Agreements shall be for a period not to exceed forty (40) years from the date on which the Concessionaire assumes full operational control of all of the University's existing on-campus housing facilities in accordance with the terms of the Agreements; *provided, however*, that if it is determined to be in the best interests of the University by the President or the Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer, the Agreements may provide that if all Project Indebtedness has not been paid in full as of the end of the Original Term, the Original Term of the Agreements shall be subject to automatic extensions for successive periods of one (1) year each, with an expiration date not later than the end of the one (1) year extension period in which all Project Indebtedness is paid in full.
2. All resolutions or parts of resolutions in conflict herewith are hereby repealed insofar as such conflict exists.

The motion carried.

AUTHORIZATION TO UTILIZE DEVELOPER'S CONTINGENCY FOR PHASE I AND PHASE II OF CAMPUS HOUSING FACILITIES MASTER PLAN

Vice President Decatur reported that Phase I of the Anthony Wayne Drive Housing project is ahead of schedule and on budget. Included in the terms of the agreement with Corvias is a provision that any major capital expenditure must come back to the board for approval of the project's budget. The current Anthony Wayne Drive project has approximately \$2 million left in contingency and is not expected to need additional funds. Given how quickly things are progressing, Corvias would like to have these contingency funds now, to provide flexibility if needed. Any unused funds will stay in the SPE and be available for future projects. Governor O'Brien asked when renovation was slated to begin, whether that renovation is stage II of the project, and when Chatsworth was anticipated to be completed. Vice President Decatur indicated that there is one more phase of the Anthony Wayne Drive project. The building will open in phases, the first of which opens in fall 2018, and the second in fall 2019. Chatsworth would be

scheduled for completion in 2020. Chatsworth is a 2-year project, given that the building will be gutted and rebuilt.

ACTION: Upon motion made by Governor Busuito and supported by Aaron Szytman, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee, to approve utilization of \$2,022,750 of developer's Contingency Funds for the completion of Phase 1 and Phase II of the Campus Housing Facilities master Plan as needed. The motion carried.

PHASE II OF THE CAMPUS HOUSING FACILITIES MASTER PLAN – RENOVATION OF CHATSWORTH RESIDENCE HALL

Vice President Decatur presented background information on the execution of Phase 2 of the Housing Facilities Master Plan – the renovation of Chatsworth Residence Hall. He advised that Chatsworth Residence Hall is on the historic register and showed slides of the facility, and commented on the beauty of the building. The construction will be suite style and delivered through the Corvias Campus Living, WSU LLC.

Governor Kelly noted that she was pleased to see that this is renovation project rather than a demolition project. Professor Romano asked why the five apartments on the first floor were not scheduled for renovation as part of this project. Vice President Decatur noted that it would add about \$500,000 in additional costs, and that to stay within budget, it is not part of the \$28 million budget for this project. Corvias was confident that it would get the additional apartments completed, and that it could be the additional contingency funds that might allow it to happen. The students currently living in Chatsworth will be moved to the completed Anthony Wayne Drive project currently under construction. He added that the DeRoy apartment building will not be demolished until all new projects and renovation of Chatsworth were completed.

ACTION: Upon motion made by Governor Busuito and supported by Governor O'Brien, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to approve the completion of Phase 2 of the campus housing facilities master plan to include the renovation of Chatsworth Residence Hall at a cost not to exceed \$28 million. This housing Phase 2 master plan activity will be funded and completed by the Corvias Campus Living – WSU, LLC from bond proceeds available from a debt issuance by the LLC. The motion carried.

ELECTRICAL UTILITY CONVERSION PHASE ONE CONSTRUCTION

Vice President Decatur indicated that this project had come before the Board previously, and is now coming for final approval. He advised that this construction project was substantially less than the previous estimate of \$11 million due to design changes made by DTE. DTE is also picking up more of the costs. DTE is paying for all of the costs to get the conversion done up to the walls of our building, and the University is paying for the work to be done on its infrastructure. Increased costs are not anticipated. Infrastructure work will be completed within two years;

construction on the substation that will serve the data center will begin immediately. Governor Gaffney noted that DTE should be encouraged to make the construction aesthetically pleasing as it will be an entrance to the University. In response to inquiry regarding backup power and the need for generators, Vice President Decatur noted that as the construction and the transfer from PLD to DTE occurs, there will be communications with those affected and temporary generators will be used while the connections are being made.

ACTION: Upon motion made by Professor Beale and supported by Governor Thompson, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to award contracts to accomplish the design and the first phase construction of building electrical infrastructure upgrades to support converting buildings that were formally fed from the Detroit Public Lighting Department (PLD) to Detroit Edison Company (DTE), and to provide additional electrical capacity at a total project cost not to exceed \$6 million. Funding for this effort will be provided by borrowing from the Cash Pool, with repayment provided by future bond proceeds that would be secured for the purpose of implementing this project. The motion carried.

NEW DATA CENTER

Vice President Decatur presented an overview of the New Data Center construction project, noting that it was a high cost per square foot and specialized equipment intensive project. CIO Darren Hubbard and AVP of facilities Harry Wyatt were asked to provide additional background information about the Center. The \$1350 per square foot cost was based on Detroit sub-contractor bids, and included architect fees, construction manager fees, and a contingency, as well as mechanical, electrical, plumbing and typical construction painting, cosmetics and landscaping. The facility will be small to medium sized and would provide the University with security and adequate technology for the future at a lower operating cost than currently seen. Building security efforts would include external crash barriers and sitting the building on a raised platform. Business continuity is very important in a facility like this one, so there will be redundancies in the system not necessarily seen in other buildings. The building will take advantage of the University's complete transfer to DTE electricity transmission with power feeds from two separate stations, negating the use of generators. In response to further inquiries, it was noted that the high plumbing costs included mechanical or electrical as well as the plumbing. The facility has been designed to meet current needs with a section reserved for future growth, to accommodate expansion in either research or administrative computing, including the use of locally hosted cloud facilities. Construction is slated to begin in a week and continue over fall and winter with an envelope closure by January, and then proceed with building both the substation for the DTE conversion and the data center across the spring and summer with probable commissioning in the fall of 2018. Completion is expected in fall 2018, but it may be closer to the winter.

ACTION: Upon motion made by Professor Beale 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 construct a new Data Center. It is further recommended that that Board of Governors authorize spending up to \$16.07 million for the total project cost of

\$16.9 million to design and construct the facility. Funding for this project will be provided by future bonds. The motion carried.

**FY 2019 STATE APPROPRIATION REQUEST
FY 2019-2023 FIVE-YEAR CAPITAL OUTLAY PLAN**

Vice President Decatur recommended that the Board approve the 2019 state appropriation request for the STEM Innovation Center and the five-year capital outlay plan. The submission was due November 1. The Stem Innovation Center was approved by the legislature and the Governor for design. The university received a \$14.75 million state appropriation for this project, with a minimum \$14.75 million University match, which the University will fund with bonds. The next five-year capital plan will include a shuffling of priorities and potential new projects. Professor Beale noted that the projects were needed and meritorious but the faculty is concerned about the absence of Scott Hall from the list, given its deterioration and its importance to medical research, grants, and hiring of research faculty, and asked if the facility would receive attention in the future. President Wilson agreed that Scott Hall required attention and indicated that a wing at Scott Hall was renovated in the past two years. He noted that there were many different priorities that had to be vetted through the strategic planning process and stated that the expectation was that a Scott Hall renovation or replacement would emerge from the planning process.

Professor Beale noted a discrepancy in the materials regarding the Chatsworth renovation indicating \$32 million for that project, but \$28 million has just been approved. Vice President Decatur noted that the \$32 million was a typo and would be corrected.

Governor Thompson asked about the next steps, and what were the guarantees to receiving funding. Vice President Decatur noted that state appropriations is a two-step process beginning with approval for planning and then the request for funding. Vice President Lindsey noted that there is no guarantee, but advised that the University has not been turned down in the two-step process.

Governor Thompson inquired about the timeline for the master plan. Vice President Decatur noted that the yearlong process would begin in January and the work done on it would inform the next submission.

In response to a question from Governor Trent about the Thompson House conversion, Vice President Decatur indicated that it was complete and that students had moved in. Governor O'Brien asked about the time line for completion of the STEM Innovation Center. Vice President Decatur indicated completion is expected in the fall of 2020.

ACTION: Upon motion made by Governor Busuito and supported by Aaron Szpytman, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2019 State Appropriation request for the Science, Technology, Engineering, and Math (STEM) Innovation Center and the corresponding FY 2019-2023 Five-Year Capital Outlay Plan. The motion carried.

MAJOR CAPITAL AND REAL ESTATE PROJECTS

Vice President Decatur presented an informational report on major capital and real estate projects. Governor O'Brien asked if work on the Matthaai weight room project had begun. Vice President Decatur noted that there were delays due to legal issues with the contracts and contractor demands. Harry Wyatt advised that the issues were resolved and the project was moving forward with some site work completed and a new scheduled opening date has been identified in March 2018.

PURCHASING EXCEPTIONS

Vice President Decatur presented the quarterly report summarizing purchases greater than \$25,000 that were issued during May, June and July 2017 without soliciting competitive bids. Governor Kelly commented that it was not clear from the report why there were no bids taken for every case, noting that while it may be easier to not bid a purchase out, the bidding process should be followed unless there was a good reason not to do so. Governor Kelly asked that future reports include explicit statements of why it was not appropriate to send the project out for bid. Professor Romano noted that with specialized equipment and instruments, there may only be a single vendor and decisions are based on current needs and product capabilities, not necessarily the cost.

Vice President Decatur indicated that he would generally defer to the researchers for purchases for research projects, but he would work with his colleagues to comply with making this report clearer.

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