



BUDGET AND FINANCE COMMITTEE

February 1, 2019

Minutes

The meeting was called to order at 11:19 a.m. by Governor Kelly in Room BC at McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Busuito, Kelly, Kumar, Thompson and O'Brien; Linda Beale, Faculty Representative, Richard Smith, Faculty Alternate Representative; and Anchita Sanam, Student Representative

Committee Members Absent: Mazen Zamzam, Student Alternate Representative

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

APPROVAL OF MINUTES, December 7, 2018

ACTION: Upon motion made by Governor O'Brien and supported by Governor Busuito, the Minutes of the December 7, 2018 meetings of the Budget and Finance Committee were approved as submitted. The motion carried.

CONTINGENCY RESERVE

VP Decatur reviewed the recommendation for a transfer of \$7,737 in additional funds for the CLAS Dean Search. The original funding of \$150,000 was approved in March 2018. There were some questions about the additional expense requested when this approval was tabled in December 2018. The Board office provided a detailed listing of the cost associated with this search in response to those questions.

ACTION: Upon motion made by Professor Beale and supported by Governor Thompson, the Budget and Finance Committee approved the transfer of \$7,737 to complete the funding for search activities for the Dean of College of Liberal Arts and Sciences.. The motion carried.

PRB HVAC IMPROVEMENTS, TECHTOWN

This project is to implement improvements in the HVAC system and install new equipment at TechTown, in support of the PRB. The University leases space at TechTown to support the PRB's need for subzero freezer space. This research activity is part of one of the University's largest major NIH grants. The current systems in the building cannot support the cooling loads needed, so the scope of the project included dedicated HVAC systems for the freezer space, a backup generator, and replacement of a building wide chiller. The lowest bid received for this project was \$180,000 dollars more than had originally been estimated.

Governor Gaffney asked if all other alternatives were explored. Vice President Lanier noted that alternatives across campus were explored but there was not enough space to accommodate 300-400 freezers or their collective weight. Governor Thompson asked about the balance of the plant fund reserves after this cost. Vice President Decatur noted that the project will go on the major capital project list and projected \$10 million dollars in total as the balance in the plant fund. Projects coming at future meetings this year will also impact that balance.

Professor Beale asked for clarification on the number of freezers noted in the recommendation, as the numbers discussed in the meeting differ from the 226 amount listed in the document itself. Vice President Lanier clarified that there are 190 freezers on the fourth floor and 230 on the second floor, for a total of 420 freezers. Governor Barnhill asked whether the University had any local spending objectives and was engaging local firms. Vice President Decatur noted that the board is being asked to authorize the project as presented and that the bid process has been completed, and was how the budget for this project was finalized. Ken Doherty noted that in terms of diversity spend and local spend, the University has benchmarked historical averages with around 15% spend on contracts in Detroit and 60% spend in Michigan. Diversity spend is about 10%. He will forward information on local firms through Vice President Decatur.

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 to implement PRB HVAC Improvements and replacement of a building wide chiller at TechTown for a total project cost not to exceed \$1,980,000. Funding will be provided from: TechTown in the amount of \$600,000; \$250,000 from Wayne State Research, and \$1,130,000 from Plant Fund Reserves. The motion carried.

FY2019 PARKING IMPROVEMENTS

Vice President Decatur reviewed the project for parking improvements, and noted that funding for this project will come from the parking auxiliary fund balance. The project will address deferred maintenance and involve work done over the summer including expansion joint repair, and structural repairs to beams, floors, ceilings, columns and stair towers in parking structures 1, 2 and 5. Anchita Sanam asked if the work would include repairs to elevators. VP Decatur noted that elevators were not part of this project but that there are some elevator repair projects underway. Professor Beale noted that the Academic Senate has also raised concerns about the elevators in the parking structures. Governor Thompson asked if there been a study to determine the cost to replace the parking structures. Vice President Decatur noted a study had been completed about 7 years ago that laid out a program for the renovation of all of the parking decks. Continued maintenance and investment will reduce deferred maintenance in both the decks and the surface lots. Parking is also going to be a component of the Master Planning process, and that study will be shared with the board. Professor Beale noted that the Academic Senate discussed the plan's continuing increase in parking rates, and has expressed concern about the burden of these increases on staff at lower salaries. Governor O'Brien asked for the parking auxiliary fund balance after the project. Vice President Decatur will forward that information.

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 implement parking improvements for a total project cost not to exceed \$5,420,000. Funding will be provided from the Parking Auxiliary. The motion carried.

LEASE AUTHORIZATION REQUEST- UNCLE JOE'S CHICKEN FINGERS

This project for Uncle Joe's Chicken Fingers is part of a number of lease authorization requests for businesses locating in the new Anthony Wayne Drive Apartments. Maps were reviewed showing the location of the restaurant within the complex. Governor Barnhill asked about the difference in rents per square foot among the projects. Tim Michael, Associate Vice President and Chief Housing Officer, noted that rates are impacted by the type of businesses and competition, which vary. He advised that that 7 Eleven will be an anchor store, have fresh food and carry no alcohol or cigarettes. Negotiations for the leases were managed through Corvias with a local real estate broker with local and national experience. The rent depends on the negotiation between rent rates over time versus upfront commitment to the tenant, to help them with their build up process.

Governor Thompson asked about input from faculty and staff about the kinds of tenants coming into this complex. AVP Michael advised that a campus wide retail study was done in conjunction with the University's real estate office, approximately a year ago, and that has informed much of this process.

ACTION: Upon motion made by Governor O'Brien and supported by Governor Busuito, the Budget and Finance Committee recommended that, pursuant to University Policy 04-6 Contract Signatories section 4.1.A.2 regarding the lease of real property, where the lease is for a period longer than 120 months including an unconditional right of renewal, the Board of Governors authorize the President, or his designee, to enter into a 114 month (9.5 year) lease agreement (with one additional option to renew for an additional 60 months) with SJS Partners, LLC a Michigan Corporation d/b/a Uncle Joe's Chicken Fingers. The motion passed.

LEASE AUTHORIZATION REQUEST- 7 ELEVEN, INC

AVP Michael noted that this is a companion project to the one discussed, and that 7 Eleven is an anchor tenant with a lengthy lease. The store will open in the fourth quarter of this year.

ACTION: Upon motion made by Governor O'Brien and supported by Governor Thompson, the Budget and Finance Committee recommended that, pursuant to University Policy 04-6 Contract Signatories section 4.1.A.2 regarding the lease of real property, where the lease is for a period longer than 120 months including an unconditional right of renewal, the Board of Governors authorize the President, or his designee, to enter into a 120 month (10 year) lease agreement (with four additional 5 year options to renew for a total of an additional 240 months) with 7 Eleven, Inc., a Texas Corporation. The motion carried.

ANNUAL REPORT ON THE CASH POOL INVESTMENT AND DEBT PROGRAMS AND LONG TERM INVESTMENT PROGRAM

Vice President Decatur asked Marianne Cunningham, Assistant Vice President for Treasury and Investment to present the report. Three programs are run in Treasury being reviewed today: cash pool investment, long-term investment, otherwise known as the endowment program, and the debt program. The long-term investment program is the endowment portfolio.

The Wayne State University Foundation was established by the Board of Governors in 2000 as a means to develop and encourage financial support from private sources, an essential supplement to state appropriations, tuition, and research related income. The structure provides students, faculty, and researchers with opportunities they otherwise would not have in terms of chairmanships, endowments, and scholarships. The investment committee provides the guidance over investment-related decisions for this endowment portfolio. The investment committee has oversight over the outsourced chief investment officers, who are the strategic investment group partners engaged since October of 2016. Charts were reviewed which provided information on investment committee members, and asset and policy allocations. The five-year outlook grew from \$304 million to \$390 million. From 2017 to 2018, growth was approximately \$32 million with \$24 million in total returns on the portfolio. AVP Cunningham reviewed the performance measures at 1, 3, 5, and 10-year increments. For fiscal year 2018, U.S equity was at the benchmark, global equities improved, non U.S equities were below benchmark, and commodities were below the benchmark. Results are received quarterly and give guidance on how the University is doing compared to its peers. Secretary Miller asked AVP Cunningham to provide the board with the charts reviewed.

The Cash Pool investment program represents the cash reserves and working capital for the University. Its main objective is to generate income to support the budget while protecting principle and maintaining liquidity for operating needs. As of September, the cash pool was approximately \$400 million, allocated in 30% cash and 70% fixed income. Portfolio returns were low and consistent with the cash/fixed income portfolio.

After an assessment of this portfolio, opportunities were reviewed to increase return on the portfolio. The portfolio was segregated into three separate tiers. Tier one was cash, the liquid portfolio monitored and maintained daily. The second tier, fixed income, is liquid and expected to generate incremental income. Overage of the threshold of both tiers moved into the third tier, the diversified portfolio, used to invest in other assets including equities, some incremental high yield fix income and alternative investment classes. This asset allocation was presented to the Board in September and was approved at that time.

Professor Beale asked for the total of the cash pool at the time of the report. Ms. Cunningham advised that the pool was at \$400 million. The Debt program was \$422 million as of September 30th at fixed rates. In December, approximately \$100 million of debt was related to the Corvias project. In March, new debt of approximately \$130 million was identified to fund projects such as The Mike Illitch School of Business, the lighting project, the Hilberry Theatre, the Weight Room, the STEM building, the data center, and the art gallery. The ratings outlook is stable. Governor Barnhill asked how cash pool returns were relative to benchmarks. Ms. Cunningham noted that they were consistent with the fixed income cash portfolio, which were at benchmark.

MICHIGAN UNIVERSITIES SELF-INSURANCE CORPORATION ANNUAL REPORT

Vice President Decatur asked Angela Moss, Senior Director of Risk Management, who also sits on the M.U.S.I.C Board, to present the report. The Michigan University Self Insurance Corporation or M.U.S.I.C. began in 1987 and is comprised of 11 public universities in the state of Michigan. Membership gives universities greater control over insurance, with broad base coverage bought in bulk. Marsh is the facility broker, which is the largest insurance broker in the country. This year's report from MUSIC shows a surplus of \$17 million. Dividends of \$5.6 million dollars came from a variety of sources, including general liability, errors and omissions, auto physical damage, and auto liability. Payment of these dividends has been suspended because of the Michigan State University situation. Governor Busuito asked about M.U.S.I.C. program liabilities. Lou Lessem noted there may be potential liability and there were discussions with the M.U.S.I.C insurance counsel on this issue.

INFORMATIONAL REPORT: MAJOR CAPITAL AND REAL ESTATE PROJECTS

Vice President Decatur noted that there would be an action item on the Bonstelle Theatre project at the next meeting. Renovations on the art museum scheduled to be in the old Criminal Justice building are underway and the Cadillac headquarters has been fully leased. In response to a question from Governor Barnhill regarding federal or state policies that precluded the university from having local spending objectives, Lou Lessem noted that he was not aware of a law that prohibited engagement in local content or setting local content. He noted that Governor Barnhill could meet with Ken Doherty to view a previous presentation to the Board on this topic, and to discuss what efforts were being made directly. Vice President Staebler noted that from an economical perspective, the Detroit spend did fluctuate due to the large amount of construction contracts the university has undertaken. Governor Gaffney noted that he would work with Governor Barnhill on the topic.

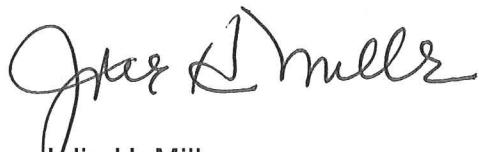
PURCHASING EXCEPTIONS

Vice President Decatur presented the informational report on purchasing exceptions. In response to a question from Governor Gaffney, Vice President Decatur noted that the one year contract with Kelly Hawthorne coincided with the fiscal year. Governor Barnhill advised that he would like to more information on the rationale for purchasing exceptions. Secretary Miller noted that VP Decatur will host the next Board orientation, and would ensure that the topic would be included.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:22 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Julie H. Miller". The signature is written in black ink and is positioned above the printed name.

Julie H. Miller
Secretary to the Board of Governors