



Budget and Finance Committee

September 30, 2022

Minutes

The meeting was called to order at 9:04 a.m. by Governor Barnhill in the Student Center Ballroom. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Barnhill (via video conference), Gaffney, Kelly, Stancato and Thompson; Linda Beale, Faculty Representative and Jane Fitzgibbon, Faculty Alternate Representative; Ibrahim Ahmad, Student Representative and Cordelia Krawjewski, Student Alternate Representative

Also Present: Governors Busuito, Kumar, and Land; President Wilson; Vice Presidents Burns, Ezzeddine, Johnston, Massaron, Lanier, Schweitzer, Staebler, and Wright; and Secretary Miller

APPROVAL OF MINUTES, JUNE 24, 2022

ACTION: Upon motion made by Governor Stancato and supported by Governor Kelly, the minutes of the June 24, 2022 meeting of the Budget and Finance Committee were approved as presented. The motion carried

LOSS OF UNIVERSITY FRIEND

Before proceeding with the Committee's agenda, President Wilson announced that he learned just prior to the meeting that former Board member Eugene Driker had passed away the previous evening. Eugene Driker was a dear friend of the university, had served on the Board of Governors for many years and continued to serve the university in many ways following the conclusion of his service on the Board, most recently as an advisor to the Levin Center. Governor Kelly noted that Eugene Driker was a wonderful addition to the Board of Governors and was a great asset to the University. She knew him also as a fine appellate lawyer in courts in Michigan, and feels that his loss is a grievous one. In appreciation, she asked for a moment of silence to be observed.

Following the moment of silence, the Committee moved to its agenda.

CONTINGENCY RESERVE

The administration submitted four requests to fund searches. Those included the search for President Wilson's successor, the Director of the Karmanos Cancer Institute, the

Dean of the University Library System, and the Dean of the College of Education. VP Massaron advised that the cost of the search for the new Director for the Karmanos Cancer Institute is being split with the University's partner, McLaren Health Systems.

ACTION: Upon motion made by Professor Beale and supported by Governor Kelly, the Budget and Finance Committee approved the proposed transfer of \$400,000 to fund the Presidential search, \$200,000 to fund the university's portion of the costs for the Karmanos Cancer Institute Director search, \$150,000 to fund the University Library System Dean search and \$150,000 to fund the College of Education Dean search.

The motion carried.

FINANCIAL UPDATE

Vice President Massaron advised that beginning in the next fiscal year, the board will be receiving regular quarterly budget updates to help both the Board and the administration make decisions throughout the year. He reminded the committee that when the FY 2022 budget was adopted, it had a \$10,000,000 estimated shortfall, which they were able to cover utilizing one-time funds. He added that this was part of a long-term process to work toward fiscal solvency. As the university moved through the past year, it underperformed budget projections by approximately \$8.5 million. This outcome was not unique to Wayne State, and was the case with many of the university's peers, both nationally and locally. This brings the total budget deficit from fiscal year 2022 to \$18 million. VP Massaron advised the committee that both the administration and the deans have very carefully managed their expenses this year, which allowed for enough carry forward funds to make up for the shortfall. Looking forward, the institution will need to find the balance between state appropriations, which came in higher than expected this year, and any changes in enrollment, which are based on census data. An estimate is still being worked on based on census data from count day in mid-September.

Looking back, there have been a series of negative budgets adopted in recent years. In 2021, there was a \$12 million negative budget by design, a \$10 million negative budget in 2022 plus the \$8 million additional shortfall, and there is projected to be a \$7.5 million deficit in fiscal year 2023. VP Massaron advised that the university is able to cover those deficits with one-time funds, and provided an example of how carry-forward funds work. On a budget of \$10, there is \$10 to spend, regardless of the revenue coming in. If \$8 is spent, there is \$2 of carry forward even if there is \$9 dollars of revenue. If that carryforward was used to cover the deficit, it would balance for the year and that would be a part of the solution. They are looking to identify other one-time sources to cover some of these deficits, because carryforward funds are very important to the operations of the institution. These are dollars that Deans use to make investments in their own physical plants and in other areas of their operations. The administration will do its best to minimize the amount of carry forward funding it captures. He advised that Tamaka

Butler, Deputy Chief Financial Officer and Brelanda Mandija, Senior Director for Budget and Planning are available to answer any questions.

Governor Kelly asked VP Massaron to clarify whether use of reserves will be needed to balance the budget. VP Massaron advised that the only reserve that will be used is the carryforward reserve, which is a separate reserve that the colleges use for investments from unspent money. Professor Beale asked about the process to determine where the carryforward funds will remain with the schools and where it will be used. VP Massaron advised that in the past, they have used an across the board formula using a percentage, but welcomed further discussion with the deans and the provost to get to a more strategic rational solution.

INFORMATIONAL REPORT: MAJOR CAPITAL PROJECTS SUMMARY

Rob Davenport reviewed the Major Capital Projects summary. He began with good news on the State Hall construction project, and advised that it is progressing on time and within budget and offered the committee an opportunity to walk the site, if interested. The Hilberry Gateway Project is also progressing well, and should be substantially complete by the end of the calendar year. The only possible issue concerns utilities, and they are working with DTE to ensure there are no problems on that front. The first theater performance is scheduled for February.

The work on the art complex is on schedule. The temporary chiller sitting outside the building has been removed as it will not be needed during the winter months. The building air conditioning for the 4 building in the complex is expected to be operational next summer. Mr. Davenport asked if there were any questions from the committee. Governor Kelly raised a question on the status of Lot 22 following completion of the bridge construction, and what it will look like. Mr. Davenport advised that that the parking lot will not be restored, and grass and a sidewalk will cover the lot. VP Massaron added that the master plan study showed there were 2000 extra parking spaces prior to the pandemic and the parking use on campus is now different. Repurposing this space provides an opportunity to reduce overall costs. If there is a subsequent need for additional parking, it will not be expensive to repave it.

Governor Kelly noted that over the years there have been student complaints that there is not enough parking. Mr. Davenport noted that there is plenty of space nearby in Parking Structures 1 and 5, which are currently not at capacity. VP Staebler commented that the complaint around student parking over the years is usually around cost and proximity and that particular parking lot, even at peak times, was generally empty everyday due to its location.

Governor Gaffney thanked Mr. Davenport for the report on State Hall and expressed appreciation for the projects completed in 2022 in preparation for fall classes. On behalf of Governor Kelly and himself, he asked Mr. Davenport to look into broken concrete at the curb level at the School of Social Work, which he and Governor Kelly noticed when they attended an event there recently. Mr. Davenport will look into it, and add this repair

project to the list. VP Massaron thanked Mr. Davenport and his team, who have worked hard to reactivate the campus and schedule necessary repairs in high traffic areas. There has been a lot of progress made across the campus in cleaning it up, getting leaves off the ground and getting the outside greens done and that effort is very visible.

Governor Thompson asked for an update on the concerns regarding parking at the Business School. Mr. Davenport asked if Board members have heard complaints on this issue, and Governor Thompson confirmed that she has heard complaints. Mr. Davenport advised there are parking options around the neighborhood, and he will look into this issue.

Governor Thompson advised that she had also heard complaints about the condition of some of the dorms upon move-in and understood that there could be some staffing issues. VP Massaron advised that the Director of Housing is Tim Michael, Associate Vice President for Student Auxiliary Services, and he has advised that they are working really closely with Corvias, their housing partner, on these issues. Corvias has had significant problems with staffing up but are making progress with staff hiring and quality of service. The Corvias partnership has struggled with reduced occupancy and the temptation to cut their operating budgets; the University will continue to keep pressure on them, and maintain their vigilance.

Turning back to the questions regarding parking at the Mike Ilitch School of Business, VP Staebler commented that often complaints about student parking on campus in general are often about proximity and the culture of surface parking outside of a building and the ability to walk directly in the front door. It is not going to be so easy to do in that facility, but the value of the location is in the proximity to business activity in the area. He advised that there are also free transit options available to Wayne State students, faculty and staff, including two D-DOT buses, one SMART bus, the QLine and MOGO, in effort to encourage people in inner city urban environments that walkability and transit are important parts of the experience. Professor Fitzgibbon noted that she teaches there two days a week and the worst waiting times for public transit occur during big sports and entertainment events.

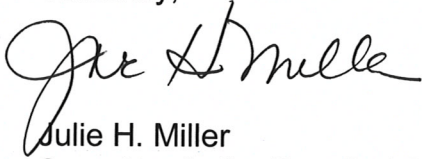
PURCHASING EXCEPTIONS

The informational report on purchasing exceptions was presented. Mr. Doherty noted that due to the volume of business activity in Procurement during the summer of 2022, and the timing of the Board meeting dates, this is an extremely large report. Governor Thompson asked about PO #21 on page 10, regarding AB Sciex, LLC for \$599,558.70 and asked if whether it was a one-time equipment purchase. VP Lanier advised that this was a one-time purchase and is part of the strategic approach in Research to increase the platform of enabling technologies in research across campus. He added that this is a part of the shared instrumentation award for high end equipment and will be installed in one of the core facilities around lipidomics, That area is one of the University's highest performing cores.

ADJOURNMENT

There being no further business, the meeting adjourned at 9:32 am.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie H. Miller". The signature is written in a cursive style with a large initial "J".

Julie H. Miller
Secretary to the Board of Governors