



Budget and Finance Committee

June 21, 2019

Minutes

The meeting was called to order at 10:15 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 Barnhill, Kelly, and Trent; Linda Beale Faculty Representative, renèe hoogland as Faculty Alternate Representative; Mazen Zamzam, Student Representative and Waleed Eliwat, Student Alternate Representative

Committee Members Absent: Governors Kumar and Thompson; Richard Smith, Faculty Alternate Representative

Also Present: Governor Gaffney and President Wilson; Provost Whitfield; Vice Presidents Burns, Decatur, Lanier, Lessem, Staebler; and Secretary Miller

APPROVAL OF MINUTES, MAY 1, 2019

Governor Kelly asked whether there were any comments or corrections on the minutes from the previous meeting. Professor Beale identified a word that was misspelled, and asked further that her comments regarding the importance of financial aid, and the allocation of university support to the medical school, be included in the discussion of the School of Medicine tuition proposal in the minutes.

ACTION: Upon motion made by Governor Barnhill and supported by Governor Kelly, the committee moved to table approval of the May 1, 2019 Minutes to the Committee's next meeting. The motion carried.

CONTINGENCY RESERVE

Vice President Decatur presented a request for a transfer from the Contingency Reserve of \$67,263 to partially fund a search for the new Dean of the Graduate School. The remaining FY 2019 balance would be \$0. Typical funding requests for dean searches total \$150,000 and a subsequent request will be made in the new fiscal year for the additional funds for this search.

ACTION: Upon motion made by Prof. Beale and supported by Governor Barnhill, the Budget and Finance Committee approved the proposed transfer for the search activity: \$67,263 to fund the search for Dean, Graduate School. The motion carried.

AUTHORIZATION TO SELL BONDS:

Vice President Decatur presented an authorization to sell bonds involving five projects, for a total of \$47,500,000. The resolution will authorize the issuance of Wayne State University Tax exempt and Taxable general revenue bonds to produce proceeds of \$25 million for new money projects with \$22.5 million for the projects and \$2.5 million for the bond closing, capitalized interest and contingency. The proposal will also include refinancing of current bond indebtedness of \$52.9 million. The refinancing will provide a net present value savings of \$5 million dollars. The resolution also authorizes Wayne State University taxable general revenue bonds, with proceeds up to \$27.5 million to fund the arena project, Other capital projects to be funded from these proceeds include \$9.5 million for the Science and Engineering library, which the board previously approved, and is under way, modernization of two existing elevators in State Hall and construction of a new elevator shaft for installation of a new elevator at \$4.5 million, \$3.5 million to complete the building renovation of the School of Social Work and \$5 million for construction of the Wayne State stadium elevator to the press tower at the Matthaei complex. Since the Arena is a public-private partnership with the Pistons, the bonds have to be taxable.

Professor Beale asked about the annual additional increase in the debt service. Ms. Cunningham responded it will be \$3 million annually. Mr. Zamzam asked if the extra funding for the Arena will be partially funded through philanthropy. Vice President Decatur noted that \$3 million will be funded through philanthropy or monetization of assets. Initial funding will be with the bonds and when money is raised, it will immediately pay off the taxable part of the debt.

Governor Kelly asked if the Arena will pay for itself through leasing out the space. Vice President Decatur noted that the Arena will be more than half self-supporting with significant rent from the Pistons and revenue generated by the operations through tickets and concessions and other uses.

Mr. Zamzam asked about the differences in costs for the two elevators at State Hall at \$4.5 million and the Wayne State stadium elevator at \$5 million. Vice President Decatur noted that the State Hall elevator shafts were existing for two of the elevators. The third would be new with a larger cab built inside an existing structure and shaft. The stadium elevator will be a new build with no existing shaft and three stories tall.

ACTION: Upon motion made by Mr. Zamzam, and supported by Governor Barnhill, the Budget and Finance Committee recommends that the Board of Governors adopt the attached Resolution authorizing the issuance of Wayne State University tax-exempt general revenue bonds in the aggregate principal amount necessary to produce proceeds of \$25.0 million for new money projects plus the amount

necessary to accomplish the refunding of approximately \$52.9 million par Series 2009A and Series 2009B bonds for savings. The \$25.0 million includes \$22.5 million to fund specific projects and \$2.5 million for bond closing costs, capitalized interest and contingencies. The bond issuance will have a term of up to 30 years. The Resolution also authorizes the issuance of Wayne State University taxable general revenue bonds in the aggregate principal amount necessary to produce proceeds of \$27.5 million to fund the Arena project. The bond issuance for the Arena project will also have a term of up to 30 years. The motion carried.

STATE HALL RENOVATION

Vice President Decatur explained that the request for authorization is to spend up to \$225,000 for funding to hire a design team to conduct a program study of space, building code, accessibility, building systems narratives and cost estimates for a full renovation of State Hall. This is needed to adequately prepare for the state capital appropriation request, which is due in October 2019. The board will be asked to approve the appropriation request and a six-year capital plan at the September 2019 meeting. State Hall is highlighted as a top priority in the campus master plan. Governor Gaffney noted his full support of the request. Professor Beale agreed, and advised that State Hall is a top faculty priority and suggested there be faculty and student input in the design. Mr. Zamzam also noted the importance of student representation in the design process.

ACTION: Upon motion by Prof. Beale and supported by Governor Trent, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee, to award contracts to conduct a full investigative program study for the comprehensive renovation of State Hall at a cost not to exceed \$225,000 to be fully funded from the Non-recurring Projects Reserve fund. The motion carried.

LEASE AUTHORIZATION - DETROIT HOTSHOTS WSU, LLC d/b/a BEYOND JUICE

Vice President Decatur presented the Lease Authorization for Detroit Hot Shots for a 10 year lease agreement with two additional five year options for renewal for a total of 120 months. The site is 1662 square feet of frontage at the new Anthony Wayne Residence Hall. The annual rate for the first five years will be \$49,860, for 6-10 years will be \$54,846 and if options were taken, there will be an escalator of \$3.00 per square foot for each option. An outline of the site was presented with all of the current leases and two vacancies noted.

ACTION: Upon motion made by Governor Barnhill and supported by Governor Trent, the Budget and Finance Committee, 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, recommended that the Board of Governors authorize the President or his designee, to enter into a 120 month (10 year) lease agreement (with two additional

5-year options to renew for a total of an additional 120 months) with Detroit Hotshots WSU, LLC, a Michigan limited liability company doing business as Beyond Juice. The motion carried.

FISCAL YEAR 2020 TUITION AND FEE RATES

Vice President Decatur called on Jeff Bolton, Assistant Vice President, Office of University Budget, for the presentation and recommendations for FY 2020 tuition and fee rates. The full budget recommendation has been delayed until the September 2019 Board meeting as the State of Michigan's budget has not yet been finalized. The tuition needs to be acted on now to facilitate completion of financial aid and scholarship packages, so that students know their cost of attendance by July, when early registration begins.

Mr. Bolton's presentation began with an overview of budget scenarios based on the proposals developed by the Governor, the House, and the Senate. The University's fiscal year begins October 1, so the University is able to delay action on the full budget until September without specific challenges, assuming the State budget is completed by September.

In terms of state appropriations, the Governor's proposed budget provided a 3% increase, or an additional \$6.06 million for FY 20 for higher education, removed the performance funding matrix and added a 3.2% tuition and fee restraint amount. The Senate proposed a 1.5% increase with \$7 million of the \$22 million going towards the North American Indian tuition waiver program. Under their proposal, the remaining 1% will be allocated using the historical funding matrix. Using the Senate's proposal, Wayne State based would receive \$1.87 million, or a .9% increase. The Senate's proposal also includes a 4.4% tuition and fee cap restraint. The House proposal includes many of the same components as the Senate version, including the North American Indian tuition waiver program. Under the House's proposal, Wayne State would be receive a .36% state appropriation increase or \$733,000 with some changes to the matrix. The House proposal includes a 3.2% tuition and fee restraint cap. Since the 15% across the Board state appropriations reduction for all institutions implemented in FY 11, Wayne State is the only institution not yet restored to the full funding. Other research universities, including Michigan and Michigan State, crossed that line this year in the current fiscal year (FY19).

The administration's recommendation for tuition for undergraduate, graduate, professional and all non-MD students is a 3.2% increase for FY 20, and an increase for financial aid at the same rate as tuition. The rate for MD students, a 3.9% increase, was approved earlier this spring. Mr. Bolton summarized the impact of this tuition proposal on undergraduate students based on the profiles of those who applied for fall 2019. The neediest students at \$0-\$5,000 expected family contribution (EFC) would have a zero out of pocket increase with the Wayne Access Program providing gap funding to bridge any tuition and fee balance. Moderate need based students with \$5,001 to \$9,000 EFC would see minimal impact at \$165 per year, with funds available to them from the Wayne State Promise grant. No need students at \$9,000 EFC would see an increase of \$350 per year. In 2017-18, gap funding initiatives supported 1100 students. In fall 2019, the expectation

is to add support for an additional 1,300 students and in fall 2020 an additional 1,400 students. Incorporating a 3.2% tuition and fee increase will result in a \$12.8 million budget shortfall which will require a 3.1% across the board reduction to the budgets for schools, colleges and divisions.

Turning to parking and transportation, Mr. Bolton advised that this unit is an auxiliary, or a self-supporting unit. For FY 19 and 20, the administration's recommendation includes continuing to provide \$1 million in general fund subsidy towards parking that goes directly towards reducing students' semester permit parking prices. Non-semester permits will receive a 0% increase. Employees, depending on payment method and type of structure, will see an increase between 2.9 and 3.4% and guest parking, depending on payment method and type of structure, will see an increase from 0% to about 6.3%.

Governor Kelly asked for information on actions taken by other public Michigan universities on tuition and fees for FY 2020. Mr. Bolton advised that four institutions thus far have adopted the 4.4% tuition and fee restraint number, which are Eastern Michigan, Oakland University, Saginaw Valley State University and the University of Michigan Flint. Central Michigan adopted a blended rate of approximately 2.6%, depending on type of student. The University of Michigan adopted an increase of 1.9% for in-state students, and a 3.7% increase for out-of-state students. Ferris State adopted a blended rate of 3.15%, with a different rate between freshmen and sophomore versus juniors and seniors. A question was raised on Michigan State's 2-year action from last year. There will be no increase for freshmen. Sophomores will see an increase of about 2.5%, and juniors and seniors will see an increase of about 2.2%. With their new block tuition structure, these are estimates, as it will depend on how many credit hours each student takes.

Governor Kelly asked, if the WSU Board adopts the recommendation before it, whether WSU students would pay more than MSU students for tuition. Vice President Decatur responded no, that in terms of total tuition, Michigan, Michigan State and Michigan Tech have the three highest tuition rates in the State. Should the WSU Board adopt the tuition recommendation before it, there will still be a large gap between WSU and these schools.

Mr. Zamzam asked about the dollar amount that accounts for a 1.9% increase and a 3.2% increase at U of M. Mr. Bolton noted that a full-time freshman student at U of M in Fall 2018-2019 would have been paying \$15,262 compared to \$13,097 at Wayne State, an approximate \$2200 difference.

Prof. Beale commented on the caps the legislature poses for higher education. She noted that raising tuition is difficult but believes that it's important to raise tuition to the cap because otherwise there is no way to address long-term costs. The Board can increase financial aid for vulnerable students to meet their needs. She expressed the frustration of academic staff and faculty with what they believe is a top heavy and well paid administrative bureaucracy, while lecturers are being asked to increase teaching and workloads. She suggested that the administration should not continue to allocate 2% of the executive administrative salary pool for discretionary increases for the vice presidents, deans, associates and assistant vice presidents at the same time that schools and colleges are being asked to reduce budgets. She also suggested that there be some

flexibility for deans to allow them to make tenure-track hires needed in the schools to cover new programs and retain faculty.

Governor Kelly noted that Professor Beale has discussed this topic at previous meetings and the Board requested information from the faculty and administration on the cost of administration, and the conversation will continue. Governor Trent commented that raising tuition is a very difficult decision to make every year and the State, in recent decades, has dis-invested in higher education. The University has two main sources of revenue and those are state funding and tuition. Unfortunately, because of the decisions made in Lansing, students and families are increasingly responsible for the cost of college education. She expressed her hope that the legislators in Lansing will change the metrics used so that Wayne State will not continue to be punished. She commented again that Wayne State University is the only university in the State of Michigan that has not been made whole from the draconian cuts Governor Snyder implemented in 2011, and the University is still climbing out of that hole. She added that she hopes that the University community and its constituents will know this is a very difficult decision, and that they will talk to their representatives in Lansing, to help the University return to a day when the State recognizes the public good of a college education for our state and that it is good for talent development. It's good for job attraction and it's just good. She wondered, given that every study indicates that states that are economically thriving have higher rates of college attainment, why state leaders are not more supportive of higher education. She added that although she would be voting for the tuition increase, again, she does not do it happily. She wishes that the Board is not put in this position and hates the impact on students and their families. She is gratified to know that the students who are the most dependent on institutional support will be supported by the University and will be held harmless through more scholarship dollars. Governor Gaffney and Governor Kelly said that they supported Governor Trent's comments wholeheartedly.

Mr. Zamzam raised some concerns on behalf of the Student Senate. It is the goal of the Student Senate to help students graduate in a safe and timely manner with little to no debt, and he believes it would be a disservice to not try to fight for a lower tuition increase. He noted the variance among the universities that have thus far acted on tuition, noting specifically that U of M increased their tuition by 1.9% for instate students compared to the proposed Wayne State increase of 3.2%. As discussed by the Student Senate, he placed a motion to amend the proposed recommendation for a tuition increase from 3.2% to 2.9%, a difference of roughly about \$500,000 in revenue. The motion died for lack of a second. Governor Kelly asked for a motion to consider the recommendation before the committee, and the following action was taken:

ACTION: Upon motion made by Professor Beale and supported by Governor Trent, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2020 tuition rates and mandatory fees as presented below. In summary, the base tuition and fees for Wayne State University are increased by 3.2 percent for undergraduates and 3.2 percent for graduate and most professional students, with the exception of School of Medicine MD program students, previously approved by the Board of Governors in May.

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 2020 TUITION RATE RECOMMENDATION				
Category & Level	Resident - per Credit Hour			
	FY 2019	FY 2020	% Diff.	\$ Diff.
Undergrad-Lower Division	\$384.74	\$397.05	\$12.31	3.20%
Undergrad-Upper Division	\$456.58	\$471.19	\$14.61	3.20%
Graduate (General Programs)	\$657.51	\$678.55	\$21.04	3.20%

In terms of mandatory fees, Wayne State University requires all students to pay a registration fee (on a semester basis) and a student services fee (on a per credit hour basis). It is proposed that the registration fee increase by 3.2 percent for all undergraduate students and 3.2 percent for all graduate and professional students (excluding School of Medicine MD program students, who are charged a separate fee). The student services fee rate is proposed to increase by 3.2 percent for undergraduates and 3.2 percent for graduate and professional students (MD program is charged a rate based on their class level, approved separately).

A table will be included in the Proceedings of the Board of Governors meeting of June 21, 2019 with the details of all specific changes for all Wayne State tuition rates and mandatory fees for FY 2020. The Board of Governors, at the May 2019 meeting, approved the tuition and fees for the School of Medicine's MD program. They are listed in the schedule for informational purposes only.

It is also recommended that the Board of Governors authorize the President or his designee to make adjustments to the rates for special programs or where otherwise appropriate. The motion carried, with a vote of 4-1.

PARKING RATE PROPOSAL

The proposed FY 2020 parking rate recommendations had been reviewed earlier in the meeting. Governor Kelly asked if there were any further questions on the rates as proposed. Professor Beale hopes that future rate proposals will consider the income differentials among the employee groups, and perhaps institute a graduated parking rate. Vice President Decatur will look at that issue for the future.

ACTION: Upon motion made by Governor Barnhill, and supported by Governor Trent, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2020 parking rates as presented below. In summary, overall general student parking rates are not proposed to increase, while rates for

faculty and staff are proposed to increase by approximately 3% and visitor and leased parking rates are proposed to increase by approximately 4-6%. The motion carried.

Wayne State University
FY 2020 Parking Rate Recommendation

<u>Classification</u>	<u>Historical & Current Rates</u> ▲			<u>FY 2020 Proposed Rates</u>	
	FY 17	FY 18	FY 19	FY 20	% Change
<i>Cash (visitors)</i>					
Non-Premium Rate (Lots #11 & 59)	\$7.50	\$7.75	\$8.00	\$8.50	6.3%
Graduated Rates: \$2 - \$12 (PS# 6 & 8)	\$10.00	\$10.00	\$12.00	\$12.00	0.0%
<i>Credit Card (visitors)</i>					
Non-Premium Rate	\$7.50	\$7.75	\$8.00	\$8.50	6.3%
Premium Rate	\$8.50	\$8.75	\$9.00	\$9.50	5.6%
Graduated Rates: \$2 - \$12	\$10.00	\$10.00	\$12.00	\$12.00	0.0%
<i>OneCard Debit (students)</i>					
Non-Premium Rate	\$3.75	\$3.85	\$4.00	\$4.00	0.0%
Premium Rate	\$4.75	\$4.88	\$5.00	\$5.00	0.0%
Low Cost Lots (Lots #11, 12 & 14)	\$1.50	\$1.50	\$2.00	\$2.00	0.0%
<i>OneCard Debit (employees)</i>					
Non-Premium Rate	\$7.00	\$7.25	\$7.25	\$7.50	3.4%
Premium Rate	\$8.00	\$8.29	\$8.50	\$8.75	2.9%
<i>OneCard Debit (visitors)</i>					
Non-Premium Rate	\$7.50	\$7.75	\$8.00	\$8.50	6.3%
Premium Rate	\$8.50	\$8.75	\$9.00	\$9.50	5.6%
<i>Leased Parking (affiliates & non-affiliates)</i>					
Non-Premium Rate (affiliates)	\$85.68	\$88.26	\$95.00	\$100.00	5.3%
Premium Rate (non-affiliates)	\$107.06	\$110.28	\$120.00	\$125.00	4.2%
<i>Semester Permit (employees, contractors & affiliates)</i>					
Non-Premium Rate	\$345.00	\$356.00	\$380.00	\$392.00	3.2%
Premium Rate	\$430.74	\$444.50	\$480.00	\$495.00	3.1%

<i>Payroll Deduction (employees & GEOC contract students with 3 locations)</i>					
Non-Premium Rate	\$85.68	\$88.26	\$88.26	\$91.00	3.1%
	\$107.1	\$110.3	\$110.3	\$114.0	
Premium Rate	0	2	2	0	3.3%
	\$157.0	\$161.8	\$161.8	\$167.0	
Reserved Rate	8	1	1	0	3.2%
<i>Semester Permit (students)*</i>					
	\$287.0	\$222.0	\$222.0	\$222.0	
Non-Premium Rate	0	0	0	0	0.0%
	\$369.0	\$285.2	\$285.2	\$285.2	
Premium Rate	0	5	5	5	0.0%
Med School Permit (Academic Year)	\$717.5	\$555.0	\$555.0	\$555.0	
	0	0	0	0	0.0%

*GEOC contract students are eligible for payroll deduction at student rates with only one location selection

MAJOR CAPITAL AND REAL ESTATE PROJECTS

Governor Gaffney inquired on the status of the McKenzie house move. Vice President Decatur advised that it has gone to plan, and is slowly being lowered onto its foundation. There were no further questions on this report.

PURCHASING EXCEPTIONS

Professor Beale had a general comment about items included in the report where expertise by faculty in schools and colleges may be available where needed. One of the items on this report related to development of certain types of software, and the institution may be able to save by looking at expertise of faculty and students in these areas. There were no further comments on the report.

ADJOURNMENT

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

Respectfully submitted,



Julie H. Miller
 Secretary to the Board of Governors