Academic Senate Budget Committee (ASBC)

Minutes

Meeting of December 3rd, 2018

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

Room 1339 FAB

Present: Richard Smith (Chair), Leela Arava, Linda Beale, Paul Beavers, Stephen Calkins, Dante Dixson, Brian Edwards, Mahendra Kavdia, Santanu Mitra, Rayman Mohamed, Ricardo Villarosa, William Volz

Absent with Notice: Charles Parrish, Heather Sandlin, William Decatur++, Sudip Datta

Absent without Notice: Bryan Morrow

Liaisons: Victoria Dallas, P.C., Kristen Chinery**, Jasmine Coles*, Thomas Anderson+, Sharon Lean, G.C.

Invited guests: Lou Romano, Chemistry; Rebecca Cooke, Associate Vice President for Health Affairs: Bryan Dadey, Senior AVP Finance and Deputy CFO; Harry Wyatt, Associate Vice President for Facilities; Marianne Cunningham, AVP, Assistant Treasurer

*Student Liaison
**AAUP-AFT
+UPT Liaison
++Administration Liaison

The meeting began at 11:00am.

1. **Approval of Minutes of Nov. 19th, 2018**

   The motion was approved unanimously by voice vote after a motion and second.

2. **Rebecca Cooke, Associate Vice President for Health Affairs (Invited): School of Medicine Budget Update**

   AVP Cooke presented the draft financials for the School of Medicine (see Fig. 1).

WSU Income Statement	All Fund		General Fund (1)	
	2017M12	2018M12	2017M12	2018M12
Revenue				
General Fund Allocation	54,650,198	58,610,400	51,480,562	55,246,771
General Fund Fringe Revenue	13,067,301	12,853,816	12,287,726	11,949,672
Government Support	85,690,641	80,416,666	0	0
Indirect Cost Recovery	4,745,524	4,767,416	0	0
Teaching Revenue	16,213,608	22,218,522	0	0
Non-Government Support	31,028,427	36,722,979	0	32,094
Medical Institution Support	44,433,066	35,813,347	2,672,583	0
Student Fees	1,006,023	1,015,037	1,006,023	1,015,037
Other Revenue	1,511,578	513,636	339,078	380,403
Non-Operating Revenue	12,674,278	11,679,441	0	0
Total Revenue	**265,020,643**	**264,611,259**	**67,785,972**	**68,623,975**
Expense				
Faculty	85,564,095	83,317,363	34,326,345	35,604,143
PT Faculty	1,243,085	964,058	320,048	236,601
Other Academic	30,126,390	29,992,052	1,826,087	2,129,123
Full-Time Non-Academic	10,575,723	11,727,269	6,621,408	7,633,230
Part-Time Non-Academic	2,836,682	2,840,729	714,265	854,861
Graduate Assistants - Salary	2,309,175	1,926,711	1,554,390	1,253,338
Medical Residents - Salary	7,457,377	7,477,150	171,908	169,682
Fringe Benefits	38,460,822	36,072,728	12,354,023	11,994,853
Professional Development - 7A7	1,419,695	1,618,050	273,792	338,212
Travel and Moving Expense - 7A8	1,883,857	2,277,383	199,990	313,915
Printing and Communications - 7A9	1,096,795	1,030,497	413,577	436,295
Other Expenses - 7AA	2,924,841	820,909	71,289	59,945
Equipment - 7A1	1,601,611	2,342,960	106,911	302,337
Supplies - 7A2	10,546,672	10,905,826	1,761,085	2,041,444
Services, Contracts and Fees - 7A5	41,265,977	45,229,042	2,827,366	2,925,196
Indirect Cost Expense	23,585,080	24,833,863	0	0
Scholarships and Fellowships - 7A6	799,276	745,539	60,123	48,803
Stipends	1,313,138	1,417,241	445,542	507,863
Facility Cost - 7A3	4,005,200	3,843,155	477,955	424,976
Utilities - 7A4	168,989	195,070	0	0
Cost Sharing Transfers	(594,742)	(681,202)	0	0
Internal, Intra, & Inter Transfers - 7AB	(816,483)	(1,448,698)	(169,467)	(51,167)
Mandatory/ Non Mandatory Transfers–8*	1,203,667	442,014	752,000	218,714
Total Expenses	**268,976,923**	**267,889,707**	**65,108,636**	**67,442,366**
Net Surplus (Deficit)	**(3,956,281)**	**(3,278,449)**	**2,677,336**	**1,181,610**

Figure 1: School of Medicine Financial Statement 2017-2018

AVP Cooke reported that the SOM has a positive balance on General Fund expenses. However, there is still $1.5 million left in SOM debt to the University. Some of that debt will be paid next year. The Fund for Medical Research and Education (FMRE) deficit is not part of the SOM General Fund financials.

A member asked where FMRE shows up in the SOM budget. AVP Cooke replied that it is put into the line item "Medical Institution Support" which had $2.6 million in 2017. The line item is $0 for 2018 because it is still sitting in FMRE. There is no settlement agreement yet on how or whether the University and SOM will be able to 'claw back' funds covering the past debt of $30 million.

Members also sought clarification whether FMRE was now expected to pay over to the SOM the reduced "Dean's Tax" as it is earned. AVP Cooke indicated that was not the case.

Another question was the impact on FMRE of the UPG going into bankruptcy. Can the FMRE declare bankruptcy? AVP Cooke replied that it would be possible, but unlikely because the Dean of SOM is also in charge of FMRE. SOM and FMRE are essentially the same people and financial reporting has now made the transfers and sources of funding much clearer. FMRE is a separate 501(c)(3) tax exempt organization.

Members also asked about student tuition at the Medical School and revenues from residency programs. AVP Cooke noted that WSU is at an economic disadvantage because the residency program is owned by the Detroit Medical Center (DMC): the DMC keeps the indirect costs and only reimburses WSU for direct teaching expenses, resulting in significantly lower funds than in earlier years from the DMC.

Questions about apparent discrepancies in the "All funds" column and General Funds column were explained as draft numbers where some information is still missing..

The cause of the drop in funds between 2017 and 2018 was at least in part due to a reduction in the number of faculty. This led to questions about faculty retention initiatives. AVP Cooke said that SOM administrators continue to consider grant productivity and clinical revenues when making decisions.

The status of the Henry Ford Health System agreement was another important topic. AVP Cooke explained that it was expected that there would be an agreement on salary reimbursement as well as an increase in grant revenues. The School expects that approximately 120 current HFHS physicians and researchers will have voluntary faculty status. Some others may have at least a fractional appointment covering the academic salary.

3. **William Decatur, Vice President for Finance and Business Operations: Discussion of Board of Governors Budget Committee Documents for December 7th, 2018.**
   (Materials should be posted soon at the following link:
   http://bog.wayne.edu/meetings/index.php)

I. STEM Innovation Learning Center Budget Revision

AVP Harry Wyatt explained that BOG approval was needed to ask the State of Michigan for an increase in the construction budget for the new STEM facility, even though the STEM project has already been approved. The increased budget is due to increased construction costs and inflation.

Members discussed the impact of the additional costs on the small remaining pool of bond proceeds. Harry Wyatt indicated that the university has been paying off older bonds, which has freed up some capacity for new issuance when needed. Lou Romano noted that the Senate helped prepare the proposal for the STEM facility and considers it important for the university.

William Volz asked if the books had been removed and Paul Beavers confirmed that they got them out last August.

Mahendra Kavdia asked if the budget increase had to do with actual increases or uncertainty. Harry Wyatt said that it was both, since the final bid is not yet in. Mahendra Kavdia asked if this is impacted by tariffs and Mr. Wyatt agreed.

Victoria Dallas asked if the move to Prentiss was a different project and was told that it was different.

Linda Beale asked if the budget could increase further and Mr. Wyatt responded that it might, but also we might cut it back.

One member noted that the university has few buildings where classrooms, labs and faculty offices are intermixed, and suggested that facilities planning should try to create more opportunities for intermixing to encourage student-faculty interaction. Factors affecting that include insurance expenses for different types of facilities. Harry Wyatt also pointed out that different authorities approve classrooms than office buildings, so it is easier to get a single-use building approved.

J. 5 Year Capital Outlay Plan and Informational Report: Major Capital and Real Estate Projects

Harry Wyatt explained that the current plan before the BOG is required by the State of Michigan each year and that this plan does not move any new projects forward. He expressed regret that the university administration did not bring the plan to the Senate for review before sending it to the State, since this is an area where consultation with the Senate (and, indeed, with the BOG) is required. The administration had thought this was acceptable because the plan only includes already approved and funded projects and does not include a request for a new capital project . The administration thought it best to wait until the master planning is finished before suggesting a particular priority project.

Several members expressed concern that failure to create a marker for capital project funding may make it harder for us to convince the State of our needs, and certainly State Hall and Scott Hall, which have been on the list for more than a decade and have acknowledged inadequacies, could have been suggested as prime targets. Members discussed the inadequacies of Scott Hall and the options of renovation or complete replacement, either of which could cost upwards of $100 million. Wyatt noted that the master planning process will continue through this semester and should be completed in time for input into the 2019 request. Charles Parrish indicated the importance of speaking to President Wilson about the urgency of renovating Scott Hall because it is falling apart and recommended that this issue be brought up in the Policy Committee. Several members of the Budget Committee are also involved in the Master Plan process, the first phase of which has been a space utilization study. Lab space is about 3 times the classroom space; classrooms comprise about 8% of university space. Harry Wyatt indicated that this is typical for a research university.

Linda Beale added that it will be important to ensure that the next 5-year capital plan is developed with early consultation with the Senate before it is sent to the BOG for approval.

She also reiterated a concern that the university does not fully utilize philanthropy in conjunction with building development. The recent example is funding for the Hilberry Gateway Complex, which was originally expected to have $10 million of a $50 million total cost raised from donors: even after the increase in price to $65 million, only about $7 million has been raised (and from a limited number of donors). Meanwhile, the university has sold other buildings without waiting for the Master Plan process to consider whether development there would be wise. The recent example is the Criminal Justice building, which was sold to a developer for what ultimately amounts to a negative amount, given the various expenditures we agreed to in connection with the project but which is located in a prime area for campus development, especially if we continue the move towards greater integration with the HFHS.

Ricardo Villarosa asked about the costs of legionella abatement and was told that costs were still being calculated.

<u>K. Bank Line of Credit – Renewal and Increase</u>

Marianne Cunningham explained that the university's $35 million bank line of credit is up for renewal. In anticipation of maintaining an appropriate line of credit to deal with cash needs, the university is suggesting that the BOG approve $50 million in lines of credit split between two institutions (i.e., Northern Trust, PNC). These are at low rates and will provide a suitable short-term bridge to bond financing when needed.

Members inquired whether the increase was needed because of the more aggressive investment of the pool of working capital approved by the BOG, which permits for the first time some equity investments. Marriane Cunningham explained that the changes to the strategy for that pool was not driving the need for an increase in the line of credit, but rather the need to ensure sufficient liquidity on project start-up dates.

A member asked whether increases in the London Interbank Offering Rate (LIBOR) results in higher costs for these lines of credit. Marriane Cunningham explained that the university typically repays any funds borrowed within 30 days and very seldom borrows at LIBOR.

L.

M. Purchasing Exceptions

Members noted the continued use of extraordinarily high SOM consulting fees, for Lisa Keane and Dwight Munson. When questioned about similar consulting fees at the last BOG meeting, David Hefner had responded that those were the last such consulting contracts that would be undertaken. The total for Dwight Munson over the years he has served as a consultant—originally to run the "productivity analysis" of SOM faculty, in a part-time capacity, is well beyond anything that can be easily justified.

4. New Business

Brian Edwards asked about the status of the RCM model. Discussion noted that colleges and deans would tend to have more control over funds (especially if GTA/GRA funding moves from the Graduate School to the colleges and more ICR funding goes to the deans (rather than departments), as currently envisioned). This makes it even more important to emphasize the role of faculty governance in the schools and colleges. For example, it will be important to have good Budget Advisory Committees (BACs) at all levels, and to ensure that the election process outlined in the collective bargaining agreement is honored.

Next scheduled meeting is January 28th to review materials for the February 1st BoG meeting. We will schedule a meeting in early Winter semester with the BAC members to orient BACs to the Budget Planning Council process.