



Budget and Finance Committee

April 30, 2021

Minutes

The meeting was called to order at 9:53 a.m. by Governor Barnhill via video conference. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Barnhill, Gaffney, Kelly, Stancato and Thompson; Paul Beavers, Faculty Representative, Linda Beale, Faculty Alternate Representative; Jasmine Coles, Student Representative

Committee Members Absent: Hafsa Qureshi, Student Alternate Representative

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

APPROVAL OF THE MINUTES, MARCH 12, 2021

ACTION: Upon motion made by Governor Thompson, and supported by Governor Stancato, the Minutes of the March 12, 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.

FY2021-2022 DINING AND HOUSING RATE

Mr. Timothy Michael, Associate Vice President and Chief Housing Officer, presented the year-end review on housing and dining and a review of the pandemic's impact on resident students. Occupancy in housing over the last ten years has had an upward trajectory driving demand and influencing the decision to partner with Corvias in 2017.

Due to the pandemic, the number of students living on campus this year was half the normal number. The cancellation date for housing contracts was extended from the end of June until the day before the first day of class, to give students opportunity to make the best choices for their respective situations. The fall census was just over 1500 residents living in on-campus housing. Apartments and unfurnished apartments were about three quarters full, and a little more than 30 percent of the traditional residence hall spaces were filled. At a third of normal occupancy in the residence halls, the demographics in terms of age and ethnic and racial mix stayed the same. About half the resident students are under 20 years old. Most graduate and professional students live in apartments and the residence halls are mostly undergraduate students.

In turning to room and board rates, Mr. Michael advised that freshman room and board rates are benchmarked against other Michigan public universities and for the first time the University's current rates are above the average in affordability and access for students. The University approves room and board rates in mid-spring and many peer institutions take those actions later in the year. Governor Kelly asked if there was any information about what was likely to happen this year at other public institutions. Mr. Michael noted that with some benchmarking, most schools are likely going to return to a 2-4% increase, but added that there are a few who will try to go flat again in effort to recover enrollment at their institutions.

Highlighting the pandemic's impact, half of the University's housing buildings were closed this year. All 1500 resident student lived in four facilities, with one of two cafeterias open. This fall all buildings are expected to be open, with occupancy projections at 80%. Chatsworth Suites was completed last fall, and while it was closed this year, it is expected next fall to be the home for the new freshmen year residential experience, called FYRE, with some housing scholarships made available to students. The addition to Towers Café has been completed, and will be open in Fall 2021.

The Board of Governors delegated responsibility to the housing partnership to set room and board rates for any increases at or below 3%. The Board continues to have approval of any rate that goes above 3%. For the first 5 years of the housing partnership, the housing partnership agreements require that the room rate increase be at least 3%, and that 3% rate increase for the coming year was approved by the Housing Partnership's Executive Committee on March 9th. In that all housing rates increased at 3% or less, no Board action is required on room rates for the residence halls, furnished apartments or unfurnished apartments. The December 2019 housing market demand study noted that the University's unfurnished apartments were a value for students compared against national peers and locally, with some rates 25% below the market in Midtown.

In the fall, with limited dining locations, resident students were not able to use their Warrior Dollars, and the Housing office temporarily converted Warrior Dollars into OneCard Dollars, a declining balance or debit that exists on the One Card student identification card. There is an off-campus network of vendors for dining that accepts the University's OneCard, and the change proved popular enough with students to be made permanent. Meal plans going forward this fall will have components of both Warrior Dollars and OneCard Dollars.

With some dining units closed, approximately \$35,000 in maintenance cost savings were realized, and rolled forward into next year's maintenance budget. That change allowed Housing to reduce its recommendation before the committee today, to a new request of a 2.39% increase. Cost drivers for meal plans in dining include costs of commodities and competition for staff workers and supervisors thus affecting labor rates. Benchmark comparisons indicate that the University's dining program continues to offer great value for students compared to other Michigan publics.

Governor Kelly asked for clarification of the contractual length of the Corvias agreement as it pertains to increases of the maximum 3%. Mr. Michael advised there is a mandatory 3% increase for the first 5 years of the agreement, and after that, it will be fully negotiable. Governor Kelly expressed concern that through that period until the contract is fully negotiable, and at the rate that the other schools are raising their rates, Wayne State University could be on trend to be one of the most expensive housing facilities in the state. Mr. Michael indicated that he did not believe that will be the case. He added that attention should be paid to the benchmark room and board rates and that those expenses can be mitigated by being very careful about dining rates. He noted that institutions with low rates are either getting subsidies from their general funds or are draining their reserves, which presents problems in the future. The University's goal every year is to stay in the middle, whether a few hundred dollars above or below that point.

Governor Kelly asked with why the proposal focuses on first year students. Mr. Michael noted that philosophically as well as financially, the dining program is built around creating the dining experience around the new students and to provide them with a housing environment that will help them with their transition to college. They are required to buy meal plans but also have the flexibility to move among the plans.

ACTION: Upon motion made by Mr. Beavers and supported by Governor Gaffney, the Budget and Finance Committee recommended that the Board of Governors approve the 2021-2022 campus board rates as shown in the table below. The motion carried.

Proposed 2021-22 Board Plans and Rates

| Meal Plans (per person)* | 2020-21 Annual | | |
|--|----------------|------------------------|--------|
| | 2021-22 | Annual | % Inc. |
| Warrior Pass 200 (unlimited + \$200/semester)** | \$4,180 | \$4,280 | 2.39% |
| Weekly 15+400 (Fifteen swipes/week +\$400/semester)** | \$4,180 | \$4,280 | 2.39% |
| Block 175+550 (175 blocks/semester +\$550/semester)** | \$4,180 | \$4,280 | 2.39% |
| Block 110+550 (110 blocks/semester + \$550/semester) | \$3,120 | \$3,294 | 2.94% |
| Block 75+300 (75 blocks/semester +\$300/semester) | \$1,930 | \$1,986 | 2.90% |
| | | | |
| Block Plans (non-residents, faculty and staff)*** | | Single Purchase | |
| 15 Block Plan (fifteen swipes good fall & winter) | \$115 | \$118 | 2.61% |
| 30 Block Plan (thirty swipes good fall & winter) | \$218 | \$224 | 2.75% |
| 45 Block Plan (forty swipes good fall & winter) | \$320 | \$329 | 2.81% |

*25% of Warrior Dollars indicated in each meal plan will be issued as One Card Dollars to provide more purchase opportunities at retail locations on and off campus.

**All freshmen residents must elect from among these three meal plans

***Block Plans are only for non-resident students/faculty/staff.

FY2022 SCHOOL OF MEDICINE TUITION RATES

Dean Schweitzer presented the recommendation on tuition rates for the School of Medicine for FY 2021. Dean Schweitzer advised that the administration is proposing a 1.9% increase for in-state tuition and fees and an out-of-state increase of .3%. Considerations included when developing this proposal include upcoming additional expenses and those related to preparation for the LCME site survey.

Dean Schweitzer discussed a number of expense issues that were considered when determining the tuition rate for this year. There are 8 open department chair positions, only one of which has a clinical practice. These are part-time positions with a conservative estimated cost of \$900,000 to fund. As a result of the Henry Ford and Michigan State partnership, there are 40 students who have been displaced from training, and 2 new partnerships will be needed to place these students elsewhere. A base rate to pay each partner is a minimum of \$200,000 for a total \$400,000. Also included in these determinations were the cost of LCME preparation, and costs for implementation of the last year of the AAUP contract, approximately \$750,000 in faculty expenses and another \$150,000 in equity expenses.

In terms of tuition rates at other medical schools, Dean Schweitzer advised that last year, 90 out of 140 schools had an increase of in-state tuition rates at 3.24%, and out-of-state at 3.8%, placing Wayne State's last increase in line with most of the other MMCA medical schools in the country. Wayne State has the lowest in-state tuition, and the average student debt load is the second lowest of the 6 medical schools in Michigan. He advised that out-of-state tuition has become noncompetitive at about \$3000 above the national average.

The school's gap in expenses is around \$2.2 million a year, with approximately two thirds to prepare for the LCME survey and one third for contractually related salaries. The tuition increase recommendation is lower than last year, and includes a modest out-of-state increase. The remaining million dollars of expenses will come from budget cuts and by enhancing PEPPAP relationships with new partners. Governor Busuito asked what cost savings were expected from the change to the faculty reimbursement schedule. Dean Schweitzer advised that there will be changes going forward but they were not yet formalized, and will deal with some of the existing structural deficit. None of the tuition increase was meant to address the existing structural deficit. Governor Busuito asked where the \$2.2 million deficit could be found. Dean Schweitzer advised they were new expenses: the anticipated increase \$750,000 in contractually negotiated salary increases, \$150,000 is equity adjustments, new chair equipment and \$400,000 in base salaries for the two partners for the 40 displaced students.

Professor Beale asked if the equity adjustment was a faculty equity adjustment or an administrative equity adjustment number. Dean Schweitzer advised that it was a faculty and staff adjustment number. Ms. Coles asked for clarification of the course fee and whether that was standard or an additional fee. Dean Schweitzer noted that it was not an additional item from what was done before. Governor Thompson asked whether last year's tuition increase had an impact on yield of medical students. Dean Schweitzer noted that by this weekend, the medical students have to make their final decision about which acceptances they will select. Because Wayne State sets its increases right during that week, it puts the University at a competitive disadvantage because the other schools are going to set them 3, 4, or 5 weeks from now. Dean Schweitzer then proposed that next year, tuition and fee rate decisions should take place in May rather than in April thus creating a perceptual change for the students. He added that it was difficult know what factors go into the yield.

Governor Thompson asked for clarification of the difference between the resident increase and the non-resident increase. Dean Schweitzer advised that the School of Medicine is about 40% out-of-state versus 60% in-state students, but more than 40% of out-of-state students end up staying in Michigan for residency. He noted that where students stay for a residency is the best predictor of where they are going to end up practicing and indicated that the University's medical school will need to be a predominantly in-state University but still remain competitive for out-of-state students.

Governor Gaffney asked VP Cooke, President Wilson and VP Miller to address the question as to whether it was possible to fulfill the Dean's request to schedule this meeting in May of next year. VP Miller advised that the board schedule includes a meeting at the beginning of May and at the end of June, and that it will be Dean Schweitzer's decision on when to bring the recommendation forward. VP Cooke advised that next year the beginning of May meeting would work. President Wilson agreed.

ACTION: Upon motion made by Governor Gaffney and supported by Governor Stancato, the Budget and Finance Committee recommended that the Board of Governors adopt increases in the FY 2022 base tuition rate of 1.9 percent for resident students and .3 percent for non-resident students.

It is further recommended that the Board of Governors adopt an increase of 1.9 percent in the following MD Program student fees:

- Student Medical School Support Fee (annual fee)
- Student Services Fee (per credit hour fee)

Detail for current and proposed tuition and fees by program year and residency status are shown in Tables 1.1 and 1.2 (tuition), and in Tables 2 and 3 (Student Medical School Support Fee and Student Services Fee).

As part of this resolution, the Board of Governors authorizes the President or his designee to adjust rates for special programs or where otherwise appropriate.

Finally, this tuition recommendation applies only to students enrolled in the School of Medicine MD Program and is not an indication of rates for the general student body or an obligation by the Board of Governors regarding the rates that will be set for the rest of the University's programs.

The motion carried.

ANALYSIS OF RECOMMENDED ANNUAL MD PROGRAM TUITION AND FEES

TABLE 1.1: Flat Tuition Rates
Students enrolled in ≥ 40 credit hours

| Year in MD Program | Residency Status | FY 2021 Tuition | Proposed FY 2022 Tuition | Dollar Change | Percent Change |
|--------------------|------------------|-----------------|--------------------------|---------------|----------------|
| M1 | Resident | N/A | \$36,247 | N/A | N/A |
| M1 | Non-Resident | N/A | \$63,138 | N/A | N/A |
| M2 | Resident | \$35,571 | \$36,247 | \$676 | 1.9% |
| M2 | Non-Resident | \$62,949 | \$63,138 | \$189 | 0.3% |
| M3 | Resident | \$35,571 | \$36,247 | \$676 | 1.9% |
| M3 | Non-Resident | \$62,949 | \$63,138 | \$189 | 0.3% |
| M4 | Resident | \$35,571 | \$36,247 | \$676 | 1.9% |
| M4 | Non-Resident | \$62,949 | \$63,138 | \$189 | 0.3% |

TABLE 1.2: Per Credit Hour Tuition Rates
 Students enrolled in <40 credit hours

| Year in MD Program | Residency Status | FY 2021 Credit Hour | Proposed FY 2022 Credit Hour | Dollar Change | Percent Change |
|--------------------|------------------|---------------------|------------------------------|---------------|----------------|
| M1 | Resident | N/A | \$726 | N/A | N/A |
| M1 | Non-Resident | N/A | \$1,262 | N/A | N/A |
| M2 | Resident | \$712 | \$726 | \$14 | 1.9% |
| M2 | Non-Resident | \$1,258 | \$1,262 | \$4 | 0.3% |
| M3 | Resident | \$712 | \$726 | \$14 | 1.9% |
| M3 | Non-Resident | \$1,258 | \$1,262 | \$4 | 0.3% |
| M4 | Resident | \$712 | \$726 | \$14 | 1.9% |
| M4 | Non-Resident | \$1,258 | \$1,262 | \$4 | 0.3% |

TABLE 2:
 Student Medical School Support Fee (Annual)

| Year in MD Program | FY 2021 Annual Fee | Proposed FY 2022 Annual Fee | Dollar Change | Percent Change |
|--------------------|--------------------|-----------------------------|---------------|----------------|
| M1 | N/A | \$979 | N/A | N/A |
| M2 | \$961 | \$979 | \$18 | 1.9% |
| M3 | \$961 | \$979 | \$18 | 1.9% |
| M4 | \$961 | \$979 | \$18 | 1.9% |

**TABLE 3:
Student Service Fee (Per Credit Hour)**

| Year in MD Program | FY 2021 Fee (per credit hour) | Proposed FY 2022 Fee | Dollar Change | Percent Change |
|--------------------|-------------------------------|----------------------|---------------|----------------|
| M1 | N/A | \$28 | N/A | N/A |
| M2 | \$27 | \$28 | 1 | 1.9% |
| M3 | \$27 | \$28 | 1 | 1.9% |
| M4 | \$27 | \$28 | 1 | 1.9% |

Repeat Coursework Tuition Charges

The cost for a medical student to repeat a course at full tuition rates could create an extraordinary student hardship and increase the already high burden of physician debt. Per School of Medicine policy, students who fail a course are responsible for paying only a one-time repeat fee in lieu of tuition at normal rates. This fee will not exceed \$2,500 for each repeated course and is not dependent upon the number of course credit hours.

400 MACK AVENUE

Associate Vice President Davenport presented a brief overview and Dr. Schweitzer provided additional details. The building currently has 41 exam rooms that offer pediatric primary care and OB/GYN services. The project will convert the remaining office space into 24 exam rooms and PEPPAP is the source for funding for the project. Dr. Schweitzer noted that several of the governors had an opportunity to tour the building.

The project fills the need to have a great teaching pediatric practice for the medical school and to provide inter-professional education. The first floor of the building includes pediatrics, a large pediatrics Aids center and a working pharmacy. Some of the construction cost was used to build a teaching pharmacy on the first floor and it is one of a few university-run teaching pharmacies in a university-run multiple specialty clinic. There are 3 rooms in the pharmacy where medication counseling and medication optimization can be done, reducing office space needs that were initially envisioned.

The 2nd floor will house psychiatry, urology, and gastroenterology, among other specialties in the building. Additional space requires outfitting that will provide clinical space and teaching space for medical students, nursing students, PA students, other allied health students. The PEPPAP funds will be used to optimize treatment and services potentially for Medicaid patients. The pediatric first floor serves greater than 90% Medicaid patients, and overall the University is north of 50% Medicaid patients, well in keeping with what the state believes these dollars should be optimally used for. The request is for additional funds to optimize the space and have a reasonable practice and location to teach and enable students to better spend their time learning more of the

basics of pediatrics. Governor Kelly asked if approval of the build-out will result in the space filling quickly, as there is an immediate need. Dean Schweitzer concurred with her assessment.

Governor Busuito asked if the University will be the owner and lessor to other entities. Dean Schweitzer advised that the status now is that Wayne Health, formerly known as UPG, leases the building from the landlord and Wayne State University subleases the parts of the building that are not used by UPG. The University further leases that space to Wayne Peds. Dean Schweitzer noted that the building will be purchased shortly by the University, which will then sublease the Wayne Peds space to Wayne Peds, the pharmacy space to the College of Pharmacy, the general UPG/Wayne Health space to Wayne Health/UPG, and the Horizon space to the Pediatrics AIDS. Dean Schweitzer noted that the structure is similar to that used in the Tolan Park building where the University controls the building and leases out parts that are used for clinical care. The building is also used for education and the University is responsible for that part. Governor Busuito asked if Wayne Peds is a separate 501c3. Dean Schweitzer confirmed that it is a separate 501c3.

Dean Schweitzer advised that because the building will soon be sold to the University, all the Wayne Health administrative offices were moved out to clear up that space for clinical offices. Governor Busuito asked if a net expense of zero is anticipated in the future. VP Cooke noted that it is not a certainty and market rental rates and various University expenses will have to be examined. Dean Schweitzer advised that the project was of vital importance for the education of all the health professions.

Governor Thompson asked about the clinical programs that will be housed in the building and whether Wayne State is the lessee of for those portions of the building. Dean Schweitzer advised that when the building is purchased, then Wayne Health will lease it from the University, and at the market rate. She further asked if Wayne State has the responsibility for the lease build out. VP Cooke noted that the University does not currently own the building but subleases a significant portion of it. If nothing changes, the University will sublease space from Wayne Health, but after the planned purchase of the building, separate new leases with both Wayne Health and Wayne Pediatrics will be negotiated. Governor Thompson asked about recouping costs for the space rentals to the clinical groups. VP Cooke advised that there will be market based leases for entities other than the University using the building. Governor Thompson asked if it the operational structure is similar to that of Tolan Park. VP Cooke agreed.

Governor Busuito asked if the University was subject to the STARK clause in terms of pursuing fair market value. VP Cooke advised that the University does not have the same kind of relationship that a hospital would have with a practice group. VP Lessem clarified that STARK does not apply.

ACTION: Upon motion made by Governor Kelly and supported by Governor Gaffney, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to contract for the renovation of the west wing of the second floor of the 400 Mack building from office space to clinical space for a project not to exceed \$2.5 million. Funding for this project will

be provided from Public Equity Physician Payment Adjustment Program (PEPPAP) funds. The motion carried.

PARKING STRUCTURE 1 REPAIRS 2021

AVP Davenport advised that Parking Structure 1, built in 1965, is the oldest parking structure on campus and is located across from the Law School on Palmer and Cass. The project is the end of a multi-year restoration effort and completes major repairs to the concrete decks, columns and stairwells within the garage, and recoating of the top floor with a waterproof membrane. There are nearly 2000 spaces and construction in the garage is limited to about half of the spaces. About half of the garage will be open on a regular basis during construction for this project, which will begin at the end of May and is expected to be finished in early September.

ACTION: Upon motion made by Governor Stancato and supported by Governor Kelly, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee to execute contracts for the construction phase of repairs to Parking Structure 1. It is recommended that the Board of Governors authorize spending up to \$1,300,000 to conduct repairs. Funding will be provided from Deferred Maintenance. The motion carried.

SCOTT HALL VIVARIUM UPDATES

Mr. Davenport reported that in January of 2020, the Board approved funding for the design phase of the Scott Hall Vivarium, which included the renovation of the full 10,000 square feet of space and associated HVAC improvements. Due to the pandemic and uncertain economic conditions, the project was modified to a 6,000 square foot area and associated HVAC. That modification resulted in the Board's approval in June of last year of \$3.96 million for the modified project. After a comprehensive review, from a programming perspective, of the modified version, along with the new potential to leverage external funding support, it was determined that the best approach was to return to the original scope. VP Lanier noted that he appreciated the opportunity to revisit the project with the potential for additional support available through federal stimulus funds, and that moving forward with the original scope of the project will serve the University well in the future.

Governor Kelly asked about the status of experimentation with dogs in the Vivarium. VP Lanier advised that neither the Scott Hall Vivarium nor the renovation project involve any dogs. He added that the work with dogs has progressively decreased over the last few years. The projects that do involve dogs have gone through review by the National Institutes of Health, and peer review, with the mechanisms in place that clearly define outcome and benefit. At the same time, researchers are looking for other mechanisms and other pathways for useful alternative models going forward.

ACTION: Upon motion made by Governor Stancato and supported by Governor Gaffney, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to approve spending to design, solicit bids, and award contracts to make improvements to the Scott Hall Vivarium for a project cost not to exceed \$7,000,000. While \$3.96M was approved by the Board of Governors in June 2020, it is recommended that the Board

authorize additional spending to expand the area of renovation of the Scott Hall Vivarium. Funding for this project will be provided from the Federal Stimulus Funds for higher Education, if applicable. If not, funding from the University's 2020 Bond issue will be used. The motion carried.

INFORMATIONAL REPORT: MAJOR CAPITAL PROJECTS SUMMARY

Mr. Davenport advised that the Hilberry Gateway project is now in the 30% completion range for phase one, the new building, with an August 2022 completion date. Phase two, the renovation of the original Hilberry Theatre, is expected to be completed in July of 2023. The project is within budget. With regards to the new arena project, Athletic Director, Mr. Rob Fournier, organized a walk-through of the arena project with Pistons representatives and President Wilson. The project is on time and within budget. The RFQ for State Hall for electrical and engineering services and the construction manager have been completed and submissions are being reviewed. Twelve architectural firms and 10 construction managers have expressed interest and selections will take place by the middle of May and then an RFP will be issued. An A&E firm and construction manager will be awarded by the week of June the 5th. From there the process of schematic design development and construction documents will commence and take between 9 and 12 months. In June of next year there will be a request to the Board for full funding for the project when the full project budget is known. Construction will begin a month after that approval. Completion of the State Hall renovation is expected to occur around July 2023. The McGregor elevator design is complete. The contractor will begin that project by the end of July and the administration expects completion by end of November of this year. Governor Kelly asked what the likely range of expenses will actually be to renovate State Hall, after the design is completed. Mr. Davenport advised that he estimates the costs to be around \$80 to 85,000,000 and he will provide the Board with updates on progress at future meetings. Governor Kelly asked if there were alternatives to renovation. Mr. Davenport advised that analysis concluded that a renovation would be much more practical than demolishing the old building.

Professor Beale asked if the project included updating all the furnishings. Mr. Davenport advised that it included all furnishings, fixtures and equipment.

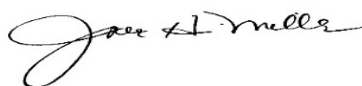
PURCHASING EXCEPTIONS

The informal report on purchasing exceptions was presented. There were no questions.

ADJOURNMENT

President Wilson thanked the entire Board for the thoughtful discussion and for their support on the initiatives before the committee today. There being no further business, the meeting adjourned at 11:11 am.

Respectfully submitted,



Julie H. Miller,
Secretary to the Board of Governors