

*Academic Senate Budget Committee Meeting Notes*

*Monday, March 04, 2024*

Chair: Andrea Sankar (ANTHRO, CLAS)  
Linda Beale (LAW)  
Stephen Calkins (LAW)  
Wei Chen (ONC, MED)  
Chris Collins (MUSIC, CFPCA)  
Damecia Donahue (LIBR)  
Brian Edwards (BMI, MED)  
Christine Jackson (MGMT, BUSINESS)  
Satinder Kaur (OBG, MED)  
Wassim Tarraf (HEALTH CARE SCI, EACPHS)

Time 11:00 AM – 12:30  
Location In person FAB Room 4339

Members present??	Linda Beale, Stephen Calkins, Wei Chen, Chris Collins, Damecia Donahue, Satinder Kaur, Andrea Sankar, Wassim Tarraf, John Heinrichs
Members on Zoom	Brian Edwards, Christine Jackson, Santanu Mitra
Absent	
Liaisons	Amr Abdel-Azim, Alana Askew, Robert Davenport, Bethany Gielczyk, Brelanda Mandija, Karin Tarpenning, Ken ????
Guests	

**NOTE: Promises to provide follow-up information for issues that arose at this meeting are bolded in red text.**

The meeting was called to order at 11:01 am. There were no changes to the agenda.

While waiting for more members to join the meeting, the members discussed several resources related to organizing lecture notes and meeting minutes.

- Dragon Suite
- Zoom captioning for meetings
- Software that summarizes meetings in progress
- Program that lists the follow-up tasks from a meeting and who is assigned to do them.
- AssemblyAI program to summarize lectures – used in the Medical School.
- Jaspers Program to generate essays of 10k words or more.

There was also some debate about the best way for students to learn from a lecture – generate their own notes on paper or be given the notes so they can pay full attention to the lecturer.

Adoption of the minutes from the meetings on 11/13/2023 and 12/ 4/202 was deferred as only 6 members of the committee were present or on Zoom. The review and adoption will be done by email after this meeting.

The committee then stepped through the first six items on the agenda (A-E).

- A. Contingency Reserve (Bethany Gielczyk)
- B. Annual Report on the Long Term Investment
- C. Annual Report on the Cash Pool Investments and Debt Program for Fiscal 23
- D. 3T MAGNETOM Cima X for Neuroscience Research Grant
- E. Informational Report: Major Capital Projects Summary
- F. Purchasing Exceptions

The University is currently searching for a senior Vice-President for Finance with the strong financial and administrative skills needed to manage a division with over 600 employees and five major units (1) police, (2) human resources, (3) business affairs, which includes contracting and procurement, (4) finance, and (5) facilities. Robert Davenport (Associate V-P for Facilities, Planning, and Management) has recently accepted an offer from The University of Cleveland and will also need to be replaced.

**[A] Contingency Reserve Fund: Bethany Gielczyk (Chief Financial Officer & interim V-P for Finance)**

- Originally established to fund emergency expenditures that required Board approval. Now mostly used to fund searches for senior personnel.
- Received \$500,000 in the current budget year – same as previous years.
- Funded successful search for Melissa Smiley, Chief of Staff & University Relations (\$100,000).
- Presently funding (\$150,000) ongoing search to replace Dave Massaron, Senior V-P for Business Affairs, who has recently joined General Motors to manage their real estate portfolio – including the soon-to-be-vacated Renaissance Center in Detroit.

**[B] Annual Report on Long Term Investment (Endowment): Alana Askew (Asst. V-P for Treasury)**

- Treasury has three primary responsibilities: (a) Collaborate with the WSU Foundation to manage the University endowment, (b) Oversee management of the University's working capital and (c) Manage the University debt.
- The WSU Foundation Board has 2 members from WSU - David Massaron and David Ripple (V-P for Development and Alumni Affairs) – and 5 members from outside finance organizations – Elizabeth Goldsberry (Kresge Foundation), Quincy Allen (Arc Capital Partners, LLC), David Sowerby (Ancora), Susan Telang (Carhartt, Inc.) and Sean Werdlow (Eminence Partners). Ms. Goldsberry chairs the Foundation Board. Bethany is currently the interim replacement for Dave Masarron. The Board revised the WSU investment policy in 2022. It sets the goal for the overall investment return.

- Three entities manage the endowment investments: (a) the Outsourced Chief Investment Officer (OCIO) who manages the investments directly in the market, (b) the WSU Foundation which defines and transmits the University's investment priorities to the OCIO, and (c) the WSU Investment Committee, which provides detailed investment information to the Foundation. In 2022, the Board chose the Common Fund to be the OCIO.
- [S. Calkins: gist] If WSU is entrusting most of its investments with the Common Fund, a professional investment firm, why do we have the Foundation telling them what to do? A. Askew replied that the WSU Foundation provides oversight and general guidance based upon the University's needs and priorities. On rare occasions, the Common Fund has proposed investments that the Foundation and the Investment Committee have not supported.
- [L. Beale: gist] The Foundation Board and the Investment Committee have recently discussed the application of ESG criteria (Environment, Society, Governance) on investment choices. The discussion is ongoing.
- [S. Calkin: gist] Asset allocation is extremely important. If Common Fund are the experts, why does WSU second guess them?
- [A. Askew gist] WSU has a collaborative relationship with Common Fund. They have years of experience and have provided a lot of information about the allocations chosen by other clients.
- [L. Beale: gist] A primary responsibility of the WSU Foundation Board is to ensure that the investments match the overall risk tolerance of WSU.
- The current asset allocation, defined in 2022, is 40% in private investments. The overall goals are 60% equity, 20% fixed income, 10% real assets, and 10% diversifying. The private component of these allocations will reach 40% within approximately 5 years.
- [S. Calkin: gist] What funds are In the "Diversifying" group?
- [A. Askew: gist] Multiple smaller Investments that do not fit the other buckets. **After this meeting, she will get a breakout of the diversifying funds for the committee.**
- The endowment was valued at \$542M in Dec. 2023. The one-year return (13.9%) surpassed the benchmark (13.0%). The 10-year return (5.8%) is slightly below the benchmark (6.1%).
- [S. Calkin: gist] What is our benchmark?
- [A. Askew: gist] It is not based on the S&P 500. It is a blended benchmark that is approximately 70% MSCI Aquie (??) and 30% Lehman government bonds. **She will get the exact breakout for the committee after this meeting.**

#### **[C] Annual Report on the Cash Pool and Debt Program for Fiscal 23: Alana Askew (Asst. V-P for Treasury)**

- "The Cash Pool represents the cash reserves and working capital for the University, with the main objective of generating income to support the budget while protecting the principal and maintaining sufficient liquidity." Its OCIO is NEPC.
- Inflows are tuition and fees, sponsored programs, and state appropriations
- Outflows are general disbursements, payroll, and debt service.
- As of 9/30/2023, The cash pool was approximately \$618M, which includes the one-time state contribution of \$50M towards the new School of Medicine building.
- Recently, these investments have tilted away from fixed income and into cash which now earns 4.5-5.0%. The one-year return (4.6%) surpassed the benchmark (3.5%) significantly and will

result in additional income for WSU. The 5-year return (2.3%) is slightly above the benchmark (2.2%).

- SLIDE: DEBT: WSU has \$503M in outstanding debt (9/30/2023) that is all fixed rate and amortizes at approximately \$18M per year with an average interest cost of 3.35%
- SLIDE: DEBT RATING: Classified as “stable” by Moody’s (AA3) and S&P (A+). The general rating for higher education is negative, so our “stable” rating is a positive result.
- [B. Gielczyk: gist] Both companies are aware that the WSU Board of Governors has approved \$150M in new bonds for the School of Medicine building. These bonds have not been issued because WSU will spend the state appropriation first (\$100M). Going forward, the University also anticipates that the interest rates will drop.
- Two basis swaps related to series 2015A bonds with a notional amount of \$33.5 M, generated approximately \$2.8 M in cash receipts for WSU.
- SLIDE: TREASURY MODERNIZATION: WSU completed a transition from Comerica and Fifth-Third Bank to Huntington Banks in July 2023 with consolidated accounts and enhanced banking services.
- The Board of Governors approved a spending policy change in September, 2023 that will become effective October 1, 2025.
- [B. Gielczyk: gist] The new spending policy adjusts the rate annually to avoid negative spending in endowments. Quarterly reports are sent to Deans listing the balances in the restricted and designated funds to encourage spending that matches the intent of the donors, thereby encouraging additional donations, and avoids accumulation which then puts pressure on the General Fund to make up the deficits. Deans are now required to have a 3-year spending plan for restricted and designated accounts so accumulating, unspent balances can be moved from these spending accounts into the endowment accounts where the interest rates are significantly higher. If left in the cash pool, the designated accounts earn a reasonable return, but those gains go to the University, not to the designated account. This policy also identifies designated accounts that are growing because the School or College cannot spend the funds in accordance with the original designation by the donor. WSU can then consult with the donor to modify the designation so the funds can be spent more easily.
- SLIDE: LONG TERM DEBT: As of 9/30/2023, the University had a total of \$503,095,000 in long-term debt generated by 10 bond series from 2007 to 2023. Four series are “taxable” and the other six are “tax-exempt”. Taxable debt has higher interest rates than tax-exempt debt but can be spent for almost any purpose with no reporting requirements. Tax-exempt debt has many restrictions and reporting requirements.
- [B. Gielczyk: gist] For example, tax exempt funds cannot be shared with a private entity.

**[D] 3T MAGNETOM Cima X for Neuroscience Research Grant: Bethany Gielczyk (Chief Financial Officer & interim V-P for Finance)**

- Several years ago, WSU received a large NIH grant to purchase a new MRI. The current decision is to install it in Applebaum in June or July rather than leasing space from the DMC, which has an older MRI.
- The original, state-of-the-art MRI requested in the grant, was recently upgraded and now costs an additional \$148,000, so it must be reapproved by the Board of Governors.
- The older MRI will be used for current WSU research until January, 2025. If DMC is unwilling to assume the maintenance costs, then WSU will sell the machine to recoup some of the cost.

## [E] Informational Report: Major Capital Projects Summary: Robert Davenport (Associate V-P Facilities Planning & Management)

- [B. Gielczyk: gist] Rob leaves in two weeks for a new position. Amir is the new Senior Director of Designing Construction Services recruited from MSU. He will also be the interim Associate V-P when Rob leaves.
- [9. JAZZ CENTER] The delayed Jazz Center (Hilberry Gateway Performance Complex) will host a short performance at the end of this month and then be fully open for the Jazz Festival on the Labor Day weekend.
- Rob and Linda, both jazz enthusiasts, reminisced about a local jazz performance by Stan Getz.
- [1. DEROY REFLECTING POOL] Due to some new issues, It will be completed sometime between July 2024 and the end of the year. There will be a soft opening this Fall and a full celebration next spring.
- [16. DeRoy Auditorium] The renovations in the basement will (hopefully) also be completed by December, 2024 to optimize availability of the classrooms. An elevator may need to be installed as a separately funded project.
- [NEW SOM BUILDING] This project is just starting and is not yet on the Major Capital Projects List.
  - President Etsy will select the final architect and engineering firm on March 18.
  - The selected site is parking lot 75 – across from Scott Hall and adjacent to Elleman.
  - A committee of SOM faculty is involved in the planning process.
  - The Kramer Group will be the owner’s representative. They are very familiar with the top two architect and engineering firms that specialize in building laboratories.
  - Intense planning sessions (design charettes) will begin shortly.
  - Designing the new building will require about a year. It will have 180,000 square feet and cost approximately \$1,100 per square foot.
  - Construction will take another 3 or 4 years. It will have only open concept laboratories. President Espy strongly supports using the most modern design concepts available.
- [SCOTT HALL] Scott Hall is needed for at least 5 more years.
  - Last December, the Board of Governors allotted \$2M to replace the dead chiller on top of the building. The building will probably be renovated to some degree afterwards.
  - When the new building is available, floors 4-9 in Scott Hall will be vacated and most of the occupants would move to the new building. Floors 1, 2, and 3 will continue in use.
  - Floors 4-9 will be renovated if - and when - funds become available. This renovation is complicated by the fact that each quadrant of Scott Hall has a separate HVAC system, so one cannot renovate the building one floor at a time.
  - Scott Hall has 500,000 square feet of floor space. WSU does not have, nor probably ever will have, the funds to replace the entire building. Renovation is the preferred plan.
- [SCOTT HALL → NEW BUILDING] The move from Scott Hall to the new labs will be managed by the OVPR in partnership with the Karmanos leadership as required by the conditions on the State allocation.
  - The new building should be ready for occupancy in the first quarter of 2028. Elliman and the new building should accommodate the active research groups at that time. Renovation of floors 4-9 in Scott Hall would then be used for growth.
  - Open concept laboratories maximize face to face interactions among research groups. The modules can assigned based on specific needs and available grants.

- [L. Beale: gist] Parking Structure #1 has problems:
  - Despite a recent, expensive renovation, some drainage pipes spew out water, which then freezes and makes walking across that space hard, and sometimes dangerous. **She will send a picture to the Facilities Office.**
  - The crews who scrape off the snow and ice in the parking structures often scrape the new epoxy sealant on the concrete floors because they do not use rubber blades on their equipment.
  - Some of the big lights outside Parking Structure #1 are so bright they blind drivers who exit the structure and then turn right.
  - Speed bumps are needed near the parking structure because people are driving 50 mph on the adjacent streets. “I felt like I almost got run over by a car the other night when I was walking there”.
- [B. Gielczyk: gist] Previous requests for speed bumps near the law school and in some parking lots have been refused by Detroit officials because they hinder plowing the roads.

**[F] Purchasing Exceptions: Bethany Gielczyk (Chief Financial Officer & interim V-P for Finance)**

- B. Gielczyk asked if there were any questions about the Purchasing Exceptions.
- [S. Calkins: gist] Please explain Item #9, which is a short term extension to a contract with the D.C. law firm, Squire Fatten Boggs, LLC. However, there will be a new contract starting March 1, 2024. ANSWER: It was an extension request because WSU is going out to bid now.
- [S. Calkins: gist] Please explain item #17, a no bid contract with RuffaloCODY Holdings LLC. ANSWER: Ruffalo has a long-standing national reputation for development and enrollment management. Amad and Michael had several conversations about this contract before Michael signed it. [L. Beale] There is a spelling error in this entry. “Ingrate” should be “integrate”.
- [L. Beale: gist] Has Ruffalo been worth the multiple large contracts, some exceeding half a million dollars? ANSWER: RuffaloCODY was deeply involved in the creation of the WSU “team”. They provided research and a “ton of analysis” on multiple topics: (a) Who is WSU going after. (b) How can we recruit them, (c) WSU guarantees and at what levels. (b) Various levels of merit awards.
- [L. Beale: gist] “I do really wonder sometimes with these consulting services. My granddaughter , for example, applied here and has not gotten anything from here at all, and she’s a 4.0 student in high school”

**[ADDENDUM] SLIDE: Preliminary FY2025 Budget Outlook (March): Brelanda Mandija (Senior Director. Budget and Planning. Budget, Planning & Analysis).**

- Assumptions: (a) Enrollment will be flat – similar to FY2024. (b) State appropriations will increase by 2.5%. (c) Tuition and fees will increase by 4%. Compensation for represented and non-rep employees will increase 2%- 3%.
- Notable expenses:
  - The Provost will receive \$5,604,393 for retention and recruitment of faculty. Most of the recruitment will be done through the Mellon grant.
  - More access and security cameras will be installed at an estimated cost of \$2,875,000. This expense will repeat for the next 3-4 fiscal years.
- Assumed: Revenue – Expenses = \$24,717,523 - \$36,429,393 = (\$11,711,870) = Assumed Deficit.

- These values were reviewed with the schools, colleges, and divisions in March. However, they will be revised in April. A strategic base budget reduction of 1% is approximately \$4M so the units were asked to consider possible reductions of 3% or 6% to their budgets.
- [B. Gielczyk: gist] The average tuition at WSU is now below the average for the 15 public universities in Michigan, including Eastern Michigan and Oakland Universities.
- [L. Beale: gist] The preliminary budget estimates that compensation will increase by \$14,200,000. It would be very helpful to break that number down to increases for represented employees, non-represented employees, and senior administrators. Previous budget reviews had revealed that about half of the non-represented employees are senior administrators.
- [B. Mandija: quote] “Yes, I definitely have the non-reps versus reps, but I do not have the senior execs versus the rest. **So I will work on that piece for sure”**.

**[ADDENDUM]** [L. Beale: gist] **BIDET TOILETS:** There is a need for bathrooms with bidet toilets to meet the religious needs of Muslim students to wash after using a toilet. Every building should have at least one female and one male bathroom with a bidet. Current efforts by students to fulfil this religious obligation are causing sanitation problems. [R. Davenport, gist] **We will give you an update on this.**