



Budget and Finance Committee

March 6, 2024

Minutes

The meeting was called to order at 11:24 a.m. by Governor Barnhill in the Ballroom at the Student Center Building, 5221 Gullen Mall, Detroit, MI 48202. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Barnhill, Gaffney, Kelly, Kumar and Stancato; Linda Beale, Faculty Representative and Andrea Sankar, Faculty Alternate Representative; Hayden Johnson, Student Representative and Alexander Gilstorf, Student Alternate Representative

Also Present: Governor Busuito and Land; President Espy; Provost Clabo, Vice Presidents Ezzeddine, Lindsey, Obasi, Ripple, Schweitzer, and Staebler, Chief of Staff Smiley; Interim Vice President Gielczyk, Associate Vice President Hafner, Associate Provost Padgett, and Secretary Miller

APPROVAL OF MINUTES, DECEMBER 7, 2023

ACTION: Upon motion made by Governor Gaffney and supported by Professor Beale, the minutes of the September 29, 2023 meeting of the Budget and Finance Committee were approved as presented. The motion carried.

CONTINGENCY RESERVE

The administration presented a request for \$250,000 in funding from the FY 2024 Contingency Reserve which will be used to cover the cost for two executive searches, \$100,000 for a new Chief of Staff and \$150,000 for a Senior Vice President for Finance and Business Affairs.

ACTION: Upon motion made by Professor Beale and supported by Governor Stancato, the Budget and Finance Committee approved the transfer of \$250,000 from the Contingency Reserve to cover two executive searches: \$100,000 for a new Chief of Staff and \$150,000 for a Senior Vice President for Finance and Business Affairs. The motion carried.

**ANNUAL REPORT ON LONG TERM INVESTMENT (ENDOWMENT)
ANNUAL REPORT ON THE CASH POOL INVESTMENT AND DEBT PROGRAMS FOR
THE FISCAL YEAR ENDING SEPTEMBER 30, 2023**

Alana Askew, the Assistant Vice President of Finance and Assistant Treasurer, provided a report that highlighted Treasury's vital functions, including collaboration with the Foundation, managing working capital, and overseeing the University's debt portfolio. Both the Foundation Board and the Investment Committee have an advisory role regarding asset allocation.

Wayne State University's Investment Committee, established in 2000, oversees the management of the endowment assets, aiming to optimize the university's financial resources. In 2022, the university transitioned its Outsourced Chief Investment Officer (OCIO) to Commonfund. Collaborating with the Investment Committee, a new asset allocation has been approved, which aligns with long-term policy targets. The new policy emphasizes significant investments in private assets, with a target allocation of 40% over the next 5 to 7 years; those currently stand at approximately 17%.

The university's endowment has significantly recovered since the market losses of 2022. Recent data from NACUBO indicates that the university's endowment returns outstrip the national average, with a return of 10.3% compared to the national average of 7.7% as of June 30. As of September 30, the university's performance exceeded the policy benchmark by 90 basis points, demonstrating marked market outperformance.

The University Cash Pool serves as a financial resource for daily operating needs. Approved by the Board of Governors in 2018 and fully implemented in 2019, the pool follows a three-tiered asset allocation model with specific objectives, thresholds, and ranges for each tier. As of September 30th, the cash pool had a balance of \$618 million, diversified across cash, fixed income, equities, and alternative assets.

The sources noted are not entirely interchangeable from a budget perspective, as they are restricted to specific uses. This year's asset allocation strategically leaned towards cash due to its increased returns and decreased risk, resulting from changes in interest rates. The cash pool is showing an upward trend, with returns surpassing the policy benchmark by a substantial margin of 100 basis points, reaching 4.6% compared to the benchmark target of 3.5% over the past year.

The University's Debt Program carries around \$500 million in fixed-rate debt, with an annual amortization of approximately \$18 million. Both Moody's and S&P affirmed the University's credit ratings this year, maintaining a stable outlook despite the negative sector outlook by both agencies, marking a significant achievement. Additionally, the University has benefited from two basis rate swaps, generating approximately \$2.8 million since their inception.

The committee reviewed a chart illustrating the amortization of the University's debt over its outstanding lifespan. The annual total debt service highlights the University's yearly

debt payments. The red portion of the chart indicates the savings achieved from the 2023 debt issuance and the subsequent reduction in debt service payments during that period.

Turning to Treasury, the University transitioned operating banks late last year, completing a move to Huntington Bank in 2023. It was a significant undertaking, which was executed seamlessly. Additionally, a spending policy change approved by the board last year aims to provide greater distribution predictability and enhanced stewardship ability, with the hope of alleviating pressure on the general fund through increased visibility into endowed funds.

A question was raised about the delay in funding the private equity allocation with nearly \$98 million in uninvested cash. Ms. Askew emphasized the importance of careful selection when investing in private equity, stressing the need to choose the best managers and strategies while diversifying investments. Investments in private equity typically involve a commitment for 10 to 15 years, highlighting the necessity for thorough consideration and manager conviction. The committee discussed Commonfund's approach on investment, and the amount of funds invested into private equity. The strategy authorized by the Investment Committee and the OCIO advocates a cautious and diligent approach to portfolio expansion. Ms. Askew explained that the cash is earning approximately 5% interest. The University aims for a diversified portfolio with appropriate risk levels, hence the gradual approach to investing in private equity.

A question was raised on whether the university's cash pool and its long-term assets could be combined for spending purposes. They are not combined for spending, and the university has no direct ownership of stocks or bonds, only mutual funds or other coordinated vehicles. In terms of the question of impact of divestment, any divestment would involve parsing through the funds.

In terms of swap performance, any cash flow negativity occurred more than five years ago; the swaps cash flow currently is positive overall.

The Endowment's robust performance of 10%, 3% above the average, was noted by the committee. A question was raised about over exposure and risk. The committee was advised that the university operates a conservative portfolio, particularly due to limited exposure to private investments, and the portfolio is not overexposed to any specific asset class.

3T MAGNETOM CIMA.X FOR NEUROSCIENCE RESEARCH GRANT

The administration presented a request to approve the purchase of a new MRI machine. The committee received the rationale for the purchase, and was advised that an NIH Award will cover a \$2 million of the cost, with the remaining split between the Office of the Vice President for Research and the School of Medicine. The contract for this magnet was originally approved in December 2022. Since that time, a new and better magnet has been introduced, with an increased project cost of \$148,000. Dr. Obasi advised that investing in the latest technology in the field is crucial for research, and that this magnet has many new and improved features.

ACTION: Upon motion made by Governor Kelly and supported by Governor Busuito, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to approve a contract not to exceed \$3,378,201 to Siemens Medical Solutions USA, Inc. to procure a 3T MAGNETOM Cima.X scanner, the most modern FDA-approved 3T human magnetic resonance imaging system (MRI) which will be housed in the MR Core Research Facility at Wayne State University. The motion carried.

INFORMATIONAL REPORT: MAJOR CAPITAL PROJECTS SUMMARY

Mr. Davenport, AVP for Facilities and Planning Management highlighted a few projects from his report. He anticipates that the DeRoy reflecting pool and auditorium will have a soft opening in the fall, with a potential ribbon-cutting ceremony in the spring. The Valade Jazz Center is expected to be completed shortly, with an official opening planned for the Labor Day Detroit Jazz Festival in the fall.

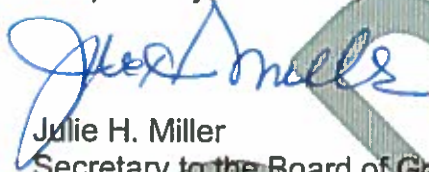
PURCHASING EXCEPTIONS

There were no questions on the purchasing exceptions report.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:04 p.m.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors

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