Academic Senate Budget Committee Minutes **June 20, 2022**
Via Zoom

Time: 11:00 a.m. to 12:30 pm

Members Present: Paul Beavers (chair), Linda Beale, Stephen Calkins, Wei Chen, David Edelman, Santanu Mitra, Wassim Tarraf, Ricardo Villarosa, William Volz

Members absent with notice: Leela Arava, Wen Li, Charles Parrish, Sean Peters, Stella Resko

Liaisons: Kristen Chinery, AAUP-AFT; Paul Dubinsky, Graduate School; Karin Tarpenning Szadyr, Union of Part-Time Faculty

Guests: David Massaron, Senior VP for Finance and Business Operations and Treasurer; Tamaka Butler, Senior Associate VP for Finance and Deputy Chief Financial Officer; Brelanda Mandija, Senior Director of Budget and Planning; Robert Davenport, Associate Vice President, Facilities, Planning and Management; Kenneth Doherty, AVP Procurement & Strategic Sourcing; Timothy Michael, Associate Vice President, Student Auxiliary Services

I. The chair announced that he would be making a video recording of the meeting and deriving the minutes from them.

II. The minutes from March 7 and April 25, 2022, were approved without emendation.

III. Documents to be presented to the BoG Budget and Finance Committee on June 24, 2022

a. Contingency Reserve

David Massaron stated that the Contingency Reserve, which had a balance of $0 as of the June 24 report, remained unchanged.

b. FY 2022-23 Tuition and Fee Rates Recommendation [not available on the Web until approved by BoG]

David emphasized that this discussion of the tuition and fee increases for the coming years was confidential. The document he displayed on Zoom was not yet available on the Board of Governors website and would not be posted until after the Board has approved the recommendations. The document represents the current recommendations to the Board; a number of factors could cause the recommendation to change between June 20 and June 25. The greatest source of current uncertainty is the level of support from the State of Michigan. David's most recent information suggests we should be cautiously optimistic. The level of State aid may be higher than we estimated in our planning. But we are not counting our chickens before they hatch. David thinks support for higher education is going to be close to or at Governor Whitmer's proposal of a 5% increase.

David began the discussion with a slide documenting the tremendous pressure higher education has been under during the COVID crisis. In Michigan, 7 of the 15 universities experienced enrollment drops between 22% and 33%. WSU, GVSU, OU, and UDM had drops between 7% and 19%. WSU is more than holding its own in comparison to other universities in the state. WSU has made progress in shrinking the general-fund budget shortfall over the past three years; it was $12.5 million in FY 2021 and $10.3 million in FY 2022, and we are projecting it will be $6 million in 2023.

In addition to state support, the other major component of the university's revenues is tuition and fees. Institutional Research is currently projecting a decline in student credit hours of 5%, but a steeper decline is possible. Governor Whitmer and the Michigan Senate are recommending a tuition increase cap of 5% and the Michigan House is recommending a cap of 4.4%. David is confident that the cap will be higher than that recommended by the House. The recommendation currently slated to go before the Board of Governors is for a 4.5% increase in tuition and fees for both undergraduate and graduate students. Tuition will be increased beyond 4.5% by the College of Engineering through a differential tuition increase. The College of Engineering made cuts to its spending over the past few years that have proven unsustainable and these differential tuition increases will allow those cuts to be reversed. The non-resident tuition in the PharmD program will be capped at 130% of the resident rate. Medical School tuition is not part of this proposal. A 1.5% increase in Medical School tuition was approved by the Board at its April meeting.

Over the past few years, WSU has ranked toward the lower end of tuition and fee increases in Michigan universities. While David does not want to suggest that there is a competition to be at the top of the list of tuition increases, he does want to say that, if you make hard early decisions like increasing the tuition and fees by 4.5%, you make future decisions less hard. We need to increase revenue and no other source of revenue affects WSU as profoundly as tuition. We had a 0% increase two years ago, so we do need to be toward the higher end in FY 2023.

The FY 2023 budget does include a general fund budget increase to financial aid of $1.5 million. We will also be leveraging university scholarships and grants to assure maximum utilization of the funds. The awarded endowed scholarships will increase by approximately $3.5 million in FY 2023. Total FY 2023 financial aid is projected to increase by $5 million.

Bill Voltz offered that he very much approved of the capping of the PharmD non-resident tuition at 130% of resident tuition. Bill said the tuition charts David showed suggest that non-resident tuition is generally 200% of resident tuition. Bill appreciates the resident tuition status of Essex County in Ontario and Lucas County in Ohio, but he thinks we have far too high a tuition for non-resident students. If we held the spread to 130%, we might enroll more non-resident students. David replied that he intends to work hard at setting tuition more strategically. We increase tuition across the board when we need funds, but such across the board increases have unintended consequences—silly unintended consequences. Raising graduate student tuition does not generally do much if we are paying a large number of graduate students to go here. The new Dean of Engineering is looking at the competitiveness of Master's programs and other programs in the college in terms of tuition. David hopes that, over a period of time, the university community will develop a better understanding of costs by program so we can better set tuition. He also believes the university needs to find a way to simplify tuition. He agrees that much of our out-of-state tuition is not in line with the market. David does believe the out-of-state tuition in the Medical School is too low. It could be raised, and the funds used to deal with some of the Medical School's structural issues.

Ricardo Villarosa commented that he approved of the plan to use more of the endowed funds for scholarships for recruiting. He knows that we have sometimes left money on the table. He is also aware that some schools are very strategic with their endowed funds and employ them to retain higher performing students. Has there been an analysis of how best to use the endowed funds or are we set on just increasing use across the board? David replied that the endowed funds only represented a portion of such funding and that Ahmad Ezzeddine has been working closely with the schools and colleges to make sure we are respecting the ways they have been using such funds and, at the same time, suggesting ways they could be more efficient in driving increased aid to students in need.

Stephen Calkins asked if David was suggesting that we are going to be getting more financial aid funding from charitable donations than we have in the past. Stephen knows of our past efforts and is not sure that we can suddenly have greater success attracting such donations. David said that we of course would like to have greater donations. His point today is that we need to consider how best to use our present endowed scholarships strategically to ensure that that budget can be applied to those who are the neediest. Because some endowed scholarships have particularized requirements to receive them, funding has been left on the table. We now want the Financial Aid Office to look at the particulars of student profiles and understand the aid that could be available. David said he has talked with university CFOs across the country; this problem and our efforts to be strategic are by no means unique to WSU.

Linda Beale commented that, in the past, the Senate Policy Committee has been concerned that the nonresident tuition in the School of Medicine was creating a debt level among those students that was causing accreditation concerns. The impact on student debt load and its role in accreditation must be kept in mind when discussing nonresident tuition. She also commented that David's points raised the question of merit-based and need-based aid. Some schools and colleges want to incentivize some students based on merit. David acknowledged that debt burden was a concern in LCME accreditation. This requires us to leverage financial aid as we raise tuition in order to mitigate that concern. David readily acknowledged that, in a sense, all of our tuition is too high, but the State of Michigan does not support us at a level that would allow us to set tuition lower. As for the second question, Ahmad and Catherine Kay have been looking carefully at how we have been utilizing scholarships and what might be reasonable in the future. These strategies are an ongoing process. David acknowledged that the contrasting strategies of merit and need are concerns of all the deans. The Council of Deans will make sure that all the stakeholders work closely together. David did, however, acknowledge that WSU as an institution has prioritized access and that prioritization has an impact on our thinking and decisions.

Paul Beavers asked about the $6 million general fund budget shortfall projected for FY 2023. Paul asked if that was the total operating shortfall or simply the FY 2023 contribution to the total operating shortfall. That $6 million estimate would be the total general fund shortfall as of FY 2023. They have worked to shrink the shortfall since FY 2021. Apropos of this question, David transitioned from discussing the tuition increases to discussing the FY 2023 Budget.

c. Fiscal Year 2023 General Fund and Auxiliary Budget

David began by presenting a slide on FY 20023 General Fund Revenues and Expenditures:

FY 2023 General Fund Revenues and Expenditures

	FY 2022 Approved Budget	FY 2023 Recommended Budget	Variance Dollars	Variance %
Revenues				
State Appropriations *	205,248,400	208,424,717	3,176,317	2%
Net Tuition and Fee Revenues	410,677,396	416,371,464	5,694,068	1%
Indirect Cost Recovery	34,000,000	34,000,000	0	0%
Investment Income	5,100,000	5,100,000	0	0%
Gift and Endowment Revenue	3,800,000	3,800,000	0	0%
Rentals and Leases Revenue	1,145,892	1,145,892	0	0%
Other Revenues	7,691,010	7,597,623	(93,387)	-1%
Total Revenue	**667,662,698**	**676,439,696**	**8,776,998**	**1%**
Expenditures				
Schools and Colleges	217,907,624	221,941,717	4,034,093	2%
Divisions	166,931,789	171,096,011	4,164,223	2%
Student Financial Aid	96,015,360	97,543,361	1,528,001	2%
Central Accounts	189,661,457	184,501,381	(5,160,076)	-3%
Other Expenses	7,448,673	7,355,286	(93,387)	-1%
Total Expenditures	**677,964,902**	**682,437,757**	**4,472,854**	**1%**
Net Budget Surplus (Shortfall)	**(10,302,204)**	**(5,998,060)**	**4,304,144**	**-42%**
Use of One-Time Funding	10,302,204	5,998,060	(4,304,144)	
Final Budget Surplus (Shortfall)	**0**	**0**	**0**	

* FY 2023's State Appropriation allocation represents a 2.5% increase on the recurring base appropriation of $202,996,700.

This is primarily a flat budget. It is going up by 2% almost everywhere except in a couple of places because it will cost more to do the same things we did in FY 2022. It is flat in the sense that it does not require across the board cuts. The net budget shortfall of $6 million that Paul asked about is evident and it is $4 million less than the shortfall in FY 2022.

David then showed the summary for the schools and colleges general fund budget for the schools and colleges:

FY 2023 Schools Colleges Summary

	FY 2022 Restated Budget	FY 2023 Recommended Budget	Variance Dollars	%
Business	14,029,622	14,059,585	29,964	0%
Education	11,884,044	11,813,225	(70,820)	-1%
Engineering	21,618,366	23,883,281	2,264,915	10%
Fine, Perform., and Comm. Arts.	12,340,599	12,509,786	169,187	1%
Graduate School	1,759,233	1,795,985	36,752	2%
Honors	1,450,460	1,479,383	28,923	2%
Information Sciences	1,940,580	1,971,813	31,233	2%
Law	9,509,112	9,809,053	299,941	3%
Liberal Arts and Sciences	57,172,491	57,863,474	690,983	1%
Medicine	54,246,989	54,573,244	326,254	1%
Nursing	11,332,302	11,304,758	(27,544)	0%
Pharmacy and Health Sciences	15,196,129	15,451,585	255,456	2%
Social Work	5,427,697	5,426,545	(1,152)	0%
Total Schools and Colleges	**217,907,624**	**221,941,717**	**4,034,093**	**2%**

Again, the budgets are generally flat with some minor variations. Engineering because of the introduction of differential tuition, which we discussed earlier, shows an atypically large increase. The slide for the administrative divisions is similarly flat:

FY 2023 Divisions Summary

	FY 2022 Approved Budget	FY 2023 Recommended Budget	Variance Dollars	%
Office of the President	9,995,600	10,355,163	359,563	4%
Division of the Provost	75,851,309	77,157,024	1,305,715	2%
Division of Research	23,708,856	23,839,652	130,796	1%
Finance and Business Operations	33,427,190	32,969,523	(457,667)	-1%
Development and Alumni Affairs	9,599,159	12,259,370	2,660,211	28%
Marketing and Communications, COS	4,771,226	4,838,058	66,832	1%
Office of the General Counsel	2,832,325	2,866,466	34,141	1%
Government and Community Aff.	931,804	944,526	12,722	1%
Athletics	5,814,321	5,866,230	51,909	1%
Subtotal Divisions (excl. Fin. Aid.)	**166,931,789**	**171,096,011**	**4,164,223**	**2%**
Student Financial Aid	96,015,360	97,543,361	1,528,001	2%
Total Divisions	**262,947,149**	**268,639,373**	**5,692,224**	**2%**

The noticeable exception here is Development and Alumni Affairs. Its 28% increase is in concert with the new capital fund campaign. Half of the capital campaign budget is now part of the recurring budget, and the other half is one-time funding for the five years of the campaign. If the campaign is successful, it will lift the recurring budget so Development and Alumni Affairs will not necessarily return to FY 2022 budget levels at the end of the campaign.

Linda Beale asked what was covered by the increase to the Office of the President. Brelanda Mandija explained that it was mostly compensation increases approved by the president. These lines were in central accounts in the FY 2022 budget, and they were moved to the individual divisions for the FY 2023 budget. David explained it was the increase last year of 2% as well as the restoration of the 5% or 10% cuts made at the beginning of the COVID crisis. The president's salary was not restored. There are no across the board non-represented raises in the FY 2023. If the schools and colleges want to give merit-based increases to non-represented staff, they will have to do so based on resources they control. Across the board raises were given to non-represented staff in FY 2022, but, in view of the budget shortfall, we did not believe such raises were justified in FY 2023. Linda Beale asked if the upper level of administration would also go without a 2% or 2.5% across the board raises. David reiterated that such raises were not budgeted, but there is nothing in the budget that prohibits units from making such raises from within their budgets. There are, however, rate limiting factors that limit how large a raise can be made without requiring him to sign off. If there were raises in the 2% range, he would make sure that the unit had recurring resources that could cover it; this cannot be covered with one-time funding.

This slide summarizes the budget assumptions for FY 2023:

General Fund: FY 2023 Summary of Budget Changes

Net Tuition and Fees		
Tuition and Fees (net of discounts)	$	3,494,068
Financial Aid Increase (Contra Revenue)		(1,488,000)
Net Tuition and Fees	**$**	**2,006,068**
State Appropriation		
Base Allocation Increase		5,080,273
FY 2022 One-Time State Support		(1,903,956)
Total	**$**	**3,176,317**
Total Revenue Assumptions	**$**	**5,182,385**

Preliminary Expense Increase/(Decrease) Estimates		
Structural Deficit		
FY 2022 deficit	$	10,300,000
Total	**$**	**10,300,000**
Salary and Benefit Increases		
Salary Increases - Reps	$	5,200,000
Salary Increases - NonRep		-
Fringe Benefits		3,000,000
Total	**$**	**8,200,000**
Other Expenses Increases		
Debt Service		4,250,000
Capital Campaign - 2nd Year Investment		4,260,000
Health & Wellness Initiative		800,000
Total	**$**	**9,310,000**
Total Expense Assumptions	**$**	**27,810,000**

Budget Surplus/(Shortfall) prior to re-alignment	**$**	**(22,627,615)**
Budget re-alignment plan		16,629,555
FY 2023 General Fund operating shortfall		(5,998,060)
Available Year-End Balances/One Time Funds		5,998,060
FY 2023 Budget Surplus/(Shortfall)	**$**	**-**

FY 2023 Assumptions

Enrollment	-5.0%
State Appropriations	2.5%
Tuition and Fees Rates	4.5%
Financial Aid	$1,488,000

FY 2023 Budget Re-Alignment Plan - $16M

- Compensation (vacant/residual)
- Rentals and Leases
- Strategic Initiatives/Start Up funds
- Enrollment Decline adjustments
- Athletic Arena *(base to one-time)*
- Parking Subsidy *(base to one-time)*
- Capital Campaign *(base to one-time)*

Note: Summary does not include Engineering tuition differential

The compensation change is probably the biggest change in the budget. There are also open positions in FP&M that have prevented us from doing the quality of work we want in cleaning and maintaining spaces; we are working on improving this. There is already movement in rentals and leases that will result in more revenue in some cases and smaller expenditures in others.

William Volz was concerned about the small increase to Marketing and Communications. Often, when an institution has problems attracting students, additional funding is put into marketing. It looks like we have decided not to do that. David explained that he has one-time funding available to Marketing and the Provost also has one-time funding available for those types of campaigns. They will be doing so, but rather than do it on a university-wide basis, they will finance more focused campaigns. They will, for example, market individual programs rather than schools or the university as a whole. Linda added that this has been a point made by the Budget Planning Council for a number of years. There is too much focus on the institution itself and President Wilson and not enough on academic programs and the schools and colleges. The approval of funding for special marketing from David and the provost will involve presenting a solid marketing plan establishing the reasons for believing the marketing will be successful.

David presented the five-year plan on which he has been working. After the Board of Governors has approved this year's tuition and fees increase and the FY 2023 budget, he wants to begin a dialogue with the Board about such a five-year plan and what they think tuition should be over the next few years.

AS Budget Committee Meeting - Shared screen with speaker view

5 year outlook (FY 2023 – FY 2027)

	Base Year FY 2022	5-Year Forecast FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Non-operating Revenues						
Student Tuition & Fees	410,677,396	415,682,485	422,055,656	433,167,298	445,982,072	459,880,495
Scholarships	(94,125,225)	(95,613,225)	(101,293,358)	(103,960,152)	(107,035,697)	(110,371,319)
Net Student Tuition & Fees	316,552,171	320,069,260	320,762,299	329,207,147	338,946,374	349,509,176
State Appropriations	205,248,400	208,285,818	212,451,534	216,700,565	221,034,576	225,455,268
Investment Income	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Indirect Costs	34,000,000	34,000,000	35,020,000	36,070,600	37,152,718	38,267,300
Other Operating	12,636,902	12,636,902	12,636,902	12,636,902	12,636,902	12,636,902
Total Revenues	573,537,473	580,091,980	585,970,735	599,715,214	614,870,571	630,968,646
Operating Expenses						
Compensation						
Full-Time Faculty	152,341,195	152,935,367	156,376,413	159,894,882	163,492,517	167,171,099
Graduate Assistants	12,643,265	13,043,265	13,336,738	13,636,815	13,943,643	14,257,375
Part-Time Faculty	11,342,211	11,742,211	12,006,410	12,276,555	12,552,777	12,835,215
Other Academic	22,251,397	22,606,397	23,115,041	23,635,129	24,166,920	24,710,675
	198,578,068	200,327,240	204,834,602	209,443,381	214,155,857	218,974,364
Non-Academic	139,325,482	135,784,632	139,179,248	142,658,729	146,225,197	149,880,827
Fringe Benefits	90,712,009	93,712,009	96,991,930	100,386,647	103,900,180	107,536,686
Total Compensation	428,615,559	429,823,881	441,005,780	452,488,757	464,281,234	476,391,877
Operations						
General Expenses	100,051,480	92,675,093	93,513,215	94,435,856	95,386,993	96,367,510
Indirect Cost Recovery	3,285,000	3,285,000	3,383,550	3,485,057	3,589,608	3,697,296
Utilities	22,312,257	22,312,257	22,990,096	23,688,270	24,407,389	25,148,081
Transfers:						
Debt Service	24,897,374	29,093,910	29,093,910	29,093,910	29,093,910	29,093,910
Other	4,678,007	4,678,007	4,678,007	4,678,007	4,678,007	4,678,007
Total Operations	155,224,118	152,044,267	153,658,778	155,381,100	157,155,907	158,984,805
Strategic Initiatives						
Deferred Maintenance			2,000,000	5,000,000	7,000,000	10,000,000
Other Strategic Initiatives		4,221,892	4,000,000	3,000,000	3,000,000	3,000,000
Total Expenses	**583,839,677**	**586,090,040**	**600,664,558**	**615,869,857**	**631,437,142**	**648,376,682**
Shortfall	(10,302,204)	(5,998,060)	(14,693,823)	(16,154,643)	(16,566,571)	(17,408,036)

Assumptions

Category	Percentage
Tuition (FY24-FY27)	2.0%
State Appropriations (FY24-FY27)	2.0%
Indirect Costs (Effective FY24)	3.0%
Salaries (all):	2.0% - 2.50%
Benefits	3.5%
Inflationary Increases	3.0%

In this model, if state appropriations increase annually by 2% and tuition increased annually by 2%, we will have a $17 million shortfall in FY 2027. If state appropriations still increase annually by 2% but tuition increases annually by 3%, we will be in the black in FY 2027. David notes that there are funds for Strategic Initiatives and Differed Maintenance allocated for each year. The goal is to get the university in the black and to minimize the difference between projected/budgeted funds and actual performance.

This represents the first time Institutional Research has been asked to project enrollment five years into the future:

Student Credit Hours Forecast*

Student Level	FY2023	FY 2024	FY 2025	FY 2026	FY 2027
Undergraduate - FTIAC	0.6%	6.9%	2.0%	2.0%	2%
Undergraduate - Other Lower Division	-3.4%	1.8%	3.2%	2.0%	2%
Undergraduate - Upper Division	-3.0%	-1.8%	-0.3%	0.9%	1%
Masters	-10.0%	-1.8%	-0.3%	0.5%	1%
Doctoral	-2.1%	0.6%	0.7%	0.7%	1%
Law	-5.6%	1.2%	0.0%	0.0%	0.0%
Medicine	-0.6%	2.0%	0.4%	0.1%	0.0%

Institutional Research is very aggressive about increases of FTIAC enrollment in FY 2024. They are, in contrast, conservative on the graduate student side. People in the Provost's Office and Institutional Research think there will be better figures there. Student credit hours coupled with tuition rates and state appropriation will drive the budget discussion.

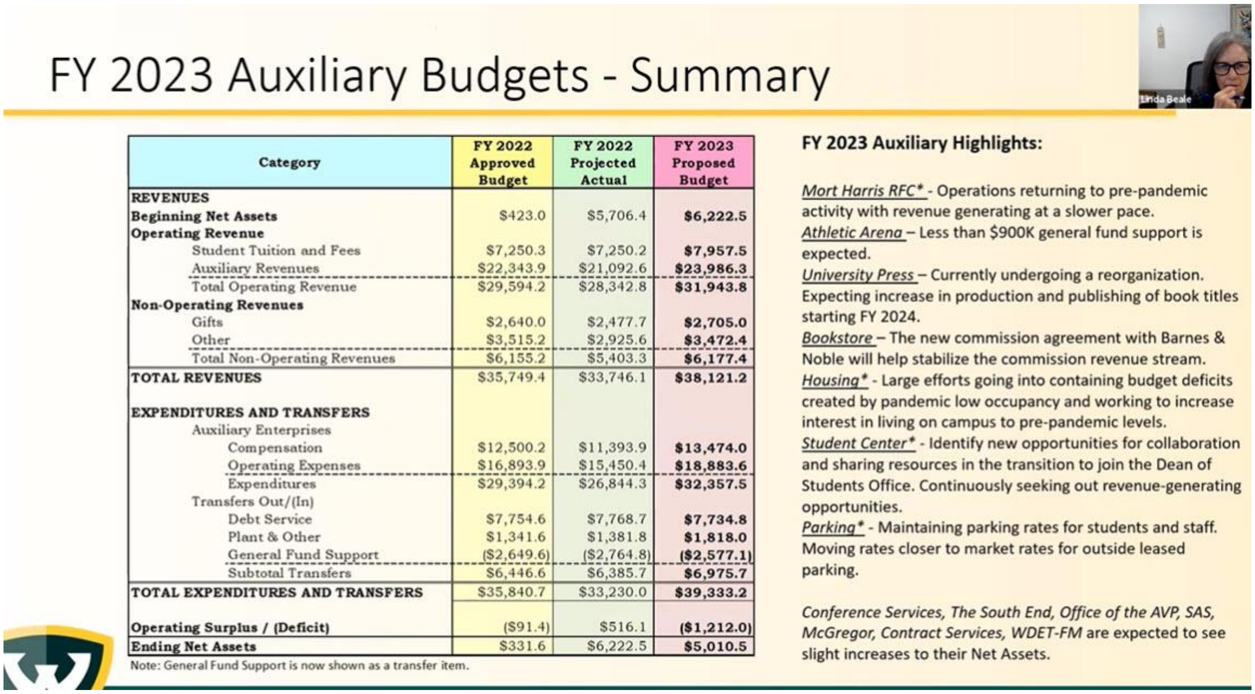
Paul Dubinsky asked about the projected inflation rate of 3% on the 5 Year Outlook slide. David agreed that it now looks as though the inflation rate will be higher. But this is an estimate of the university's cost inflation rate and not necessarily the national economy's inflation rate. Paul asked if generally the inflation rate for the university was lower than the inflation rate for the national economy because salaries are negotiated by unions. David suggested it depends on the environment. In low inflation environments, the inflation rate for the university is probably higher than the national economy. In collective bargaining right now, our cost increases are less than the 8% inflation rate in the national economy. 75% of our costs are relatively fixed at that level because they are wage costs. Even if the 8% or 9% inflation rate of the national economy affects the other 25% of our costs, we will have a lower inflation rate of our costs than the national economy. Employee costs do not rise at the national rate of inflation. We are going to get upward pressure for the retention of our employees if inflation really starts to go up. That is across the board: represented—non-represented, faculty—non-faculty. The estimate of a 3% inflation rate was done in winter 2022. They are trying to hold the inflation estimate constant across the five years and they do not have enough data confidently to make a new estimate.

Paul asked specifically about the inflation of energy prices. David acknowledged that increased energy prices create a great deal of inflationary pressure. He has not, however, seen increases in energy costs in the 8%-9% range. The increases at that rate are primarily on motor vehicle fuel.

Linda Beale asked about assumptions concerning funding through NIH grants. The 5-year outlook keeps indirect costs constant for FY 2022 and 2023 and then increases them annual for the four following years. David noted that our indirect cost recovery has gone down even though our grants have not suffered as steep a decline. That seems to be because researchers were not able to spend their grants during the COVID crisis. At some point, researchers will resume spending grant money, which will in turn bring in increased indirect cost recovery. David suggested that the projected date for increased grant spending of FY 2024 may not be easy. A great deal depends on what health and safety restrictions remain necessary. Brelanda Mandija said that this was indeed the process they went through in formulating this assumption.

d. Fiscal Year 2023 General Fund and Auxiliary Budget

David asserted that the Auxiliary Budget does not contain a lot of change from last year.



FY 2023 Auxiliary Budgets - Summary

Category	FY 2022 Approved Budget	FY 2022 Projected Actual	FY 2023 Proposed Budget
REVENUES			
Beginning Net Assets	$423.0	$5,706.4	**$6,222.5**
Operating Revenue			
Student Tuition and Fees	$7,250.3	$7,250.2	**$7,957.5**
Auxiliary Revenues	$22,343.9	$21,092.6	**$23,986.3**
Total Operating Revenue	$29,594.2	$28,342.8	**$31,943.8**
Non-Operating Revenues			
Gifts	$2,640.0	$2,477.7	**$2,705.0**
Other	$3,515.2	$2,925.6	**$3,472.4**
Total Non-Operating Revenues	$6,155.2	$5,403.3	**$6,177.4**
TOTAL REVENUES	$35,749.4	$33,746.1	**$38,121.2**
EXPENDITURES AND TRANSFERS			
Auxiliary Enterprises			
Compensation	$12,500.2	$11,393.9	**$13,474.0**
Operating Expenses	$16,893.9	$15,450.4	**$18,883.6**
Expenditures	$29,394.2	$26,844.3	**$32,357.5**
Transfers Out/(In)			
Debt Service	$7,754.6	$7,768.7	**$7,734.8**
Plant & Other	$1,341.6	$1,381.8	**$1,818.0**
General Fund Support	($2,649.6)	($2,764.8)	**($2,577.1)**
Subtotal Transfers	$6,446.6	$6,385.7	**$6,975.7**
TOTAL EXPENDITURES AND TRANSFERS	$35,840.7	$33,230.0	**$39,333.2**
Operating Surplus / (Deficit)	($91.4)	$516.1	**($1,212.0)**
Ending Net Assets	$331.6	$6,222.5	**$5,010.5**

Note: General Fund Support is now shown as a transfer item.

FY 2023 Auxiliary Highlights:

*Mort Harris RFC** - Operations returning to pre-pandemic activity with revenue generating at a slower pace.
Athletic Arena – Less than $900K general fund support is expected.
University Press – Currently undergoing a reorganization. Expecting increase in production and publishing of book titles starting FY 2024.
Bookstore – The new commission agreement with Barnes & Noble will help stabilize the commission revenue stream.
*Housing** - Large efforts going into containing budget deficits created by pandemic low occupancy and working to increase interest in living on campus to pre-pandemic levels.
*Student Center** - Identify new opportunities for collaboration and sharing resources in the transition to join the Dean of Students Office. Continuously seeking out revenue-generating opportunities.
*Parking** - Maintaining parking rates for students and staff. Moving rates closer to market rates for outside leased parking.

Conference Services, The South End, Office of the AVP, SAS, McGregor, Contract Services, WDET-FM are expected to see slight increases to their Net Assets.

Linda Beale asked if the university will be subsidizing parking. David explained that there would be a one-time subsidy of $1 million dollars to parking in FY 2023. Brelanda commented that the subsidy was based on need and David added that the money would not be transferred until needs arise.

Linda also asked how the budget for FY 2023 addressed the problems of campus tidiness and the lack of trash pickup both inside and outside the buildings. David stated—and pointed out that Rob Davenport also feels the same—that our campus is not maintained as a world-class, R1 institution should be. But David also pointed out that, last year, they had had a plan for reforming these issues and then 65 buildings flooded. David is not sure the university needs immediate resource injection into this area in terms of staff. They do need to fill vacant positions and manage FMLA better. The budget is sufficient to return to the custodial levels observed before the COVID crisis. At the same time, the building maintenance demands—largely generated by our extreme levels of differed maintenance—require more diversion of funds. Rob Davenport supports David's assertion that an increase in the custodial services side is not needed. We need to focus on the tasks that need to be accomplished and on instituting proper reporting that leads to accountability. It is a middle management issue. Steven Gilsdorf, Senior Director for Facilities Operations and Maintenance—Soft Services, is working diligently on these problems. We do not believe more money will solve the problem. David added that he and Rob are now involved in spot checking buildings every Wednesday morning.

Rob also commented on the hard services/skilled trades side—mechanical, electrical, plumbing, and preventative maintenance—they will need to enhance the budget. A process called planning and scheduling is scheduled to go live in the next couple of months. As with the soft services side, they are building processes of robust reporting and accountability.

e. FY 2023 Campus Room and Board Rates

David turned the discussion of campus room and board rates over to Tim Michael, adding that the real impact of inflation will be seen in these rates. Campus housing was significantly affected by the COVID crisis. Occupancy of housing in FY 2020 was only 37% and, In FY 2021, it was 65%. We are looking to further increase housing occupancy in the Fall 2022 semester, but we do believe it will take a few years to reach the 90% occupancy levels we enjoyed before the pandemic.

The calculation for campus room and board rates this year reflect inflation and the impact of supply chain and staffing problems. It is also the case that our housing partnership with Corvias delegates to the corporation increasing room rates at 3% or below. This year for the first time, the request is for more than 3%. The increase is for a 4.41% increase in room rates. This proposal will have to be approved by the Board of Governors at the June 24 meeting. With this in mind, we made real efforts to hold the increases in board rates as small as possible given current inflation in food prices and other factors. The increases, depending on meal plan, are between 3.02% and 3.57%. This amounts to an increase of about $4.00 per week. Over the last year, the cost of “food at home” has increased 10% to 11% and “food away from home” has increased 7.2%. There were also significant increases in the wages of students and full-time staff in dining. In the last two years, those wages have increased over 20%. Last year student wages in auxiliary services increased from $9.50 per hour to $12.00. Wages for hourly positions now range from $15.30 an hour to $22.09.

The first-year benchmark package, which is used to compare room and board rates across Michigan universities, will increase 3.89% to $11,420. That is an increase of $428 over the cost of the benchmark last year.

We are making one improvement this fall that will help support bringing people back to campus. It is a robotic delivery service called Starship. You can order food in a fashion similar to Grubhub and can arrange delivery in a manner similar to Uber. The robot will bring the order to the location designated by the purchaser.

Linda Beale asked about the decision to close the three coffee PODs in Law, FAB, and AAB. She believes that in some instances, for example, the Law POD, they are an important element of student well-being. She would like a further explanation of the decision. Tim explained that all of the PODs were loss leaders for campus dining. They did not recover their costs of operation. They are hoping that robotic delivery, Starship, will help mitigate some of the loss at locations like Law. The reality is the Food Service could not afford to continue to operate those operations. There is, however, a large POD in the Undergraduate Library that will stay open. Though the Library POD does lose money, it is very central to a location where students spend a lot of time. The same rationale applies to Dunkin’ Donuts: the daily sales in that location were dismal even before the pandemic. Linda asked about how much money was being lost in those locations. Tim said it varied, but it was in the five-figure range. He offered to send Linda the details. Stephen Calkins offered that he was going to raise the same issue. The problem for the Law School is that right now it is a ghost town. The Law School administration and its new dean of students are committed to jump starting student life. They need to make the WSU Law School somewhere students want to come so they do not go off to somewhere like Michigan State. He is sure the Law School administration would welcome having the POD reopened. Tim said he is always open to discussion. He added, however, that Campus Dining now operates something like 13 or 15 locations, and they all lose money except for the two cafeterias. Students on the board plan subsidize all the other operations. When the Scott Hall cafeteria closed a few years ago, they had extensive conversations. But when that cafeteria closed it was losing over $100,000 a year.

Linda suggested that when Corvias signed their contract with WSU they took on a certain measure of risk. She wondered if we were being too generous with Corvias by adjusting our room rates to mitigate their losses during the pandemic. David stepped in to offer that it was no secret that the partnership did not make its debt payment of a few million dollars in June and that Corvias has subordinated fees of some $17 million that they will never receive. The money they are receiving does not cover their costs. We are now in a restructuring phase because we feel an obligation to propose rates in good faith that will cover their costs. If and when we end up in litigation because of this, we need to be reasonable. Corvias can easily show costs have increased at this rate. Even so David does not believe Corvias will ever be paid the amount they believe they are owed.

Tim explained that the budget for housing is developed over a three- or four-month period with Corvias. In this process, Corvias does present to the controlling committee and the budget is discussed at length and a variety of scenarios, more costly and less costly, are examined. WSU and Corvias have equal representation on the controlling committee. Tim believes that Corvias was reasonable with us in considering what our students could afford and setting our benchmark combining housing and board. WSU needed to be reasonable particularly in light of increases costs that are well above 4%. Linda asked if Corvias had fallen below the level of service we expected during the pandemic. Tim replied that none of our expectations for service or quality have changed. What has happened during the pandemic is increased difficulty in retaining staff. There was about a 50% reduction in staff and we are still down about housekeepers. Tim does expect staffing to be up to level for the fall semester; we have been clear with Corvias about our expectations.

Paul Beavers explained he knew this was a broader question than simply room and board rates, but he did note Tim's comments on increased hourly wages on campus. He heard recently that the University of Michigan had recently declared its support for a living wage for all its employees. Paul remembers that Ned Staebler made a presentation to the Board of Governors this past academic year in which he stated that WSU is moving in that direction. Is WSU declaring itself to be a living wage campus or are we de facto becoming a living wage campus because that is the way to get positions filled? David explained that the administration was comfortable with the language in Ned's report and we are trying to get there. David is hesitant to use a phrase like "living wage" because the living wage today is probably different than the living wage a year ago. We are going to have to pay these workers more and we are working to do so. He has not seen a report on how many employees are receiving less than $15 per hour; he does not imagine that there are many, if any, employees receiving less than that except for students.

f. State Hall Renovation – Phase III of III

David began by saying that they had worked very closely with the academic side of the house to make sure that the State Hall classrooms will have the latest technology and will offer flexible environments for teaching and learning. Rob Davenport also stated that the 65 general purpose classrooms in State Hall will offer a range of furniture and classroom configurations and capabilities that will allow for great flexibility. On the C&IT side, the technology will allow classrooms to be remote in any room. The rooms will also provide the creature comforts that underlie pleasant learning and teaching environments. The exterior of State Hall is also being addressed in a nice way. We are updating both the Cass entrance and the west entrances. And we are removing the glass block that used to play such a role on the exterior.

Rob explained that this is the first project in recent memory in which they have taken the time to work through schematic design, design development, and construction documents before coming up with a final price. The statement that this will be an $80 million project is a well-supported estimate of what the high end for project cost will be. We are in a safe place with this estimate despite inflation and the dynamics around the construction market in Detroit and Southeast Michigan. Labor is scarce and there are supply chain issues, but they believe they have solved those problems for this particular project. Other projects that are on the docket, however, may be impacted by these issues.

David Massaron shared his approval of how the construction planning for State Hall has really helped the university avoid the problems that have arisen with costing other projects. We are not beginning with an estimate of say $70 million and then having to update the estimate to $75 million and then having to update it again. This can result in cuts to the project to stay within the original budget, and cuts that are not necessarily the best and most rational approach to a given project.

g. Harwell Field Baseball Infield Turf

Rob explained that all $1.1 million for the artificial turf for Harwell field is donor funded. This is a necessary improvement because collegiate baseball has an odd schedule that has them playing almost in the winter, certainly when Detroit’s weather is still wintery. The artificial turf provides for a better playing surface with improved drainage, which creates a better experience for both the players and the fans. Linda Beale asked how long this artificial turf will last. Rob said it was a 20-to-30-year product. When the turf reaches the end of its usefulness, instillation of replacement turf will be cheaper because the drainage work and other preparations will already have been performed. Linda added that she was thinking about the plastic, which, unlike actual grass, will always be with us.

h. Informational Report Major Capital Projects Summary

Rob pointed out that, among the major capital projects, we are keeping a close eye on the Hilberry Gateway project. Supply chain concerns and labor issues are impacting this project. We are pressing for a completion date in December 2022 and holding fast to that date. There are no other abnormalities on the other major capital projects.

i. Purchasing Exceptions

Ken Doherty fielded questions on the purchasing exceptions report. Linda Beale asked about Number 7 on the list, a payment for consulting services for Implicit Bias Workshops. This is $48,600 just for Implicit Bias Workshops for the Achieve Greater grant and working with the Community Engagement Core (CEC) project to provide implicit Bias Workshops to OVPR. Linda asked about the increase of costs over the listed previous small dollar PO's for workshops from this vendor and hoped the quality of the workshops would be greater than the implicit bias training given previously. The $48,600 is a summary of this and other purchases over the past two years. A very specific proposal is behind this particular project for implicit bias training that accounts for much of the cost. Ken offered to reach out to Phillip Levy to get Linda more details. Linda said she would be very interested in having more detail. Ken said that this project is not very much like the earlier projects, but out of a concern with transparency the report provides the Board of Governors with the costs of earlier projects with the firm.

IV. Other business

Paul thanked all of the Budget Committee members, the many people who come with David Massaron to the meetings, and the liaisons from various units and organizations. This meeting concludes the Senate Budget Committee's work for the 2021-2022 academic year. He looks forward to seeing and working with many of them in the fall. David and Linda Beale echoed these thanks.