



Budget and Finance Committee

December 3, 2021

Minutes

The meeting was called to order at 11:02 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; Zachary Thomas, Student Representative and Tony DiMeglio, Student Alternate Representative

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

APPROVAL OF MINUTES, OCTOBER 1, 2021

ACTION: Upon motion made by Governor Stancato and supported by Governor Thompson, the minutes of the October 1, 2021 meeting of the Budget and Finance Committee were approved as presented. The motion carried.

CONTINGENCY RESERVE

There were no requests for funding from the FY Contingency Reserve, the balance of which remains at \$500,000.

FY2021 - 2027 FIVE-YEAR CAPITAL OUTLAY PLAN

Ashley Flintoff, Director, Planning and Space Management, and Robert Davenport, Associate Vice President, Facilities Planning & Management, reviewed the 5-year Capital Outlay plan, a required report for the State of Michigan, with members of the committee. The University did not submit a request for capital outlay project funding this year. The State report includes the mission, instructional programming, staffing, enrollment, facilities assessment, and an implementation plan. Governor Barnhill reiterated that it is a required report for the State and was actually completed prior to Vice President Massaron joining the University. Governor Thompson asked whether the projects listed in the second section, that are in active planning, fit into the strategic campus master plan and whether they reflect those priorities. Ms. Flintoff advised that those projects do reflect the master plan implementation projects but not all of those projects are included. Governor Thompson asked about the stakeholders, outside of FP&M, involved in prioritizing the list. Mr. Davenport advised that they used a 3-step process in developing

the list, which included vetting the list internally with FP&M personnel, then with the Capital Planning and Prioritization Committee (CPCC) for review and if necessary, the Space Committee for review, prior to submission. Governor Thompson asked about the membership of the CPCC. Mr. Davenport advised that the committee includes administration, faculty and staff. He noted that with the pandemic and campus flooding, there has not been a consistent meeting schedule, but that is expected to improve in the future, with the participation of both VP Massaron and Provost Kornbluh on the committee.

Governor Barnhill advised that he expects robust conversation around this report next year, based on a post-Covid environment. Professor Beale commented that the CPCC meetings, where the Academic Senate would have had some consultation, were cancelled throughout the year, as noted by AVP Davenport, and that the Academic Senate did not see the list until a few days before it had to be sent to the State. They had no input this year. She did not disagree with the recommendation that the major project/need is a replacement for Scott Hall.

VP Massaron advised that in the future, he, Provost Kornbluh and the President would prioritize stakeholder input and facilitate robust conversation as a community with alignment on how to prioritize. He added that there will be more need than resources, but he is committed to ensuring robust engagement across the community.

ACTION: Upon motion made by Mr. Thomas, and supported by Governor Thompson, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2023-2027 Capital Outlay Plan. The motion carried.

STADIUM STRUCTURAL REPAIRS - DESIGN AND CONSTRUCTION AUTHORIZATION

Mr. Davenport explained that the next project addresses the aged seating structure at the football stadium. The stadium was built in 1968 and has been repaired periodically over the last 53 years. The University's structural engineer review determined that a complete replacement of the fasteners securing the concrete seating to the steel infrastructure is necessary.

Mr. Davenport advised that there are two options to address this issue. One is to remove every fastener and replace them with new parts, and the second option is to replace the structure with an entirely new concrete stadia.

The cost differential between these two options is minimal. The estimated cost to repair the structure is \$2.7 million and the cost to replace the entire seating structure is \$3 million. Repair will require 6 months or more of on-site work; replacement will take 6 to 8 weeks to complete. In comparing these two options, repairing the fasteners would leave the original concrete stadia in place and likely would require continued future repairs beginning within 5 years. Replacing the entire structure would insure a safe seating structure for 30 years or more. The administration is recommending structural replacement for a project cost not to exceed \$3 million. Funds for the project would be provided from the deferred maintenance reserve.

Governor Thompson asked for the balance in the Deferred Maintenance account. AVP Davenport advised that \$5 million has been earmarked for deferred maintenance for 2022, and that this amount has been the regular replenishment of year over year capital funding. In addition, \$20 million has been earmarked for deferred maintenance from the 2020 bond issuance.

VP Massaron advised that over the next 5 years, the University will focus on resources for deferred maintenance as part of long-term planning. AVP Davenport noted that within the capital outlay report, data show about \$52 million in deferred maintenance needs. There is a separate deferred maintenance plan that has shown upwards of \$85-90 million in this category, thus giving a clearer picture of deferred maintenance and building strategies around how to address it.

ACTION: Upon motion made by Governor Thompson, and supported by Mr. Thomas, 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 for the Stadium Structural Replacement project for a project cost not to exceed \$3,000,000. Funding for this project will be provided from Deferred Maintenance. The motion carried.

INFORMATIONAL REPORT: MAJOR CAPITAL PROJECTS SUMMARY

AVP Davenport began his report with the aftermath of the flooding that occurred across campus during the summer. He advised that current focus is on restoring cooling to the Art complex, which includes Community Arts, Music and McGregor. There are two 300-ton chillers in the subbasement of Community Arts that need to be replaced, which has resulted in temporary measures to address cooling for the summer and the better part of next year. There is work being done with the University's insurance carrier, FM Global, engineers, equipment suppliers and contractors, to develop a plan.

The Hilberry project is about 46% complete with the roof ready for the harsh weather, the electrical feeders scheduled to be set on December 6 and vapor mitigation to be done by December 14. Installation of mechanical systems has started and the project is on budget. When the Hilberry is completed, work will begin on the Jazz Center.

Supply chain issues have extended lead time for construction and materials. Pricing for construction materials and equipment is unstable and contractors are having difficulty holding pricing for more than 30 days. Labor is becoming an issue and accelerating projects is becoming difficult. All of these issues are being monitored and schedule changes, if needed, will be reported.

State Hall is in the second of 4 phases of the construction project, which includes the schematic design, design development, construction documents and then construction. The construction manager is preparing information for estimating and is streamlining the design process. Mechanical, electrical, plumbing and glass components are to be

competitively selected to partner in the process to lock in pricing early and help the project stay on budget.

Construction documents for State Hall should be completed by April, followed by demolition and abatement, which will begin in May of 2022. Construction is expected to be completed by July of 2023.

Building on Mr. Davenport's presentation, Governor Barnhill noted that he would be interested in learning about the costs and benefits associated with the University accessing the bond market for more funding to cover the totality of the expenses versus the cost of continued deferment of needed maintenance. VP Massaron advised that an update and an analysis can be provided at a future meeting date.

Governor Kelly noted that she would be interested in hearing a brief update on the state of the repair work arising from the flood. VP Massaron advised, with the exception of the chiller plant at Community Arts, repairs have been completed. There are some carryover issues with the concrete floor at Physics and iBio, however, much of the deferred maintenance in the \$15 million was spent to restore facilities. Governor Gaffney asked when McGregor could be back online? AVP Davenport advised that the building will be able to be used during the Winter semester, but temporary cooling will be in place.

Professor Beale asked whether the increased labor and materials costs would add substantially to the Hilberry Gateway project costs. Mr. Davenport advised that the first phase of Gateway was unaffected, but the delayed refurbishment could be. There is work with the contractor on that issue. He advised that contractors are having difficulty holding pricing for more than 30 days. Because the project is many months away from completion, it would be difficult to estimate but an analysis could be done. Professor Beale noted that it could be a worthwhile effort to have some idea of the range of these costs. Mr. Davenport noted that he could try to do that and share that analysis with the Board when completed.

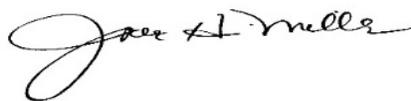
PURCHASING EXCEPTIONS

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

ADJOURNMENT

There being no further business, the meeting adjourned at 11:32 am.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors