



BOARD OF GOVERNORS

Budget and Finance Committee

March 23, 2018

Minutes

The meeting was called to order at 11:34 a.m. by Governor Kelly in Room BC at the McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

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

Committee Members Absent: Governor Nicholson

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

APPROVAL OF MINUTES, February 2, 2018

ACTION: Upon motion made by Governor Thompson and supported by Governor Busuito, the Minutes of the February 2, 2018 meeting of the Budget and Finance Committee were approved as submitted. The motion carried.

CONTINGENCY RESERVE

Vice President Decatur presented a request for two transfers from the Contingency Fund, \$150,000 to fund a search for the new Dean of the College of Liberal Arts and Sciences, and \$125,000 to fund the search for a new Associate Vice President of Finance and Business Operations.

ACTION: Upon motion made by Governor Busuito and supported by Governor Thompson, the Budget and Finance Committee approved the proposed transfers for search activities: \$150,000 to fund the search for a Dean of the College of Liberal Arts and Sciences, and \$125,000 for a search for an Associate Vice President of Finance and Business Operations. The motion carried.

HILBERRY GATEWAY PROJECT:

Dean Matt Seeger of the College of Fine, Performing & Communication Arts began his presentation with introductions of several department chairs, other representatives from the college as well as both undergraduate and graduate students in the audience for this presentation. The Hilberry Gateway Project has been in development for many years; Dean Seeger explained the spatial concepts for the project using a 3-D model. The current home of the Hilberry is a church acquired in 1961 as a temporary home for the theater, and it has not been substantially renovated or improved since its purchase. The facility is named after the University's first President, Dr. Clarence Hilberry. This project is an integrated theatre, dance, music and performance complex with spaces for all. It will be the home of the Gretchen Valade Jazz Center. Ms. Valade has been an incredibly generous supporter of jazz in the metro Detroit area, and sees the Hilberry Gateway project as part of her legacy and commitment to keep Detroit jazz traditions alive.

The project will address significant deferred maintenance in several buildings, including the Bonstelle and Hilberry Theaters. The performance spaces currently used will be condensed from 4 buildings to 2 buildings. The existing Hilberry Theater will be renovated into the 23,000 square foot Gretchen Valade Jazz Center. The project adds a 71,000 square foot new addition to the Hilberry Theater. Several performance spaces will be included in this facility. The main Hilberry stage will seat approximately 400, the Gretchen Valade Jazz Center will seat about 380, a new performance lab will seat 150, and the newly named Jazz Underground will seat 125. Performance laboratories, i.e., learning spaces for students, will also be added, and several other facilities will be replaced and consolidated. This project, when completed, hopes to consolidate arts programs in this general geographic area on campus, and create synergy for the arts on campus.

As part of this project, the David McKenzie House, located just south of the current Hilberry Theater, will be moved to the corner of Second and Forest. There was much review and discussion about McKenzie House, which is an important part of the history of Wayne State. It is on the National Register of historic buildings, built in 1895, and is an important part of the history of the University. A study has been completed on how to move and preserve this important building.

Dean Seeger presented PowerPoint slides with more detailed overviews of the spaces and how they will be used, including scene shops, costume shops, paint shop, spaces for patrons and members of the public to interact, and all the supporting facilities needed to stage modern performance, modern theater and modern music. The Dean discussed the performance and engagement concepts for both the Hilberry and the Valade, which will be connected by a shared lobby. The total project provides 94,000 square feet in both new and renovated space, at a total estimated cost of \$65,000,000. That cost estimate includes a significant contingency fund. The University will reach that funding goal through a combination of philanthropy, bonds, and revenue from a number of sources. One of those sources is related to buildings that will be vacated once the new facility opens, including the Bonstelle Theater. The Bonstelle has significant deferred maintenance, and there has been some discussion about selling the theater once it is vacated. Another revenue stream will be realized from revenue from performances scheduled at the new Jazz performance center. There is an active fund-raising effort with

foundations and individuals in the philanthropic community, and Dean Seeger is confident that the \$10 million goal will be met, or exceeded. Groundbreaking for this project is scheduled for September 2018, at the start of the Hilberry's 2018-19 season.

Professor Beale raised a question about the fundraising goal, efforts thus far to meet the goal, and projections for what might reasonably come forward in the next six months. Dean Seeger advised that there have been a number of false starts with this project, which has actually been in discussions for more than 20 years, and with the University commitment to this project, he has confidence that fund raising goals will be met. Opportunities outside of large gifts include the naming of rooms, and seats in the auditoriums. Vice President Burns added that there are proposals out to three major foundations, which are all high level gifts, over \$1 million, and a number of smaller gifts as well. Professor Beale asked whether the \$10 million goal was at a high enough level, given the size of the project. Vice President Burns advised that she thought it was a reasonable goal, and that she thought it will be met.

Governor O'Brien asked about parking for this facility, given that the surface lot at Forest and Cass will no longer be available. Dean Seeger advised that there is a university parking deck nearby, two privately owned lots across the street from the Hilberry, and close access to Woodward and the Q-Line, which is only a block away.

Governor Trent asked about the communication plan for those interested in the future of Mackenzie House. Dean Seeger advised there has been a lot of discussion in the community, and that he has been in touch with people from Preservation Detroit and scheduled a meeting to be sure they are fully briefed.

Professor Romano indicated he has concerns about cost and impact, and asked how many majors the college has; Dean Seeger estimated 1000 students as majors in the areas of theatre, music and dance. A recent headcount report of students taking courses in these areas is roughly 2000. The Dean added that students from the college perform at university events throughout the year, and believes that community enrichment and support of the arts is a part of the University. Professor Romano expressed support for the project, but reiterated continuing concerns about the cost, and had hoped to quantify the cost benefit. Governor Kelly added that it is more than just those who perform - students also attend performances, and are enriched by this experience. Governor Dunaskiss added that the university lags behind in facilities, that performance facilities in high schools are superior to what we have on campus, and that to attract students to the University, improvements need to be made. Many universities have this same issue. Professor Beale added that this issue is not limited to the arts, and that classroom, laboratory space and deferred maintenance issues exist across the campus.

Governor Busuito asked about the Bonstelle Theater, and given its proximity on Woodward Avenue, whether selling that property is a prudent move. Dean Seeger advised that the building is at the end of its life as a theater space. Governor Thompson asked about opportunities for community engagement and attracting high school students to WSU. Dean Seeger outlined the current community engagement efforts - high school students see shows at the Hilberry, have the opportunity to interact with the actors, talk with directors; the dance troupes perform at schools in the community regularly. The

Children's Theater program is seen by about 6000 students each summer. The new Jazz Center will expand that outreach.

Governor Trent suggested that this project provides an opportunity to celebrate alumni from the College who have gone on to successful careers in the industry, and to engage more alumni in support of the university.

Mr. Szpytman, the student representative, advised that this project was discussed with the Student Senate, and the Student Senate is excited about the project and supports it. He commented that the theater program has a very positive impact on all students.

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 award contracts for the renovation and construction of the Hilberry Gateway Performance Complex. In September 2016, the Board of Governors authorized \$350,000 to program and begin design of the project. It is further recommended that the Board of Governors authorize additional spending up to \$64,650,000 to complete the design and construct the project, for a total project cost of \$65,000,000. Funding will be provided from philanthropic gift contributions and bond proceeds secured for the purpose of implementing this project. The motion carried.

AUDITED FINANCIAL REPORT FOR FISCAL YEAR 2017

Tamika Butler, University Controller, was introduced for the presentation, to share some financial highlights for the past year. Ms. Butler advised that the external auditors, Plante and Moran, have issued an unmodified or clean opinion, which is the highest level of assurance provided by an external audit firm. Through a series of slides, Ms. Butler summarized data comparing financial results from 2016 to 2017. Total revenues increased by \$47.8 million; total expenses increased by \$23 million dollars, resulting in an increase in the university's net position of \$24.8 million for 2017. On the revenue side, factors impacting these results included an increase in net tuition, a slight increase in state appropriations, an increase in investment income and an increase in grants and contracts. Ms. Butler briefly discussed the Medicaid Public Entity Physician Payment Adjustment Program (PEPPAP), which provided significant program revenue in 2017. On the cost side, the university experienced increases in compensation and benefit costs, and increases in supplies, services and other expenses. The university saw a rise in net assets for the first time in several years, due in large part to the funds received through the PEPPAP program.

Professor Romano asked about the university's cash pool, and whether changes have been considered in the investment policy to provide for opportunities to invest some portion of the cash pool and increase the amount of return on those funds in the future. Vice President Decatur advised that discussions have begun on reviewing the cash investment policy, and his goal is to bring a recommendation to the Board regarding modifications to the policy, which would include taking on a bit more risk to increase returns.

2018-2019 CAMPUS BOARD RATE RECOMMENDATION

Associate Vice President Tim Michaels began the annual report on University Housing, Occupancy rates have been above 90% since fall 2008. In fall 2017, Housing started at 100% capacity, with students in temporary accommodations and quads, and some hotel rooms included in the mix to meet demand. Demographics for students living in housing show that there were 3108 campus residents in fall 2017. Of those living in residence halls, 47.4% were 19 years old or younger, and 1000 students living in housing were freshmen. Campus housing is more diverse than the overall student population at the University, and students view this positively in terms of learning to interact with students different than themselves. International students represent about 23% of the students living in housing, mainly graduate students living in the apartments. Mr. Michaels then reviewed a chart showing the average room and board rates for 2017-18 increased 3.27% at Michigan public universities; WSU's increase was 2.27%.

Wayne State participates in a national educational benchmark survey which helps to assess how campus housing helps develop skills and academic success. About 300 colleges and universities participate in this study, which is taken by about 300,000 students each year, living in residential facilities. In looking at WSU's results for the period 2010-2016, there has been a marked improvement in several areas. In overall program effectiveness, for residence halls, WSU moved from the 43rd percentile to the 83rd percentile when measured against Carnegie Classification peers, and from the 39th percentile to the 74th percentile among all institutions using the survey. The numbers were slightly different in WSU apartments, where overall program effectiveness scores moved from the 34th percentile to the 76th percentile in Carnegie Classification peers, and from the 28th percentile to the 89th percentile among all institutions using the survey.

The transition to Corvias has gone well, and has appeared seamless for students. Corvias has signed a gift agreement with the university to provide \$1 million in support for students over the next 10 years. The Anthony Wayne Drive apartments will open for 400 students in fall 2018. Applications are far ahead of last year. Students in the new Thompson Home, designed as a learning community for students in CFCPA, are very pleased with this facility. There have been improvements made in the dining halls as well, and continued investments will be made in dining. A number of these improvements have been made as a result of survey information received back from resident students. New this year are changes to the selection model for rooms, which will give students more ownership of the process, and allow them to pick their own spaces, and even select their roommates. Because there is no housing requirement, housing staff works to meet demand, with a philosophy of providing a bed to every student who wants one.

Mr. Michaels reminded the Committee that the Corvias/University partnership approved by the Board allows the partnership to set room and board rates at 3% or less; any increase in dining (or board) rates must approved by the Board. Labor increases, inflationary costs in food and supplies, and costs for 3 new amenities are factors that impact this year's recommendation for board rates. The administration is recommending an increase of 3.03% for a typical freshman room and board package. There is variance in the percentage increases for meal plans, depending the type selected by students, with

a recommendation of a 3.7% increase for unlimited access, a 3% increase for weekly plans, and no increase to the block plans, most commonly purchased by commuter students, faculty and staff. The amenities mentioned include a take-out option, using containers that can be recycled, increased options for those students with food/dietary allergies, and a provision for guest meal passes, which will provide students with 5 guest passes per semester. With these various options, the typical meal plan rate increase will be 3.47%.

Professor Beale asked what proportion of students in housing are graduate students, and whether there is room for expansion. Mr. Michaels responded that housing is made up currently of about 75% undergraduate students and 25% graduate students. He believes that as the Anthony Wayne Apartments and conversion of Chatsworth are completed, it will draw undergraduate students out of University Tower apartments, which have typically been more of a graduate center. Professor Beale asked if any graduate students were denied housing. Mr. Michaels advised that students are prioritized by those who cannot commute locally, and there are provisions to go into temporary housing while permanent housing is identified.

Professor Beale asked whether Housing has considered using faculty fellows in the residential complexes. Mr. Michael advised that that has not been the model here at Wayne, but there has been an increase in the number of residential learning communities, so while faculty are not living with the students, they have a supervisory role and can be involved with the academic program. There are no current plans to add faculty fellows as part of the supervisory structure.

Professor Romano asked about the use of actual data, over survey results, to determine academic success of residential students. Mr. Michaels advised that there has not been a significant difference in grade point average between students living on campus and those living in the community. He added that a number of students are either precariously housed or come from economic situations where campus housing is helping them succeed. He does not believe that WSU is a typical model. Professor Romano asked whether the graduation rates were different for students living in housing. Mr. Michael indicated that Housing has not had progression for students - undergraduate or residence halls were mainly for freshmen. Sophomores might live in University Towers, and unfurnished apartments were primarily for graduate students.

Governor Thompson asked whether there is a residential curriculum requirement for all students who live in University Housing. Mr. Michaels advised that it is not required that students attend these programs, but it is required of the University to provide opportunities, and varies by the residents and by study area.

Governor Kelly asked for affirmation that the proposed increases are due to increased cost of labor and food. Mr. Michaels concurred, and indicated that there was \$150,000 added for the new amenities previously described.

ACTION: Upon motion made by Professor Beale and supported by Mr. Szpytman, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2019 campus board rates as shown in the table below. In summary the Warrior Pass plans will increase an average of 3.47%. Weekly plans with

Warrior Dollars will increase an average of 3.0%, and block meal plans will not increase from the 2017-18 rate. The motion carried.

	Annual	Fall	Winter	Change
Warrior Pass 50 (unlimited + \$50/sem)	\$3,930	\$1,965	\$1,965	3.48%
Warrior Pass 250 (unlimited + \$250/sem)	\$4,324	\$2,162	\$2,162	3.49%
Warrior Pass 400 (unlimited + \$400/sem)	\$4,590	\$2,295	\$2,295	3.42%
Weekly Plans (upper class residents, non-residence hall students/faculty/staff)				
Weekly 15 + 100 (Fifteen Swipes/wk + \$100/sem)	\$3,710	\$1,855	\$1,855	3.11%
Weekly 12 + 350 (Twelve Swipes/wk + \$350/sem)	\$3,810	\$1,905	\$1,905	3.03%
Weekly 5 + \$200 (Five Swipes/wk + \$200/sem)	\$1,760	\$880	\$880	2.92%
Block Plans (non-residence hall students/faculty/staff)				
Block 15 (15 Swipes/sem)		\$110	\$110	0.00%
Block 30 (30 Swipes/sem)		\$210	\$210	0.00%
Block 45 (45 Swipes/sem)		\$310	\$310	0.00%

Any WSU community member can buy Warrior dollars in \$50 increments
 All freshmen must select a Warrior Pass Plan or the Weekly 15 + \$100
 Block plans are only for non-resident students/faculty/staff

Due to time constraints, the next set of items were presented with one block discussion and action:

CAMPUS HEALTH CENTER RELOCATION CONSTRUCTION AUTHORIZATION

ACTION: Upon motion 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 construct a Campus Health Clinic in retail space in the Anthony Wayne Development Housing Project. On June 23, 2017, the Board of Governors authorized \$161,000 to design a new Campus Health Center. It is further recommended that the Board of Governors authorize additional spending up to \$1,949,000 for the total project cost of \$2,110,000 to design and construct the facility. Funding for this project will be provided from future University bonds, Nursing Practice Corporation, and Corvias Campus Living-WSU, LLC tenant improvement allowance.

LEASE AUTHORIZATION REQUEST - NURSE PRACTICE CORPORATION

Professor Beale asked about the market rate for the lease, and why the lease was negotiated with a flat rate for the first five years. AVP Wyatt advised that there is a team of local real estate people and attorney's working with Corvias and the University's real estate office on the leases that will be coming forward, and the rates for those leases will

be between the high teens and the mid-20's per square foot. The Nursing Practice Corporation will be making a significant contribution up front to develop their space.

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 enter into a ten-year lease agreement with additional options with the Nurse Practice Corporation, a Michigan non-profit corporation. Pursuant to University Policy 04-06, the lease of real property, where the lease is for a period longer than 120 months, including an unconditional right of renewal, requires Board authorization.

LEASE AUTHORIZATION REQUEST - WARRIORS PHARMCY, INC.

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 enter into a five-year lease agreement with additional options with Warriors Pharmacy, Inc., a Michigan corporation. Pursuant to University Policy 04-06, where the lease of is for a period longer than 120 months including an unconditional right of renewal, requires Board authorization.

WIRELESS REPLACEMENT PROJECT

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 for the upgrade of the campus wireless network. It is further recommended that the Board of Governors authorize \$4,090,000 for the purchase and installation of a new wireless solution and associated network upgrades. Funding for wireless replacement in Housing buildings will be provided by the FY18 Housing Operating Fund. The C&IT Network Plant Fund will pay for the remainder of the project.

UNIVERSITY TOWERS FIRE ALARM REPLACEMENT

Governor Thompson asked how the fire alarm project and the biological services improvement projects were selected as opposed to other deferred maintenance projects. VP Decatur advised that the fire system at University Towers is a health and safety matter. Harry Wyatt, AVP for Facilities added that deferred maintenance funds are prioritized based on need and urgency. The Biological Sciences building is very old, and technology intensive. The majority of that proposal is for building automation. The internal operating engineers, architects and others helped to prioritize the order of projects and how funds in the reserve will be allocated.

ACTION: Upon motion made by Governor Thompson and supported by Governor Busuito, the Budget and Finance Committee, recommended that the Board of Governors authorize spending up to \$2,865,565 to complete the project. Funding for this project will be provided from the proceeds of the Corvias bond closing.

BIOLOGICAL SCIENCES BUILDING INFRASTRUCTURE IMPROVEMENTS

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 make infrastructure improvements to the Biological Sciences Building for a project cost not to exceed \$2,500,000. Funding will be provided from the University Deferred Maintenance fund.

FY 2018 PARKING IMPROVEMENTS

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 solicit bids and award contracts to implement improvements to Parking Structures No. 2, 4, 6 and Lot 75 for a total project cost not to exceed \$3,225,000. Funding for this project will be provided from the Parking Auxiliary.

HARWELL FIELD BLEACHERS AND PRESS BOX

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 and proceed with design and construction of the Harwell Field Bleachers and Press Box. It is further recommended that the Board of Governors authorize spending for a cost not to exceed \$505,000. Funding for this project will be provided from funds raised by the Athletic Department for this purpose.

Action on the above eight items was taken in one vote - the motion carried.

REQUEST FOR ADMINISTRATIVE FEES FOR THE DIVISION OF DEVELOPMENT AND ALUMNI AFFAIRS

Vice President Decatur advised that this request for renewal of the administrative fees for the division of Development & Alumni Affairs comes to the Board because earlier action establishing these fees had a sunset provision which has now passed. The recommendation is a two-part proposal, one to authorize the current half percent administrative fee retroactive to the beginning of 2018, on the average fair market value of endowment funds, and the second part is to set a two-percentage administrative fee retroactive to the beginning of 2018 on non-endowed cash fees. The administration recommends that these be set without an expiration date, unless or until review and revision of this authorization is recommended. He advised that this type of fee structure is very typical in higher education, and has been in place at all previous institutions where he has served.

Governor Kelly asked why a sunset provision was not appropriate, given the previous board's decision to implement one. VP Decatur advised that it appeared the fees were established as the university began preparations for a capital campaign, and current

practice is that universities tend to move from the completion of one campaign to the next, keeping its gift officers and administrative structure in place to be ready to do so. Vice President Burns added that she reviewed the Board discussions when the administrative fees were initially approved, and there was no rationale provided at that time for the inclusion of the sunset provision. She further added that WSU's administrative fee is the lowest that she is aware of, among peer institutions.

Professor Romano commented that it is his recollection that previous Senate objections to the fees were based on a belief that if fees increased, there was less money available for student scholarships, and from that discussion, the Board decided to implement the structure temporarily, see how it worked, and then proceed. Vice President Burns advised that sunset provisions provide a chance to reconsider, or to review at a future point to determine if the fees are clearly justified and should be continued. Discussion continued on whether or not a sunset provision would be appropriate to institute; without one, there would not be an automatic review of these fees on a periodic basis.

Governor O'Brien moved the recommendation as presented, but the motion died for lack of a second.

Governor Busuito then moved the recommendation as presented, but added a 5 year sunset provision. The full motion, as amended, is as follows:

ACTION: Upon motion made by Governor Busuito and seconded by Governor Thompson, the Budget & Finance Committee recommended that the Board of Governors approve the following two-part proposal to support ongoing costs of the Division of Development and Alumni Affairs:

1. Authorize the current .05 percent administrative fee, retroactive to the beginning of FY 2018, on the average fair market value (FMV) of endowment funds as defined in the Board of Governors Common Trust Fund statute governing the university endowments, unless prohibited by an executive Memorandum of Agreement with a donor. This fee has a 5-year sunset clause, at which time it will be returned to the Board for review and consideration for renewal.
2. Authorize the current 2.0 percent administrative fee, retroactive to the beginning of FY 2018, on non-endowment cash gifts. This fee has a 5-year sunset clause, at which time it will be returned to the Board for review and consideration for renewal.


The motion carried.

INFORMATIONAL REPORT: MAJOR CAPITAL AND REAL ESTATE PROJECTS; PURCHASING EXCEPTIONS

The committee reviewed two informational items, one on major capital and real estate projects, and the other the quarterly report on purchasing exceptions. There were no questions raised on either report.

There being no further business, the committee adjourned at 1:11 p.m.

Respectfully submitted,



Handwritten signature of Julie H. Miller in cursive script.

Julie H. Miller
Secretary to the Board of Governors