

Academic Senate Budget Committee (ASBC) Minutes

Meeting of January 28th, 2019

Monday 11:00 a.m. to 12:30 p.m.

Room 1339 FAB

Present: Richard Smith (Chair), Linda Beale, Paul Beavers, Stephen Calkins, Dante Dixon, Brian Edwards, Mahendra Kavdia, Ricardo Villarosa, William Volz, Charles Parrish, Heather Sandlin

Absent with Notice: Leela Arava, Santanu Mitra, Rayman Mohamed, Sudip Datta, Lou Romano

Absent without Notice: Bryan Morrow

Liaisons: Victoria Dallas (Policy Committee), Kristen Chinery (AAUP-AFT), Jasmine Coles (Student Senate), Thomas Anderson (UPT), Sharon Lean (Graduate Council), William Decatur, VP for Finance and Business Operations

Invited guests: Bryan Dadey, Senior AVP Finance and Deputy CFO; Harry Wyatt, Associate Vice President for Facilities; Jeffery Bolton, Assistant Vice President for Budgets

The meeting began at 11:05am.

- I. **Minutes of Dec. 3rd, 2019** were approved unanimously by voice vote.
- II. **Harry Wyatt, Associate Vice President for Facilities: Discussion of the Campus Master Plan**

The meeting begin with a discussion of the campus master planning process by AVP Harry Wyatt. The campus master plan will be finished in July 2019. It will be approved by the board of governors at the June meeting. The committee asked that Mr. Wyatt have

someone present the status of the plan both at the Academic Senate and to the Academic Senate Budget Committee meeting with the unit budget advisory committees.

They are currently in a data gathering mode. Although the university knew that the condition of buildings was bad, the results show that it is much worse than previously understood. They are creating scenarios to share with constituents. Some of focus groups include the preservation community, neighborhood residents, other cultural organizations, businesses, and alumni. In February they plan student input. At the end of February, faculty and staff input. The committee suggested that they do intentional outreach to graduate/professional students and postdoctoral fellows. Another member recommended they meet with housing and the Student Senate. In particular, the committee suggested reaching out through the graduate school. Mr. Wyatt agreed with these suggestions.

Mr. Decatur indicated that results show that deferred maintenance of our buildings is an estimated \$2 billion. Many academic departments landed where they are by opportunistic reasons rather than a thoughtful analysis considering which departments need to be close to other departments for collaboration and coursework. This creates an opportunity to consolidate and move departments that might be better served closer together. For example, they're doing this with life sciences and the renovation of the science and technology library.

Questions and Answers: One member asked if the master plan included off-campus sites and Mr. Wyatt said yes but they are a minor part of the campus master plan. Another committee member brought up issues of historic preservation and the abundance of parking lots. Mr. Wyatt affirmed the importance of preservation. For example, Wayne State has as a commitment always keep Old Man, the MacKenzie House, Freer House, and the Yamasaki buildings. The committee also confirmed with Mr. Wyatt that the universities archaeological sites were considered in the master planning.

III. Jeffery Bolton, Assistant Vice President for Budgets: Updates to Responsibility Centered Management.

A VP Jeff Bolton discussed updates to responsibility centered management. There are several updates to RCM after discussion with department chairs and unit heads. As a reminder, there are two main allocations in an RCM model. One is revenue allocate (I.e.,

dividing the state subsidies among units) and the other is the cost allocation (I.e., estimating the costs each unit has). The state appropriation approximately 200 million per year. This is divided up to units as part of a revenue allocation.

Credit Hour Cost Allocation: In terms of allocating the credit hours, the revised proposal would wait the credit hours based on the cost of the instruction and the cost of the degree. There is a model of these weights available from the state of Ohio and they publish it with the annual updates. In the event that we have degrees were majors that are not included in the Ohio model we will come up with their own weights. William Decatur noted that the feedback he was hearing was that a flat credit allocation was not fair because of differences in the cost of construction. This accounts for more lab intensive courses in the school of medicine and engineering for example.

Revenue allocation of graduate and professional tuition: The second update with regard to our CM asked to do with a graduate and professional tuition. After reviewing different scenarios we decided that 100% of the graduate and professional tuition should stay in the college of the major. This is different than undergraduate tuition which would be split between the course of the major and the course of instruction.

Questions and Answers. One committee member asked if this would discourage cross enrollment and graduate programs. Linda Beale noted that for undergraduate instruction units like the College of Liberal Arts and sciences create courses for other undergraduate programs. Graduate students are usually just taking existing classes that have an extra seat. However, graduate certificate programs may be different. William Decatur informed us that when they ran the model there was a little cross over in graduate programs and thus little change in the budget allocation and whatever change happened would be have to be made up with subvention. This emphasizes the need to create incentives for Graduate and multidisciplinary and interdisciplinary units to reward certain behaviors.

Fourth cost allocation budget bucket for research expenditures. The third change or update from responsibility centered management are ongoing discussions about indirect cost recovery otherwise known as F&A. Units that generate higher indirect costs will be charged more to account for the expenses of OVPR.

Questions and Answers. A member of the committee asked if this would change the current split of indirect cost recovery between Dean's chairs principal investigators

because there have been conversations about all the ICR money going to the Deans. Mr. Decatur reminded everyone that this was a discussion about the budget model cost allocation at the unit level and not about changing policies about the distribution of indirect cost recovery from Federal grants. Mr. Bolton added that if anything there was more interest in increasing the ICR split for the PIs.

Differential Space Cost Allocation. The fourth change being discussed with RCM is to allow for differential cost for different kinds of space (e.g., research, office, classroom space).

Undergraduate vs. professional admissions. The fifth change being discussed is regarding the cost allocation of undergraduate and vs. graduate/professional admissions. This Currently undergraduate admissions are handled centrally but gradual admissions tend to be distributed throughout the university. The RCM committees are looking at ways of accounting for this.

Questions and Answers. Our Graduate Council liaison, Associate Dean Sharon Lean asked when consultation with the Graduate School would happen. Mr. Decatur indicated that the consultation will happen as soon as the Provost appoints an interim graduate dean. Our Graduate Council liaison emphasized that the graduate council needs urgent consultation from the RCM steering committee. Is there a difficult situation needing to make decisions about graduate teaching assistants and master's funding and they don't know how they are going to be able to budget that going forward. The Graduate School makes multiyear funding decisions in an environment of enrollment pressures. President Beale said that the consultation needs to happen now and this also raises questions about funding for Post-Doctoral Fellows that are currently covered by OVPR. One committee member observed that while RCM is well and good on allocating revenues, but on the other side the costs still looks like traditional incremental budgeting.

IV. **William Decatur, Vice President for Finance and Business Operations: Discussion of Board of Governors Budget Committee Documents for February 1st, 2019.**
(<http://bog.wayne.edu/meetings/index.php>)

Contingency Reserve. The first item on the board of governors meeting agenda was the contingency reserve report. It exceeded budget because the cost of flying in candidates

for the Dean of the College of Liberal Arts exceeded estimates for overnight accommodations.

PRB HVAC Improvements, TechTown. The Perinatal Research Branch stores tissue samples in TechTown. They need better HVAC and back up power so that there is continuity of research. \$600,000 million from TechTown, \$250,000 from OVPR, \$1.13 million from plant fund reserve.

Question and Answers. One committee member asked the source of TechTown funding. Mr. Decatur said that they are no longer running on a subsidy, but Wayne State acts as their bank. Some of the WSU Office of Economic development are partially on general fund. The committee questioned the rationale of how much costs come from OVPR vs. The Plant Fund Reserves. Another member asked if TechTown was full and Mr. Decatur indicated that they were full and had a waiting list. They have funding from Foundations, but in future cycles the foundations could decide to move resources back into neighborhoods. One committee member observed that TechTown is booming, but iBio is still struggling to fill up.

FY2019 Parking Improvements. The next item on the agenda was parking improvements two garages one, two, and five these were mostly structural repairs and joint repairs. One committee member asked that number one was renovated to four years ago and the job was not very good. Is the timing of repairs Harry Wyatt agreed and said that the lighting did not need to be redone. The structural repairs need to happen every five years. They are not catastrophic repairs.

Questions and Answers: But the structural repair needs to be contained. Our Student Senator, Jasmine Coles asked about elevator repairs. Mr. Wyatt said that this will be done for parking Lot number one. In the elevator repairs did not require board approval. One member asked if the exhilarate or exhilarates were generating sufficient revenue to cover the cost of the maintaining the parking facilities. Mr. Decatur indicated that they are supposed to cover costs with revenues. Students are not paying the full cost of parking. The Gillmor administration had anticipated with parking fee increases that we would run a surplus. For some staff, the fees are unaffordable.

In a follow up email, Mr. Harry Wyatt indicated two more ongoing projects that involve elevator improvements:

1.) Project for new elevator door sills and frames in Structure #2: Sill and frames were impeding operation. The project is substantially complete. The west elevator is operational; the east elevator will be pending inspection and will be open next week.

2.) Complete elevator modernization in process for both elevators in Structure #4: Expected completion is late April or early May.

In upcoming years, the AVP for Facilities expects to propose the complete modernization of elevators in Structures #1, #5, #2, and #6.

Two Lease Approvals: Lease Authorization Request Uncle Joe's Chicken Fingers and Lease Authorization Request 7 Eleven, Inc.

Questions and Answers. One member asked about an inducement payment of \$154,000 for the bathroom and lighting. Mr. Decatur clarified that it was an inducement to take a multi-year lease, not to have a bathroom. One member asked how the retail leases were picked. Mr. Decatur said that Tim Michaels of Housing oversaw the process. The student senate liaison, Jasmine Cole indicated that housing consulted the students and that she was excited by the chicken.

Annual Report on the Cash Pool Investment and Debt Programs

Mr. Decatur pointed out the bond proceeds outstanding. Linda Beale asked when we would borrow more. Mr. Decatur said that it would be at the end of fiscal year after the master planning process. It is too premature to name an amount to borrow. Mr. Decatur reminded us that some universities, like the University of Cincinnati, made a strategic decision to downgrade in order to make strategic investments to address deteriorating buildings and falling enrollments. We could choose a lower bond rating to address our infrastructure needs. One committee member cautioned about borrowing as much as we can and selling off revenue streams and then borrow back up to the limit. Leadership enjoys spending while they are there and pushes costs down the roads. Mr. Decatur responded that there is little capital support from the State of Michigan, so borrowing is critical.

Another member asked who would be consulted for new capital projects. He pointed out that the last major capital project to move forward was the Hillberry Gateway Complex which would not do much to increase research expenditures which have been flat for several years. Now 24% of ICR go to OVPR with little to show for increased research expenditures as a result. This member believes that Scott Hall needs to be a priority if the university is to maintain its research ranking. Other committee members noted that the disposition of Scott Hall has been discussed in the master planning process.

Another member asked about the status of the cash pool, the size and rate of return on investments from the cash pool (~\$300 million). One member expressed concern that the projected investor return of 0.2% is stunningly bad 2) fund performance reports are annual return for each year for 3 years or 5 years, but this report is cumulative and needs to be emphasized; 3) and that Sky Harbor is a bad fund and should be reconsidered. We were assured that these allocations have been revised with new fund managers. There will be Board of Governors oversight.

Annual Report on the Long-Term Investment Program

Members discussed endowment growth policy targets and where we rank relative to other universities (59th percentile). Mr. Decatur explained that historically Wayne State had a very conservative asset management strategy and recently moved to an outsourced Chief Investment Officer.

Michigan Universities Self-Insurance Corporation Annual Report.

Big unknown is the exposure to Michigan State Universities liability. They left the insurance pool in 2001, but some of the claims go back that far.

Informational Report: Major Capital and Real Estate Projects

The Vernor on Cass and Canfield is in Green, but the narrative indicates that it should be yellow because it is in limbo.

The Platform Company wants to move the Wayne State Art Gallery to the back of the building, but since that would be underneath pipes, that would not work. It should be in yellow. The Master Planning Process should ask where an art gallery should be.

Purchasing Exceptions

No purchasing exceptions for Lisa Keene or Dwight Munson. The biggest expenditures this time are research. The committed discussed the need to specify the term of contracts in the purchasing exception report so that we can determine if the expenses are reasonable.

The Board of Governors asked the administration to develop a policy about consulting expenses. It is being led by the Board Secretary and General Counsel.

V. New Business

One member asked about the elevators for Scott Hall because they are not working properly.

