


**MICHIGAN STATE**  
UNIVERSITY

April 7, 2010

**MEMORANDUM**

**To:** Trustee Finance Committee

**From:** Fred L. Poston 

**Subject:** 2010-11 Housing and Dining Rate Recommendations

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees adopt the basic residence hall room and board rate of \$7,770 for freshman, transfer, and returning students who select the silver unlimited meal plan for the 2010-11 academic year.

BE IT FURTHER RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees adopt university apartment rates of \$650 per month for a one-bedroom apartment, \$774 per month for a two-bedroom apartment, and \$683 per month/per bedroom for a four-bedroom apartment in University Village, effective August 1, 2010.



**BACKGROUND**

Attached are materials that show recommended 2010-11 academic year housing and dining rates.

The proposed rates represent a 5.1% increase for the residence halls over the 2009-10 rates. This increase is consistent with the forecasting provided to the Board in September 2008. The rate increase results from higher operating expenses and a need to fund debt service costs for planned renovations for housing and food service facilities on campus. The increase in housing and dining rates for the 2009-10 academic year was 5.25%.

If the new rates are adopted, the residence hall double room rate for undergraduate students will increase \$156 per year and the silver unlimited meal plan for freshman, transfer, and returning students will increase \$220.

OFFICE OF THE  
VICE PRESIDENT  
FOR FINANCE  
AND OPERATIONS  
AND TREASURER

Fred L. Poston  
Vice President

Michigan State University  
412 Administration Building  
East Lansing, MI  
48824-1046

517/355-5014  
FAX: 517/353-6772

For university apartments, the rates will decrease \$50 per month for a one-bedroom apartment, and remain the same for a two-bedroom apartment. The rate will increase \$20 per month per bedroom for University Village apartments.

It is anticipated that even with these rate increases, Michigan State University will continue to be competitively positioned among universities in Michigan and the Big Ten.

cc: L. Simon, D. Brower, W. Beekman, L. June, K. Lindahl, D. Byelich, V. Gore,  
S. Margraves, G. Procopio

**MSU DIVISION OF RESIDENTIAL AND HOSPITALITY SERVICES**  
**MSU BOT RATE RECOMMENDATIONS**  
**Academic Year 2010-11**  
**April 7, 2010**

**Overview**

The proposed housing and dining rate recommendations for academic year 2010-11 reflect a 5.1% increase for the residence halls and targeted market adjustments for university apartments. This residence hall increase is less than the academic year 2009-10 increase of 5.25%. It is also consistent with the forecasting provided to the Board in September 2008.

For 2010-11, Spartan Village, Cherry Lane, and Faculty Bricks two-bedroom apartments monthly rent would remain flat at \$774 (0%). One-bedroom apartment monthly rent would decrease by \$50 (-7.1%) to \$650. University Village four-bedroom apartment monthly rent per room would increase \$20 (+3.0%) to \$683 per resident.

The proposed rate increase recommendations will allow Residential and Hospitality Services (RHS) to remain financially viable, meet its bond obligations, provide Just-In-Time (JIT) maintenance funds for repairs and improvements, and maintain an adequate reserve balance to address unforeseen emergencies.

Keeping housing and dining rates affordable for our students, especially during these difficult economic times in Michigan is essential. This proposed rate increase strives to seek a reasonable balance between affordability, enhanced service for students, and the renovation of aging facilities.

**Student Service Summary**

Residence hall budgeted house counts total 14,347 for 2010-11. This is the same count budgeted for 2009-10. Forecasted MSU freshman admissions remain constant at 7,200 for 2010-11. Ninety-nine percent of residence hall students are projected to select an unlimited meal plan, the same as budgeted for 2009-10.

Emmons Hall, in the Brody neighborhood, is scheduled to close for renovation from May 2010 until August 2011. Total residence hall capacity remains sufficient to absorb the loss of the 450 Emmons Hall beds during 2010-11 renovation. The second floor of Brody Hall will re-open for resident dining in August 2010 upon completion of extensive renovations during 2009-10. The first floor of Brody Hall will then be renovated during 2010-11. This first floor renovation will remove the temporary dining room and create new academic classrooms, an auditorium, a computer lab, academic counseling offices, and a Sparty's retail food location.

Fiscal year 2010-11 is also projected to be the final year of operation for the 292 Cherry Lane apartments and the 184 Faculty Bricks apartments. The current economic conditions are resulting in decreased apartment occupancy and rental rates in the greater Lansing area. This has led to decreased MSU apartment occupancy and the need to keep rental rates stable or reduced. This occupancy decrease was not anticipated and has resulted in apartment

revenues being below budget for 2009-10. Spartan Village, Cherry Lane, and Faculty Bricks apartments' occupancy is budgeted to be at an annual average of 83%, down from 92% in 2008-09. Declining occupancy in Cherry Lane and Faculty Bricks as students and families move to Spartan Village and other locations is anticipated. University Village apartments remain very popular, and near 100% occupancy for 2010-11.

### **Financial Summary**

Residence hall and university apartments' operating expenses are budgeted to increase 1.97% in 2010-11 over projected 2009-10 amounts. The incremental funds produced by the room and board rate increase are necessary to generate funding for the additional debt service costs planned for facility renovations.

Total debt service costs will increase from \$4.0 million to \$6.8 million in 2010-11 due to the 30-year bonded debt refinancing of approximately \$19 million in existing short-term commercial paper. An additional 30-year bonded debt of \$94 million is planned to finance the renovation of Brody Hall (\$50 million), Emmons Hall (\$14 million), Bailey Hall (\$14 million), and Case Hall dining (\$16 million) as part of the RHS dining master plan. Total borrowing for the entire Brody Complex renovation is budgeted at \$160 million over the next seven years.

RHS debt service costs are budgeted to increase significantly over the next several years until 2018-19, when it is anticipated to peak at \$17.4 million per year until 2038.

### **Just-In-Time Maintenance and Renovations**

In 2008, RHS adopted a long-range strategic plan. This plan is updated regularly and allocates funds for necessary and ongoing facility improvements and JIT maintenance. Projects scheduled for 2010-11 include \$17 million in renovation, maintenance, and JIT maintenance expenditures.

Renovation projects include Hubbard Hall first floor living-learning refurbishment (\$3.5 million), Food Stores freezer replacement (\$3.5 million), residence hall door security electronic access (\$2.7 million), and residence hall "green" security phone installation (\$1.8 million).

JIT maintenance projects include building exterior, elevator, and roof maintenance, energy-efficient lighting replacement, information technology maintenance and upgrades, minor life safety improvements, asbestos and lead remediation, and landscape repair and maintenance.

**Residence Halls – Effective Fall Semester 2010**

Freshman/Transfer/Returning Students: Annual	2009-10 Rate	2010-11 Recommended	\$ Increase	% Increase
Annual – Double Room With Silver Unlimited Meal Plan	\$7,394	\$7,770	\$376	5.1%

Annual	2009-10 Rate	2010-11 Recommended	\$ Increase	% Increase
All Undergraduate Students: Double Room Rate	\$3,052	\$3,208	\$156	5.1%
Freshman/Transfer/Returning Students: Board Rate With Silver Unlimited Meal Plan	\$4,342	\$4,562	\$220	5.1%

**University Apartments – Effective August 1, 2010**

University Apartments	2009-10 Rate	2010-11 Recommended	\$ Increase	% Increase
Standard 1 Bedroom	\$700	\$650	(\$50)	(7.1%)
Standard 2 Bedroom	\$774	\$774	\$0	0%

**University Village – Effective August 1, 2010**

University Village (4 Bedroom Apartments)	2009-10 Rate	2010-11 Recommended	\$ Increase	% Increase
Resident rate/per month/per room	\$663	\$683	\$20	3.0%

**MSU RHS RESIDENCE HALLS  
PRELIMINARY FINANCIAL PREVIEW**

<b>REVENUES</b>	<b>Projected Actual 2009-10</b>	<b>Proposed Budget 2010-11</b>	<b>\$ Increase / (\$ decrease)</b>
Room & Board	\$104,853,000	\$108,970,000	\$4,117,000
Cash Sales	9,456,000	8,994,000	(462,000)
Space Rental	1,165,000	1,165,000	0
Conferences	4,650,000	4,200,000	(450,000)
<b>Total Revenues</b>	<b>120,124,000</b>	<b>123,329,000</b>	<b>3,205,000</b>
<b>EXPENSES</b>			
Personnel Services	43,702,000	45,040,000	1,338,000
Food Purchases	21,428,000	22,254,000	826,000
Utilities	8,506,000	8,086,000	(420,000)
General Expense	5,309,000	5,525,000	216,000
Residence Life/Stu Service	4,333,000	4,457,000	124,000
Supplies	5,602,000	5,763,000	161,000
Repairs	4,384,000	4,686,000	302,000
Communications	2,569,000	2,044,000	(525,000)
Bandwidth	738,000	738,000	0
Auxiliary Overhead Fee	2,624,000	2,624,000	0
Laundry	1,359,000	1,330,000	(29,000)
Insurance	378,000	405,000	27,000
Equipment	324,000	227,000	(97,000)
Miscellaneous	576,000	659,000	83,000
Nat'l Merit Scholarships	296,000	311,000	15,000
EBSP Administration Fee	1,189,000	1,221,000	32,000
<b>Total Expenses</b>	<b>103,317,000</b>	<b>105,370,000</b>	<b>2,053,000</b>
Less Debt Service Costs	2,858,000	5,626,000	2,768,000
<b>Contribution to JIT &amp; Plant Cash Maintenance =</b>	<b>\$13,949,000</b>	<b>\$12,333,000</b>	<b>(\$1,616,000)</b>

**MSU RHS UNIVERSITY APARTMENTS  
PRELIMINARY FINANCIAL PREVIEW**

<b>REVENUES</b>	<b>Projected Actual 2009-10</b>	<b>Proposed Budget 2010-11</b>	<b>\$ increase / (\$ decrease)</b>
Apartment Rent	\$12,314,000	\$12,576,000	\$262,000
<b>EXPENSES</b>			
Personnel Services	3,179,000	3,298,000	119,000
Utilities	1,840,000	1,800,000	(40,000)
General Expense	542,000	548,000	6,000
Residence Life/Student Service	471,000	484,000	13,000
Supplies	565,000	590,000	25,000
Repairs	998,000	1,025,000	27,000
Communication	590,000	607,000	17,000
Bandwidth	82,000	82,000	0
Auxiliary Overhead Fee	376,000	376,000	0
Insurance	76,000	81,000	5,000
Equipment	53,000	53,000	0
Miscellaneous	189,000	178,000	(11,000)
East Lansing Schools	106,000	106,000	0
EBSP Administration Fee	123,000	126,000	3,000
<b>Total Expenses</b>	<b>9,190,000</b>	<b>9,354,000</b>	<b>164,000</b>
Less Debt Service Costs	1,161,000	1,161,000	0
<b>Contribution to JIT &amp; Plant Cash Maintenance =</b>	<b>\$1,963,000</b>	<b>\$2,061,000</b>	<b>\$98,000</b>

**MSU RHS RESIDENCE HALL RATE COMPARISON  
Standard Double Room & Board Plan for 2010-11**

<b>BIG TEN UNIVERSITIES</b>	<b>2009-10 Rate</b>	<b>2010-11 Rate</b>	<b>\$ Increase</b>	<b>% Increase</b>
Northwestern University	\$11,185	\$11,520	\$335	3.00% estimated
University of Michigan	\$8,924	\$9,364	\$440	4.93% proposed
University of Illinois	\$8,684	\$9,083	\$399	4.60% approved
Purdue University	\$8,274	\$8,600	\$326	3.95% approved
Penn State University	\$8,120	\$8,319	\$199	2.45% approved
Ohio State University	\$7,785	\$8,213	\$428	5.50% proposed
Indiana University	\$7,546	\$7,848	\$302	4.00% approved
Michigan State University	\$7,394	\$7,770	\$376	5.10% proposed
University of Wisconsin	\$7,157	\$7,636	\$479	6.69% proposed
University of Minnesota	\$7,392	\$7,576	\$184	2.49% proposed
University of Iowa	\$7,281	\$7,554	\$273	3.75% proposed

<b>MICHIGAN UNIVERSITIES</b>	<b>2009-10 Rate</b>	<b>2010-11 Rate</b>	<b>\$ Increase</b>	<b>% Increase</b>
University of Michigan	\$8,924	\$9,364	\$440	4.93% proposed
Ferris State University	\$8,341	\$8,508	\$167	2.00% estimated
Central Michigan University	\$7,898	\$8,135	\$237	3.00% proposed
Lake Superior State University	\$7,923	\$8,121	\$198	2.50% proposed
Western Michigan University	\$7,784	\$8,018	\$234	3.00% estimated
Eastern Michigan University	\$7,786	\$7,899	\$113	1.45% estimated
Northern Michigan University	\$7,646	\$7,800	\$154	2.00% estimated
Michigan State University	\$7,394	\$7,770	\$376	5.10% proposed
Oakland University	\$7,349	\$7,651	\$302	4.11% estimated
Grand Valley State University	\$7,480	\$7,611	\$131	1.75% approved
Saginaw Valley State University	\$7,270	\$7,524	\$254	3.50% estimated
Wayne State University	\$7,210	\$7,500	\$290	4.00% proposed

**MSU RHS AVERAGE RESIDENCE HALL HOUSECOUNTS**

<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
17,800	17,200	17,700	17,570	17,900	17,680
<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
16,100	15,354	15,551	16,100	16,437	16,800
<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
16,950	17,300	16,500	15,800	15,100	13,900
<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
14,126	13,972	13,964	13,965	14,234	14,181
<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
14,190	14,564	14,494	14,624	14,342	14,485
<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	
14,844	14,733	14,611	14,506	14,347	