

## **Minutes, Budget Committee of Academic Senate**

### **Meeting of January 22, 2007 (as approved March 19, 2007)**

*Present:* Michael McIntyre (chair), Robert Kohrman\*, Charles Parrish\*, Frederic Pearson, Arik Ragowsky, Louis Romano, Robert Ross, Linea Rydstedt, Vishwanath Sardesai, Assia Shisheva, William Volz, James Woodyard.

*Absent with Notice:* Stephen Calkins

*Absent Without Notice:* Charles Elder

*Invited Guests:* Nancy Barrett, Provost; John L. Davis, Vice President for Finance & Facilities Management; Celeste Lezuch, Director of Academic Budgets.

\*Liaison

1. The meeting convened at 11:03 a.m. The minutes of the meetings of Oct. 16, 2006, and Nov. 6, 2006, were approved without opposition. The chair welcomed Mr. Robert Kohrman to the committee and asked him to introduce himself. Mr. Kohrman is the new Assistant Vice President for University Budgets.

2. *Capital Campaign.* The chair had circulated to the committee a copy of the tables being submitted to the Board of Governors (BOG) showing the results over the past several years of the capital campaign. The chair indicated that the tables seemed to indicate that the University is behind schedule in meeting its goals. Provost Barrett and Vice President Davis were asked about their assessment of the progress of the campaign. They suggested that Susan Burns, Vice President for Development and Alumni Affairs was in a better position to give an assessment and suggested that the committee might want to invite her to a meeting of the committee to discuss the capital campaign. [Note: The chair has made that invitation for the meeting of April 30, and Ms. Burns has accepted it.]

One member suggested that the committee ought to seek to determine whether the capital campaign has been performing well under the standards established by and endorsed by the development office when it was seeking additional financial support from the University. Those standards are set forth in a paper, titled "How Public Colleges and University Foundations Pay for Fund-Raising." It is available on the Association of Governing Boards of Universities and Colleges web site. Another member questioned whether the figures given in the report regarding the success of the campaign properly sorted out regular giving from giving under the capital campaign. That member requested that the committee seek data on gift giving for a number of years prior to the start of the capital campaign. The chair noted that the charts submitted to the BOG included gifts received from 2001 and 2002, although the silent portion of the campaign did not begin until 2003.

The chair indicated that he would put the matter of the capital campaign on the agenda for a future meeting. One member suggested that this meeting ought to

discuss the cutback of payments from the endowment fund from 4.5% to 4.25%. It was noted that this reduction was allegedly due to shortfalls in investment yields but that investment yields have been above average for every year since the cut was made. The chair noted that Vice President Davis had promised to provide the committee with a report on the practices of other universities in using a rolling average of investment yields over a three-year period for computing the appropriate payout rate on endowment funds. See Minutes of Meeting of January 23, 2006. Mr. Davis promised to get the report to the committee during the current academic year.

3. *Proposed Honors College Building.* The chair noted that the Student Affairs Committee of the BOG had received from the Administration a proposal for an Honors College, including a proposed major building complex for that proposed college. Despite the obvious financial implications of building such a complex, the matter was not being sent to the BOG's Budget and Finance Committee or to this committee. The chair circulated to the committee a copy of the proposal, which is available on the BOG's website at:

[http://www.bog.wayne.edu/meetings/2007/01-24/studentaffairs0107\\_itemw.pdf](http://www.bog.wayne.edu/meetings/2007/01-24/studentaffairs0107_itemw.pdf).

The chair asked Provost Barrett and Vice President Davis for a "ballpark" estimate of the costs of the proposal. They told the committee that the building is in the concept stage and that no cost estimates of any kind have been prepared. A member of the committee asked for an estimate of the square footage of the proposed building complex. The response was that no square footage estimate has been prepared. The chair noted that the BOG is receiving drawings of the proposed building complex, including schematic drawings of two of the floors of the complex. Some puzzlement was expressed as to how the architects could prepare such drawings without some general idea of the funds available or of the square footage of the buildings.

The chair suggested that a project of this magnitude could not be accomplished without significant funds and asked where the funds were expected to come from. The Provost indicated that the University hoped that most of the funds would be obtained from gifts, including a major naming gift. She noted that the plan included dormitory facilities and suggested that those facilities would pay for themselves. The complex would incorporate the former Saint Andrews Church, now owned by the University. The Provost indicated that the University had considered at least one other potential location for the Honors College complex but that the estimated costs of renovating that facility were considered to be too high relative to the costs of the proposed facility.

4. *FY 2006 Budget Performance Report.* The committee reviewed with Provost Barrett the 2006 General Fund Budget Performance Report. That report compares the budgeted expenditures for FY 2006 with the actual expenditures. The surprising news in the report is that the actual budget shows a surplus of over \$16 million. This news was surprising in that there had been no prior reports indicating the likelihood of such a large surplus.

Provost Barrett explained that most of the surplus was due to unspent funds, and that the amount of uncommitted funds was only \$1.1 million. She indicated that there were three reasons for most of the surplus. First, much of the \$6 million in new money budgeted over the past three years for faculty setups had not been spent, due to lags in hiring and in purchasing of equipment. The lag in the purchase of set-up equipment was due, she indicated, to the delays in renovating laboratory space.

Second, the University did not award around \$2 million in financial aid, due, the Provost indicated, to uncertainties about the Federal rules applicable to financial aid. She also indicated that there is a one-year lag in the awarding of financial aid because it becomes available in October, after the students have already enrolled.

Third, the Business School and the Engineering School had held off spending funds obtained through differential tuition. Both colleges have plans in place for spending the money in the future.

Members of the Budget Committee asked some questions about the surplus but did not have sufficient background on the particular issues to recommend specific changes in the budget process to reduce the likelihood of such surpluses in the future. One member asked whether surpluses of this magnitude were consistent with practices at peer institutions. The Provost was not able to provide information on that matter.

5. *Research Spending.* Several members raised questions about the use being made by the Office of the Vice President for Research (OVPR) of the \$1 million fund provided in the FY 2007 budget. The chair noted that he had moved at the meeting of the BOG's Budget and Finance Committee on July 21 to restrict the use of the fund for faculty hiring, a use listed by the OVPR as its top priority. That motion passed, but the result was later overturned by the BOG in an unprecedented action. It was suggested that the committee should request information from the OVPR on spending from that fund. The chair noted that the committee had previously asked the Policy Committee to request a report, and the Policy Committee had acted on that request. No report had been received, however, from the OVPR. After further discussion, the following motion was made, seconded, and adopted without opposition:

That the Budget Committee requests the Policy Committee to follow up with the Office of the Vice President for Research to see how the money in the \$1 million fund provided to the OVPR is being spent.

6. *Audited Financial Report.* The committee briefly discussed the draft audited financial report for the University for FY 2006. That report was not posted on the BOG's website and had not become available to members until the committee meeting. As a result, they were not able to make substantive comments on it. One member suggested that steps should be taken to make future reports available in timely fashion.

7. *Additional BOG Matters.* The committee very briefly reviewed the various renovation proposals going to the BOG for approval and had no substantive comments. It also discussed briefly the purchasing exceptions report.

8. *State Budget Cuts.* The chair had asked Provost Barrett to discuss with the committee the contingency plans of the University in the event of in-year budget cuts. A frank discussion of options followed. The chair indicated that a full discussion of options in the event of budget cuts for FY 2008 would be taken up at the next meeting of the committee.

9. *Adjournment.* The committee adjourned at 12:30 p.m.

Michael J. McIntyre