



Budget and Finance Committee

March 12, 2021

Minutes

The meeting was called to order at 10:30 a.m. by Governor Barnhill via video conference. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Barnhill, Kelly, Kumar, Stancato and Thompson; Paul Beavers, Faculty Representative, Linda Beale, Faculty Alternate Representative; and Hafsa Qureshi, Student Alternate Representative

Committee Members Absent: Jasmine Coles, Student Representative

Also Present: Governors Busuito, Gaffney, Land and President Wilson; Provost Clabo; Vice Presidents Burns, Decatur, Lanier, Lessem, Lindsey, Schweitzer, Staebler, and Wright; and Secretary Miller

APPROVAL OF MINUTES - JANUARY 29, 2021

ACTION: Upon motion made by Governor Thompson and supported by Governor Stancato, the Minutes of the January 29, 2021 Meeting of the Budget and Finance Committee were approved as submitted. The motion carried.

CONTINGENCY RESERVE

There were no proposed transfers from the FY 2021 contingency reserve this month.

2021-22 CAMPUS DINING UPDATE AND RATE SETTING

In preparation for a recommendation to come forward at a future meeting, Timothy Michael, Associate Vice President and Chief Housing Officer, presented an update and discussed the rate setting process for campus dining. This annual process involves reviewing the year's performance and evaluating the different impacting factors, including competitive affordability of services and options compared to Wayne State's peer institutions. Close attention is paid to how living and dining on campus affects total cost of attendance and that information is coordinated with annual budget setting exercises for financial aid. On-campus housing and dining is voluntary at WSU, with no requirements for students to participate and annual drivers for costs typically include specific commodities, supplies and wages. Mr. Michael then reported on the impact of the pandemic on dining services.

In June of 2020, the pandemic delayed implementation of major changes in campus dining and retail services, the residential dining program and WSU catering, with a reduced resident population on campus and most of the retail operations closed.

Fall service changes include new retail concepts, among which are a new sushi concept replacing the Freshi's Anthony Wayne Drive location, the Wingstop, a chicken concept, changes in the check-in process for Towers cafeteria meals, and a food service concept located in the State Hall, which was the number one item requested by students. Changes in residential dining also include new meal plan programs, and because students wanted more flexibility for dining, Warrior Dollars have been temporarily converted to a declining balance program on the student ID card. The One Card concept is accepted at many more locations, both on and off campus, in a network that allows students to pay using their OneCard Dollars. Meal plans going forward will continue dividing those dollars into both of those pots. Students will continue to be able to shop and have more flexibility along Anthony Wayne Drive with the new retail in the Anthony Wayne apartment complex and the student network off campus using that meal plan. Towers Café will be open and allow implementation of several new specialty dining programs. The Guest Meal Donation Program had over 25% of all meal plan holders contributing at least one meal and growing that program will continue in the fall. WSU Catering will have more pre-approved off campus caterers who are accessible without a waiver for university departments and organizations. When a waiver is required, the minimum limit will be from \$200 to \$1000, enabling more programs to pursue choice on and off campus. Currently, there is no current comparative data available for other institutions because the pandemic caused many interim changes in meal plans across Michigan. However, meal plan comparisons for 2019 and 2020 indicated that WSU's plans were below the average cost of the University's competitors.

Cost drivers indicate 70 to 75 cents of every dining dollar is spent on wages or food. The cost of meat, dairy, and beverages all increased 4 to 5%, caused by disruptions in the supply chain and a disruption in the workforce. In the greater Detroit metropolitan area, wages and benefits increased almost 5% and to keep people employed during the pandemic, wages and salaries were increased in the last year. Student wages in dining were increased 4.3%, the staff, merit and bonus pool increased by 3 ¾%. The base rate for new hires was increased by 3% and wages for management and supervisors in dining went up by 3.1%. Most base meal plans will increase 3.11% and block plans, optional plans available to anyone except resident students, will also increase but remain below the average of the University's competitors from two years ago.

Professor Beale asked, given the change from Freshi to Sushi, whether the number of vegetarians was decreasing on campus? Mr. Michael advised that while there was no head count of vegetarians, vegetarian meal options would be available at the Sushi concept and will also be available at Gold 'n Greens and the Towers Café, along with retail on Anthony Wayne Drive. He noted there will be efforts to inform vegetarians and others with specialty diets of their many choices on campus.

Governor Kelly asked for clarification of why the proposed increase was higher than other colleges and universities in the state. Mr. Michael advised that different schools

approached the pandemic very differently. He noted that he could get more information later in fall, but he did not currently have any information that would suggest that the University's rates are out of the norm. Governor Kelly asked if information about proposed plans from other universities and colleges would be available in April. Mr. Michael advised that probably very little information will be available as many schools wait until June when tuition actions are taken.

Governor Gaffney asked when the new list of preapproved caterers would be in place? Mr. Michael advised that it should be in place by August 1 and Procurement is just beginning that selection process. While the campus previously used outside caterers through a waiver process, eliminating the waivers means preapproval of caterers is needed to ensure that food is served safely on campus and that the caterers are properly licensed.

Governor Gaffney asked about the decision to remove the medical campus and the Ilitch School of Business from the catering service use requirements. Mr. Michael advised that the main reasons this decision was made was because of the distance of these two locations from the University's main catering facility at McGregor, traffic, and the ability to serve their needs and to give them more flexibility. Governor Gaffney asked whether all catering operates out of the basement of McGregor or if some food brought in from elsewhere. Mr. Michael advised that WSU's culinary kitchen is in the lower level of McGregor. Governor Gaffney asked what the State Hall catering concept would look like. Mr. Michael noted that the concept was not final but they will be working with student groups to help create this location. One option is live service with grab and go and some selections prepared fresh onsite. Governor Stancato asked if it was correct that if none of the other universities raised their rates, the University would still be in a competitive position. Mr. Michael noted that was correct. She then asked if the other universities raised their rates, whether WSU would be in a better competitive position? Mr. Michael responded that other universities will raise their rates, but currently, there is no accurate data from this year and no new rates have been set yet for next year.

Mr. Qureshi asked whether there was consideration of food service similar to State Hall at the Mike Ilitch School of Business, where a lot of students attend at night. Mr. Michael advised there are ongoing discussions with Dean Forsythe. There are class schedule challenges and food retail services close by. The Ilitch School of Business also has a dining area on its first floor rented by a third-party food service that is not part of the WSU dining program but accessible to the building. The current tenant is the 14 East coffee shop.

AUDITED FINANCIAL STATEMENTS

Tamaka Butler, Interim Associate Vice President of Finance and Deputy Chief Financial Officer, presented the fiscal year 2020 financial statement results. The audit was conducted by external auditors Plante Moran PLLC and Katie Thornton, a partner from Plante Moran, was in attendance if the committee had questions. The audit provides reasonable but not absolute assurance that the financial statements are presented fairly in all material aspects important to the institution. There are four components to the audit engagement: the annual financial statements, the audit of the federal award (student

financial aid and research), the audit of WDET, which is required by the Corporation of Public Broadcasting, and a separate engagement for NCAA Procedures. The combined University and Foundation audits had an unmodified opinion, the highest assurance that can be provided.

Ms. Butler provided some highlights of the University's financials. Total revenue for the combined University and Foundation was \$919.9 million dollars, an increase of \$8.4 million dollars over 2019 total revenues of \$911.5 million dollars. Total expenses saw a combined \$910.4 million dollars in FY 20 compared to \$908 million in 2019, representing a \$1.6 million-dollar increase. The combined University and Foundation financial results for the university's FY20 net position increased by \$9.5 million dollars.

Grants and contract revenue declined in FY 20 by \$20.5 million dollars, including a decrease in both nongovernmental and federal grants and contracts revenue. The decline in federal revenue was related to an overall decrease in federal grant activity in response to the COVID-19 pandemic. Department auxiliaries and other revenue saw some declines in FY 20 of about \$10.5 million dollars, driven largely by the impact of COVID-19 on housing, parking operations and other on-campus services.

Non-operating and other revenues saw an increase of \$31.2 million dollars overall. The state replaced \$22.8 million dollars of the university's operating appropriations with coronavirus relief funds, which carried restrictions, and the net impact that resulted was a \$2.1 million dollar increase in appropriations. The University met the required threshold for the STEM innovation learning capital project and received \$6.8 million dollars in state capital appropriations. The university was awarded \$19.3 million dollars in federal economic relief funds in FY20. These funds were the Higher Education Relief Funds, also known as HERF, which enabled the university to identify eligible expenses of \$10.8 million dollars within the fiscal year and recognize corresponding revenue.

Investment income was lower this year by \$3.2 million dollars, driven largely by a decline in realized investment income. Foundation revenue had a net increase of \$17.3 million dollars in FY 20. Operating expenses decreased by \$6.1 million dollars. Scholarships increased by \$5.8 million dollars, driven largely by the HERF student emergency grant financial awards. Supplies and services decreased by \$21.6 million dollars, largely attributed to the impact of COVID, as most campus activity was reduced or ceased, and measures were taken to reduce or maintain costs in the current year. The Foundation's net position increased by \$21.4 million dollars while the University's net position decreased \$11.9 million dollars, for the net increase of \$9.5 million.

TREASURY UPDATES

ANNUAL REPORT ON LONG-TERM INVESTMENTS

Marianne Cunningham, Assistant Vice President for Cash Management and Investments, presented the report highlights. There are three programs in the Treasury department including the Cash Pool, the Debt Program and the Long-Term Investment program, which is the endowment portfolio. The cash pool represents the cash reserves in the working capital of the university, which is invested predominately in cash and fixed income. In September of 2018, the Board approved expansion of a minor portion of that

pool into growth related assets. This change was implemented over the last fiscal year. Highlights include the liquidity pool, which is bank cash, the liquidity reserve pool, which is fixed income, and the diversified pool, with some allocations to equities in real assets and some diversifying assets.

Ms. Cunningham walked the committee members through several charts and graphs on various aspects of the Treasury Report. She first discussed the Cash Pool. The performance of the cash pool was 4.1% for one year, 4.4 for two years and 3% for three years. The 4.1% is .3% below benchmark, due to the impact of COVID on the markets. The period of October-January 2021 earned 2.9%, which is .6% ahead of benchmark. The 2020 bond series was issued, predominantly for State Hall, and both Moody's and Standard and Poor's reaffirmed the University's bond ratings with an outlook of negative, which is consistent with what they gave the entire public higher education sector, reflecting COVID uncertainties. The University portfolio is largely taxable debt or tax-exempt debt with some taxable issuance, and all fixed rate. Informational charts highlighted outstanding bond balances and the university's debt service.

Governor Gaffney asked for further clarification regarding curves in market trends. Ms. Cunningham advised that markets in 2019 and 2020 saw increased demand for the University's debt, allowing for a debt issue at a better rate than what is reflected in curves shown on the informational slides presented. The endowment portfolio highlights include an 8 member investment committee that monitors the Foundation in the endowment pool. Equity and total investments were affected by market reactions to COVID.

MAJOR CAPITAL PROJECTS OVERVIEW

Rob Davenport, Associate Vice President for Facilities, Planning and Management presented the report, advising that the projects list and the dates are consistent with last month's report. Talks were continuing with OGC and the contractors regarding the Matthai building and are very close to resolution, with an expected restart within 30 days. Capital projects expected for the April meeting include work on Parking Structure #1 and some extensive maintenance issues.

Governor Gaffney asked for the expected time that it will take for the State Hall renovation to be fully completed. Mr. Davenport advised that the RFP will be issued next month, followed by the design development and construction documents. He estimated that project completion would be in late 2023.

Professor Beale asked to what extent the building would be usable during construction, if at all. Mr. Davenport advised that the building will be available for this coming fall with no major interruptions, at least for the fall and winter semesters. Students, faculty and staff will have use of the new ADA elevator, and the two original elevators, whose renovation is now complete.

PURCHASING EXCEPTIONS

Ken Doherty, Associate Vice President for Procurement and Strategic Sourcing, advised that the report is a bit longer than usual, as it covers a two-month period and reflects an increase in business activity.

Governor Gaffney asked about the status of the proposal for Kelly Cawthorne Consulting LLC, and whether President Wilson would be willing to allow the Advocacy Committee to have some conversation with Patrick Lindsey and the department before contracting with the company. VP Lindsey advised that his plan is to bring in one or two finalists and have the Advocacy Committee or selected members of the Board be involved in the process, which should occur within the next two weeks. There was a delay in the receipt of the submissions and the review process was currently underway.

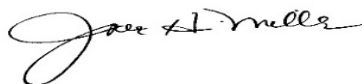
Some additional questions were raised about the Treasury report. Governor Kelly asked for clarification about how long-term investments are handled, i.e., whether it is by a committee the Board selects, or by an outside organization. Ms. Cunningham advised that there is an investment committee monitoring and managing the endowment portfolio, Strategic Investment Group, and there is an outsourced Chief Investment Officer. Governor Kelly asked if they report to the Board on any occasion. Ms. Cunningham advised that they do not come to the Board of Governors meetings but do report to the Foundation Board. VP Burns advised that the Foundation Board creates policy on how investments are handled and discusses that policy with the Board of Governors. That policy includes information about how the university is investing, asset allocation, and how it works with an outsourced Chief Investment Officer on these issues. Governor Kelly believes it is important for newer Board members to understand these relationships. VP Burns agreed, noting that working with a manager or a consultant may get better results. Governor Kelly asked if that was the case in this instance? President Wilson responded that the results are better, but mixed when compared to the University's benchmarks. VP Burns added that there has been reevaluation of the firms, but not the process.

Governor Thompson asked for a clarification about the University's debt program, and the timeline for a future conversation about the amount of debt that that the University is taking on. VP Cooke advised that the University issued debt last summer, and does not have plans to recommend issuance of any new debt for another two years or so. Ms. Cunningham added that there is a plan to run a debt capacity analysis study sometime this summer, which is done annually with Blue Rose Capital, the University's financial advisors. Governor Thompson asked if that discussion could be scheduled in the fall. Ms. Cunningham agreed.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:30 a.m.

Respectfully submitted,



Julie H. Miller,
Secretary of the Board