



## Budget and Finance Committee

March 8, 2023

### 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, Gaffney, Kelly, Kumar and Stancato; Linda Beale, Faculty Representative and Jane Fitzgibbon, Faculty Alternate Representative; Ibrahim Ahmad, Student Representative and Cordelia Krawjewski, Student Alternate Representative

**Also Present:** Governors Atkinson, Busuito, Land; and President Wilson; Provost Kornbluh, Vice Presidents Ezzeddine, Lindsey, Massaron, Poterala, Ripple, Schweitzer, Stemmler, and Wright; and Secretary Miller

### APPROVAL OF MINUTES, JANUARY 26, 2023

**ACTION:** Upon motion made by Governor Kelly and supported by Governor Stancato, the minutes of the January 26, 2023, Budget and Finance Committee were approved as presented. The motion carried.

### CONTINGENCY RESERVE

The contingency reserve had no activity to report.

### AUTHORIZATION FOR GRANT AGREEMENT AUTHORIZATION TO SELL BONDS

Governor Barnhill asked VP Massaron for a report on the next two items for consideration. VP Massaron began with a short summary of information on these two items that had been discussed in recent meetings, which are being brought forward for action today. He added that there is some urgency in moving forward now to authorize the grant agreement, because the State is in the process of finishing the budget for this year and if those funds remain available to the State, they could be reallocated to be used in the next fiscal year. He confirmed that the administration has committed to providing regular project updates on the new building to the board. Work has begun with the Provost, VPR and the Dean of the Medical School to determine project scope, sizing, and they will shortly be taking the first steps with consultants for work on the final design, and in the selection of the architect and construction firm.



With no further questions from the committee, Governor Barnhill asked for one motion to consider both the Authorization for Grant Agreement and the Authorization to Sell Bonds, together. The following action was then taken:

**ACTION:** Upon motion made by Governor Kumar and supported by Professor Beale, the Budget and Finance Committee recommended that the Board of Governors:

1. Authorize the grant agreement between the State of Michigan Department of Labor and Economic Opportunity and Wayne State University for the receipt of a grant totaling \$100,000,000 in capital funding from the State of Michigan included in Public Act 166 of 2022 for a facility dedicated to medical education, cancer research, and community health;
2. Adopt the Resolution (included at the end of these minutes) authorizing the issuance of Wayne State University tax-exempt General Revenue Bonds in the aggregate principal amount necessary to produce proceeds of \$150 million for new money projects plus the amount necessary to accomplish any refunding transaction depending on market conditions at the time of pricing. At least \$100 million of bond proceeds will be combined with the \$100 million the University is scheduled to receive from the State of Michigan as part of the one-time capital funding included in Public Act 166 of 2022. The bond proceeds will be used to fund a portion of the cost of the School of Medicine & Karmanos Cancer Institute building project, in addition to other campus building and infrastructure projects, including, but not limited to roof replacements; elevator and HVAC systems upgrades; and road, walkway and parking improvements. The bond issuance will have a term of up to 36 years. The administration is committed to continued efforts to pursue philanthropic and other funding for the School of Medicine & Karmanos Cancer Institute building project, and in the event sufficient funds are raised, will reduce the amount of bond proceeds allocated to this project.

The motion carried.

## **FIVE-YEAR CAPITAL RENEWAL PLAN**

VP Massaron advised that the purpose of the renewal plan is to provide an answer to the question of how capital project decisions are made. How those decisions are made is part of the 5-year capital plan the university submits to the State each fall. He added that there has not been a strategic approach to capital renewal or investment in existing facilities. The framework is to utilize the capital renewal plan, philanthropic fund raising, and new facilities requests to the State to make up the 5-year capital plan. The largest piece that informs the new facilities and the investment in the old facilities is the master plan. Post-pandemic, the use of offices and parking has changed and is the driver for an



update to the master plan. A consulting firm will be retained to work with constituency groups on campus to get a better idea of what the campus should look like going forward. Separate from this work, Mr. Davenport along with Ashley Flintoff, director of planning and space management, will begin to update to the capital plan. He then called on Rob Davenport for the presentation and discussion.

Mr. Davenport began with an overview of the campus facilities, which are comprised of 124 occupied buildings, 106 buildings of which are owned, 18 of which are leased. There is a lot of detail, cost information, and facilities issues explained in the slides, and he'll provide highlights of that information during the presentation.

The consultant they worked with on this project, Guardian, toured the campus and collected data on all of the mechanical, electrical, and plumbing assets and assessed the building envelopes and interiors. The strategic capital plan highlights those needs that are to be addressed and specific time frames.

He then summarized the plan of work areas. With the MEP and building envelope, the timing of these asset replacements is based on age, the condition and the critical nature of those assets. When the mechanical, electrical, and plumbing equipment gets old it is then replaced. Metrics include industry standards and manufacturer's recommendations. Nearly \$13 million has been put into the elevator renovations over the last 3 years. There is \$21 million going into the student experience including campus beautification, elevator maintenance, the building envelope, and roofs. These efforts are part of a full right-sizing effort, which may include closing some buildings around campus.

In response to a question from Professor Beale about improvements to drinking water fountains, Mr. Davenport advised that there are some instances where that will be addressed sooner than later, such as in the renovated State Hall building, but there is no carved-out plan to address water fountains specifically. Professor Beale asked that it be considered.

Governor Barnhill asked whether lighting retrofits are expected to reduce lighting costs moving forward. Mr. Davenport advised that there is a partnership with DTE which provides a ROI in rebates that impact capital outlay. An ROI, return on the investment, for light and retrofits is typically less than 5 years and often depends on the kind and style of lighting. A more comprehensive plan to address lighting across the campus is being developed.

Mr. Ahmad asked for additional details of the Manoogian repurpose Mr. Davenport explained that programming in Manoogian will move to State Hall, leaving that building as an opportunity for repurpose. From a master planning perspective, both Manoogian and General Lectures can be closed. He added that Manoogian has a good infrastructure and the best use for that building will be considered.

In terms of other buildings that may be identified for either repurposing or demolition, Mr. Davenport advised that 6000 Cass Avenue is one such location. It has been used as a pickup location for minimal radioactive waste, which a contractor picks up and disposes



of properly. After review with appropriate personnel, the university can do without this process, by keeping waste at strategic locations around campus and picked up from those locations. The building at 5959 on Woodward is vacant, and not in good shape.

Governor Stancato asked if there was any discussion around leasing out some of these buildings. Mr. Davenport advised that anything and everything is on the table. VP Massaron advised that some buildings are not useable, and there are ongoing efforts to activate campus through leases. A number of different facilities throughout campus have been leased and are generating revenue.

Governor Barnhill asked how the 18 buildings being leased were being considered in the overall context of the plan's consolidation strategy. Mr. Davenport noted that some of those may be incorporated in the School of Medicine relationship. From a business case perspective, those opportunities are also on the table.

Governor Gaffney asked for clarification of the funding sources found on the last page of the presentation. He asked about the potential of developing a Student Success Center and taking some of the space in the Adamany Undergraduate Library, noting that it is a retrofit and not a capital project. VP Massaron advised that there are meetings with members of the Board, the Academic Senate and constituencies that confirmed this is important. As part of this renewal, there was a decision to allocate some funding to the UGL Academic support space, and added to this project. He agreed that it is not a capital project but it is an important priority from Board members, from the Provost and his team and across the board. There is current use of that facility so the project will be phased so it will not interrupt operations. Mr. Davenport noted that there will be plenty of space to consolidate libraries.

Provost Kornbluh commented that from the perspective of students, the most important thing in the master plan is upgrading and concentrating on general classrooms, and that more modern and better classrooms result in students doing better in the classes and that there's quantitative evidence to show that.

In looking at the Student Center Building, there is a plan to focus this building much more on student extracurricular life. It currently holds a lot of offices that are not directly related to students. Some work has already taken place, as the 7<sup>th</sup> floor has been repurposed, and now holds the Center for Latino/Latina and Latin American Studies, a new African American Success Center, and a greater space for OMSE. The 6<sup>th</sup> floor is in the process of adding the new Center for Sexual Violence Education and Prevention and a new Center for Gender and Sexuality Studies that will support our LGBTQ students. The plan is to use the undergraduate library as the focal point of student academic support.

Mr. Davenport then reviewed the summary of funding sources for this initiative, and indicated that they include some carryover funds from the 2020 bonds to use for capital endeavors. Preventative maintenance, campus infrastructure and reducing deferred maintenance, along with a preventative maintenance approach, will stabilize campus from a user-experience perspective and stabilize operating expenses.



VP Massaron advised that he is confident the University will be able to identify funds over the next 5 years to exceed this level of investment and continue to build out a managed deferred maintenance plan. He added that he will regularly report to this committee on their progress.

Professor Beale noted the plan is to grow the budget allocation to \$15 million by 2027 and asked if the plan will be workable even if that was not met. VP Davenport advised that the 5-year plan is very malleable and will address equipment that is most in need of replacement or areas that are in most need. Something may fail sooner and there could be a need to escalate a particular project. It is a dynamic that will have to be worked through over the next 5 years.

VP Massaron added that it is a question about prioritization and noted that through the Presidential Search meetings and public forums, the University community wants to see the facilities in a better state.

### **APPROVAL OF ALL CAPITAL PROJECTS**

VP Massaron brought a large number of capital projects forward for the committee's consideration at this time. With the permission of the chair, they will discuss each of the projects, and ask for approval in one action at the conclusion of the discussion.

- **Elevator Modernizations/Replacement Program**

The first set of actions are consideration of elevator modernizations and replacements. Mr. Davenport advised that in terms of the Art Building, the project is to rebuild the elevator, which was a subject of the 2021 flood. It is the only elevator in the building. The existing elevator hoist goes only to the 2<sup>nd</sup> floor, making the 3<sup>rd</sup> floor inaccessible for those with disabilities. The new elevator will extend to the third floor, bringing it into compliance with ADA requirements. The University will receive a rebate from the insurance carrier, FM Global for what would have been a repair of the existing elevator, but this project is for the construction of a new elevator to service the full building.

In response to a question about an overall review of elevators across the campus, Mr. Davenport advised that an elevator consultant visited the University 2 years ago and assessed the university's entire elevator plant. After that visit, a 5-year plan was created, and those units that needed either modernization or potentially replacement were prioritized.

VP Massaron advised that in the future, outside consultants will be used on new elevator projects, such as the Anthony Wayne Drive apartments. Anthony Wayne Apartments elevator service issues have been addressed with several interventions to modernize what was a brand-new elevator system so that it can become more reliable. He noted that outside counsel was engaged regarding recompense from either the contract architect or the elevator designer for that project, and asked for patience during the process. Modernization of elevators in Parking Structures 5 and 6 is long overdue.



- **Matthaei Comprehensive Cooling**

Mr. Davenport advised that the rooftop units on the north side of the building will be replaced and the electrical infrastructure and the existing cooling plant will be stabilized.

- **Bioscience Building Automation System Replacement**

Mr. Davenport reported that the 1991 building automation system, which provides temperature normalization, is not operating. The building contains labs and hoods, and the base building HVAC plant is competing with the need to remove air from the building with the hoods. Further, the boilers are competing with the chillers on a daily basis. VP Massaron also noted that this project will reduce the building's carbon footprint by decreasing energy usage.

- **George L. Beecher House HVAC Improvements**

Mr. Davenport noted that there have been pandemic related delays, labor, supply chain and equipment procurement issues that have changed the dynamics of the project and increased the scope and the funding for this project. To stabilize the situation, additional funding is needed to complete this project.

- **STEM Innovation Learning Center**

VP Massaron advised that the Board has already approved initial funding for this project but there are further improvements necessary to the building, and funds available from the initial allocation. The scope of this proposal will complete the project.

- **PS 5 Parking Structure Repairs and Maintenance**

The focus of this project is on maintenance and ensuring it is in proper repair. All the parking structures are subject to salt, rain, snow, expansion and contraction, and Mr. Davenport advised that this is a typical project.

- **Freer House Exterior Envelope**

Mr. Davenport advised that this project is necessary to prevent water infiltration into the facility. The 1892 building has inferior mortar that is preventing it from being watertight and this is an ongoing project around the exterior of the building. In response to a question from Professor Fitzgibbon, Mr. Davenport advised that the building houses the Merrill, Palmer, Skillman and DLAR offices and research teams.

Further discussion and questions on these recommendations ensued. Governor Gaffney asked if there an assessment was done on the future needs for parking spaces in light of post pandemic work and study habits, and whether fewer surface lots would be needed in the near future. Mr. Davenport advised that all the parking structures are currently needed but the University could do without several of the surface lots, especially south of campus. There was an opportunity to right-size parking and the master plan addresses that.

Governor Kumar asked whether an endowment could be built-in, either through donation or trust, especially for new buildings, that would offset the expense per year. Mr.

Davenport advised that there are some buildings that have such endowments, but not every building does, and those types of relationships should be cultivated. In follow-up, Governor Kumar asked about the opportunity for naming rights for the buildings that are not endowed. VP Ripple noted that there are opportunities for naming facilities throughout the campus.

Mr. Ahmad asked, regarding the elevators, whether energy efficient infrastructures and reliability can go hand in hand, so that students will not continue to deal with consistently malfunctioning elevator systems as well as other infrastructure equipment. Mr. Davenport agreed, and discussed different types of elevator mechanisms and the pros and cons of each. He believes that traction elevators provide opportunities for efficiencies, both in the energy and reliability.

With no further discussion, Governor Barnhill asked for one motion to approve all of the remaining capital projects.

**ACTION:** Upon motion made by Governor Kelly and supported by Governor Stancato, the Budget & Finance Committee recommended that the Board of Governors authorized the following capital projects. The language of each action is detailed as a record for these minutes:

1. Authorized the President, or his designee, to execute contracts for the design and construction of the replacement of the freight elevator in the Art Building for a total project cost of \$2,050,000. Funding will be provided from the Series 2020 Bond Funds.
2. Authorized the President, or his designee, to proceed with conducting a detailed survey, producing construction documents for bidding purposes, solicitation of bids, and the award of contracts for the modernization of elevators (FAB 1,2,3) at a cost not to exceed \$870,000. Funding will be provided from series 2020 Bond Funds.
3. Authorized the President, or his designee, to proceed with the design, solicitation of bids, and the award of contracts for the modernization of elevators (Parking Structure 5, elevators 1, 2) at a cost not to exceed \$774,000. The Parking Auxiliary Fund will provide funding for his project.
4. Authorized the President, or his designee, to proceed with conducting a detailed survey, producing construction documents for bidding purposes, solicitation of bids, and the award of contracts for the modernization of elevators (Parking Structure 6, elevators 1, 2, 3) at a cost not to exceed \$750,000. Funding will be provided from the Series 2020 Bond Funds.



5. Authorized the President, or his designee, to approve spending to design, solicit bids, and award contracts for Matthaei Comprehensive Cooling, located at 5101 John C Lodge, with a project cost not to exceed \$2,700,000. The Series 2020 Bond Funds will provide funding for this project.
6. Authorized the President, or his designee, to approve spending to design, solicit bids, and award contracts for the Biological Sciences Building located at 5047 Gullen Mall with a project cost not to exceed \$2,850,000. Funding for this project will be provided by the Series 2020 Bond Fund.
7. Authorized the President, or his designee, to approve additional funds of \$170,175 due to the increased scope of work for the Beecher House HVAC Improvements, located on 5475 Woodward Avenue. Previously approved funding was \$908,050 for a total project cost of \$1,078,225. The 2020 Bond Funds will provide funding for this project.
8. Authorized the President, or his designee, to approve spending to design, solicit bids, and award contracts for the STEM Innovation Learning Center with a project cost not to exceed \$1,750,000. Funding for this project will be provided by 2018 Bond Funds.
9. Authorized the President, or his designee, to approve spending to design, solicit bids, and award contracts for the 2023 Parking Structure Repairs and Maintenance with a project cost not to exceed \$900,000. Funding for this project will be provided by the Parking Auxiliary.
10. Authorized the President, or his designee, to approve financing of \$550,000 utilizing the Series 2020 Bond Funds to make necessary repairs to the exterior envelope of the Northeast Portion of the Freer House to ensure weather tightness. The previous leaking has caused damage to the interior.

The motion carried and all 10 projects were authorized.

#### **INFORMATIONAL REPORT: MAJOR CAPITAL PROJECTS SUMMARY**

Mr. Davenport focused on two of the projects in this summary. With regard to State Hall, he advised that the project is on time and within budget. The second project, the Gateway Hilberry project, is approaching the finish line, and they are working with the contractors to make the scheduled performance opening for April the 7<sup>th</sup>. No questions were raised on the report.

#### **PURCHASING EXCEPTIONS**

There were no questions on purchasing exceptions.



**ADJOURNMENT**

There being no further business, the meeting adjourned at 10:07 am.

Respectfully submitted,



Julie H. Miller  
Secretary to the Board of Governors