

Minutes, Budget Committee of the Academic Senate

Meeting of Jan. 24, 2011 (As approved March 28, 2011)

Present: Louis Romano (Substitute Chair), Donald DeGracia, Winston Koo, Rita Kumar, Bart Miles, Jennifer Moss, Charles Parrish, Linea Rydstedt, Heather Sandlin, Karen Tonso, William Volz, James Woodyard, Robert Kohrman*

Absent with Notice: Michael McIntyre, Charles Elder, Richard Needleman

Absent without Notice: Maik Huttermann

Invited guests: Ronald Brown, Provost; Rick Nork, Vice President for Finance & Facilities Management; John Davis, Special Advisor to the President and the Vice President for Finance and Business Operations

*Liaison

1. The meeting began at 11:01 a.m. The minutes of the meeting of Dec. 6, 2010, were approved.
2. *Introduction of Rick Nork.* The new Vice President for Finance and Business Operations, Rick Nork, was introduced to the committee by the Chair. Mr. Nork spoke briefly regarding his new position.
3. *Review of Items on the Agenda of the BOG's Budget and Finance Committee.*
Contingency funds. Rob Kohrman reported that the Board was negotiating with the Presidential Search firm regarding refunding of a portion of the costs of the Presidential Search that was cancelled last week.

Audited Financial Report for Fiscal Year 2010. There was a brief discussion regarding the 2010 Financial Report prepared by the administration and audited by Plante Moran, LLP. The chair asked if there was much risk associated with the Interest Rate Swaps described in Note 6. Mr. Davis indicated that only one swap remained and was not a risk unless our credit rating fell below BBB, a highly unlikely prospect. One member asked how long the university could run on the reserves, which are now approximately 6% of the 2010 revenue. Mr. Davis indicated that from a cash flow standpoint we can weather a storm.

FY2010 Year-end Budget Report. Several members were interested in the planning regarding the anticipated cuts from the state in FY2012. Mr. Kohrman indicated that he has been working on plans that assume a cut in the range of 10%. One member noted that we currently have \$19.6 million in the Rainy Day Fund and was curious when this fund increased to this level. Mr. Kohrman indicated that about \$2 million was added in FY2009. Several questions were asked regarding Schedule 4. These funds are revenues generated or given to Colleges for specific instructional or research related initiatives. One member questions what the Law School Bridge

Funding was and Mr. Kohrman explained that these were funds given to the Law school by former Provost Nancy Barrett to compensate for the lost revenue associated with a reduction in the number of entering students in FY 2008. This reduction was caused by a faulty submission to *US News* that led to a lower law school ranking. The Law School believed that class size needed to be controlled to regain its prior rating and perhaps improve it. Several members were surprised that over \$500,000 remained in this account.

One member asked about the Omnibus fund and the anticipated loss of revenue associated with reduced telephone usage that will lead to departments no longer paying C&IT for telephone land lines. He stated that it would be highly improper for the Omnibus funds to be used to make up for this lost revenue in C&IT. Mr. Kohrman indicated that Joe Sawasky would be announcing a new telephone system next year and that this would produce significant cost savings and might include a new funding model.

4. *Subsidizing Housing in Midtown.* On January 13, 2011 President Gilmour announced a new initiative called "Live Midtown" that would provide financial incentives for employees of Wayne State, the DMC, and Henry Ford Hospital to purchase, rent, or renovate housing in the Midtown area. These three organizations have invested funds into this program that was matched by Hudson-Webber Foundation and the Michigan State Housing Development Authority (MSHDA). The Kresge Foundation also intends to provide additional support for the pilot program. The total funding for the first year will be \$1.2 million.

Mr. Kohrman indicated that Wayne State's portion of the funding for this initiative came from former President Noren's discretionary funds but was unable to tell the committee the amount that Wayne State had contributed. Provost Brown indicated that it was in excess of \$200,000. The Chair stated that it is clearly within the prerogative of the President to use the discretionary funds for these types of initiatives. However, the use of these funds must have been approved by the Board. Unfortunately, this issue was never brought to the Academic Senate Budget Committee for consultation. The Chair also indicated that this initiative may or may not be worthwhile.

One viewpoint is that housing is so cheap in Detroit now that it is unclear why it needs to be subsidized. One member indicated that it was politically important for Wayne State to contribute to this initiative and that the amount contributed was small in comparison with the goodwill generated. Provost Brown stated that this program would be a good recruiting tool for faculty and staff. The Chair stated that the problem with this situation has less to do with the program and more to do with the fact that the Budget Committee was not consulted regarding this expenditure. Prof. Woodyard made a motion that the Budget Committee send a memo to the Policy Committee expressing our regret that the Administration did not consult with

the Budget Committee regarding this expenditure. The motion passed with no dissenting votes.

One member asked an unrelated question regarding the continuation of the Doctoral Program Enhancements that were started by Provost Barrett the year after her arrival. Mr. Kohrman indicated that three of these were funded as part of the FY2011 budget. One was funded in FY2010. It is not clear if these would be part of the FY2012 budget.

5. *Report on the Parking Task Force.* The Chair related the progress of the Parking Task Force in developing a revised Business Plan for the Parking Department. He indicated that the almost completed new Business Plan now proposed a total of a \$0.30 increase for the next 4 years rather than the \$1 increase in the original plan. The Task Force also made specific proposals for funding and carrying out routine maintenance and structural repairs. A technology subcommittee, chaired by the VP for Information Technology, Joe Sawasky, recommended new technology for providing precise information regarding parking usage, the use of radio transponders for entry and exit of the parking facilities, and the possible installation of security cameras in the parking structures and lots. The Task Force also made recommendations regarding staffing and possible savings from adjusting staffing levels. Finally, the Chair indicated that the Task Force developed a possible new funding model for students that would be part of the Omnibus fee and based on credit hours taken. Prof. Woodyard, a member of the Task Force, presented the advantages, both academic and financial, that this model has.

6. The committee adjourned at 12:20 p.m.

Lou Romano