


**MICHIGAN STATE  
UNIVERSITY**

April 6, 2011

**MEMORANDUM**

**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** 2011-12 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 \$8,154 for freshman, transfer, and returning students who select the silver unlimited meal plan for the 2011-12 academic year.

BE IT FURTHER RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees adopt Spartan Village rates of \$650 per month for a one-bedroom apartment and \$774 per month for a two-bedroom apartment, and adopt a University Village rate of \$690 per month/per person for a four-bedroom apartment, effective August 1, 2011.



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**BACKGROUND**

Attached are materials that show recommended 2011-12 academic year housing and dining rates.

The proposed rates represent a 4.95% increase for the residence halls over the 2010-11 rates. This increase is consistent with the forecasting provided to the Board in September 2008. The rate increase results from higher operating expenses and debt service costs for renovations for housing and food service facilities on campus. The increase in housing and dining rates for the 2010-11 academic year was 5.10%.

If the new rates are adopted, the residence hall double room rate for undergraduate students will increase \$160 per year and the silver unlimited meal plan for freshman, transfer, and returning students will increase \$224.

For university apartments, the rates will remain unchanged for one-bedroom and two-bedroom units in Spartan Village. The monthly rate for apartments in University Village will increase by \$7 per person.

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, D. Maybank, K. Lindahl, M. Haas,  
D. Byelich, V. Gore, S. Margraves, G. Procopio

# MSU RHS 2011-12 Housing and Dining Rate Recommendations

## April 6, 2011

### OVERVIEW:

The proposed housing and dining rate recommendations for academic year 2011-12 reflect a 4.95% increase for the residence halls and targeted market adjustments for university apartments. This residence hall increase is less than the academic year 2010-11 increase of 5.10%. It is also consistent with the forecasting provided to the Board in September 2008.

For 2011-12, Spartan Village one-bedroom and two-bedroom apartments monthly rent would remain unchanged at \$650 and \$774 respectively. University Village four-bedroom apartment monthly rent per room would increase \$7 (+1.0%) to \$690 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 attempts to strike a reasonable balance between affordability, enhanced service for students, and the renovation of aging facilities.

#### ***MSU Residence Halls – All Inclusive Amenities:***

***Housing:*** Furnished residence hall room, window coverings, all utilities, high-speed Internet connection, cable TV hook-up, linen service, waste and recycling service, E-suds laundry facilities, Wi-Fi in quiet study and public campus areas, dedicated Mentors and Living Learning Services staff, 24/7 reception desk service, building and campus security, Spartan-Connect social media, and convenient access to classrooms and MSU Intramural Sports fitness facilities.

***Dining:*** Basic "Silver" plan provides unlimited meals at any of the 11 residence hall dining facilities from 7 am to 12 midnight seven days a week. All Silver plans also include free daily access to a Combo-X-Change meal at any of the Sparty's, Union Pizzeria, Serrano's, or Riverwalk Market retail dining locations on campus.

### STUDENT SERVICE PROGRAMMING:

**Residence Hall Neighborhood Engagement Centers:** The East Neighborhood Engagement Center, the hub for the pilot program of the University's Neighborhoods initiative, has been open in Hubbard Hall since August 2010 and has quickly shown signs of success.

The Neighborhoods initiative is a new vision for student success on campus that better connects where students live and learn. It focuses on four central themes: intercultural development, academic support, residential support, and health and wellness. The pilot program in the East Neighborhood marks the first time that the entire campus has come together with this level of intention and shared vision in support of our students.

The Engagement Center is bringing resources closer to the students, and in the context of their greatest needs. The neighborhoods serve as communities where students can connect with faculty, support staff, other students, and resources that can help them be successful.

The East Neighborhood Engagement Center has assembled important resources – from academic and social to health – in one central location to focus on student success in a broader living-learning environment. It is staffed by a core team of professionals from across campus whose task is to look at all elements of the living-learning experience and determine where, when, and to what extent they can best assist in delivering the kinds of support that students need to be successful at MSU.

Similar expansion of the Neighborhood Engagement Center program for residence hall students will occur in the Brody and South Campus neighborhoods in 2011-12. Once the Neighborhoods initiative is fully implemented, there will be six engagement centers geographically spaced throughout the campus.

**Department of Residence Life & Campus Living Services Integration:** Beginning July 2011 the Department of Residence Life will join RHS, and no longer report to the Vice President of Student Affairs and Services. The reorganization will assist RHS Campus Living Services and Residence Life to better serve the campus community and reflect the neighborhoods concept.

### **STUDENT HOUSE COUNTS:**

**Residence Halls:** Budgeted house counts total 13,947 for 2011-12. This approximates the house counts realized in 2010-11 and represents a reduction of 400 students from the 2010-11 budget. Renovations at the Brody Square dining facility and Emmons Hall have provided improved retention in the Brody Complex compared to previous years. Many recently renovated RHS residence halls such as Holden, Mayo, and Owen are also experiencing improved retention.

Increasing competition from private apartment developments, however, continues to challenge RHS retention efforts. Careful evaluation of RHS residence hall and apartment rates, in comparison to local competitor rates, will need to be conducted regularly.

**Apartments:** University Village apartments' 304 beds are budgeted to remain near 100% occupancy for 2011-12. This facility remains very popular during fall and spring semesters. Occupancy diminishes significantly during the summer which is a reflection of the MSU academic calendar.

Cherry Lane and Faculty Bricks apartments will be demolished beginning in July 2011, a total of 476 apartments. They have exceeded their useful life spans and are no longer economical to maintain. Current tenants will find many options both on and off campus for relocation.

Spartan Village's 1,028 units are budgeted to be at 85% occupancy for 2011-12. Occupancy for Spartan Village, Cherry Lane, and Faculty Bricks apartments, combined, is currently 74%. It is anticipated that many students currently living in Cherry Lane apartments will relocate to

Spartan Village after they are demolished.

The economic downturn has reduced occupancy and lease rates for private apartments in the Lansing area and has presented increased competition for Spartan Village apartments.

### FACILITIES UPDATE:

Bailey Hall and Rather Hall in the Brody neighborhood are scheduled to close for renovation from May 2011 until June 2012. Total residence hall capacity remains sufficient to absorb the loss of the 446 Bailey Hall beds and 450 Rather Hall beds during the 2011-12 renovation. Emmons Hall in the Brody neighborhood will re-open its 454 beds in August 2011 after being renovated during 2010-11.

The first floor of Brody Hall will also re-open for students in the summer of 2011 with new classrooms, an auditorium, a computer lab, Neighborhood Engagement Center, and a Sparty's retail food location.

The Case Hall dining facility will be closed for extensive renovations from May 2011 to January 2012. The Case renovation will offer expanded facilities and enhanced dining options similar to the Gallery at Snyder-Phillips and Brody Square.

### FINANCIAL SUMMARY:

**2010-11 Current Year Operating Projection:** Combined residence hall and apartment operating net income after debt service cost is projected to be \$13.7 million, slightly below the budgeted amount of \$14.4 million. Current year revenues are approximately 2.8% (-\$3.8 million) lower than budget, primarily due to residence hall house count reductions of approximately 400 students and declining apartment occupancy. Declining tenant counts at Faculty Bricks apartments in response to the upcoming demolition have reduced overall apartment occupancy. Significant expense containment efforts have been made in response to the reduced resident hall and apartment house counts. Total current-year operating expenses are projected to be 2.7% (-\$3.1 million) below 2010-11 budget amounts.

**2011-12 Proposed Operating Budget:** Combined residence hall and apartment operating net income after debt service cost is projected to be \$10.4 million. Revenues are projected to increase 2.9% (+\$3.8 million) for 2011-12 over projected current year amounts. Anticipated decreases in apartment revenue (reduced available units) and summer conference activity (Odyssey of the Mind in 2009-10 only) partially offset the residence halls' 4.95% rate increase. Retail dining cash sales are projected to increase 7.1% next year as facility renovations continue to result in meal plan sales growth.

Consolidated residence hall and apartment operating expenses are budgeted to increase 3.9% (+\$4.3 million) in 2011-12 over projected 2010-11 levels. Residence hall personnel service costs are budgeted to increase 3.3% (+\$1.46 million) over projected 2010-11 amounts due to staffing additions for the new Sparty's retail food location in Brody Hall and the renovated Case Hall dining facility, a 3% student wage increase, a 1% hourly staff wage increase and a 4.3% increase in healthcare benefit costs.

The budget for food expense is forecasted to increase 5.7% (+\$1.3 million) over current levels due to inflation. Significant global food and fuel cost increases are projected to negatively impact the Culinary Services budget in 2011-12.

MSU Power Plant utility expenses for the residence halls are budgeted to increase \$1.97 million over current amounts. This increase is deceptively high due to an overcharge in 2009-10 and a subsequent off-setting reduction of the 2010-11 base which created the large differential for projected utility usage in 2011-12.

### **DEBT SERVICE COST:**

Combined residence hall and apartment debt service cost will increase from \$6.8 million to \$9.5 million in 2011-12 due to the additional 2010 series 30-year bonded debt financing/refinancing of a net \$86 million. This increased debt will finance the renovation of Brody Square dining, Emmons Hall, Bailey Hall, and Case Hall dining.

Total borrowing for the entire Brody Complex renovation is budgeted at \$147 million and is scheduled to be completed when Butterfield Hall is completed in June 2014.

RHS debt service cost is budgeted to increase significantly over the next several years until 2015-16 when it is anticipated to peak at \$18 million per year until 2033. RHS long-term debt obligations currently total \$179 million, up from \$93 million one year ago. RHS debt capacity is forecasted to be \$285 million and is expected to peak in 2014-15.

### **RENOVATIONS AND JUST-IN-TIME MAINTENANCE:**

In 2008, RHS adopted a long-range strategic plan. The plan is updated regularly and allocates funds for necessary and ongoing facility improvements and JIT maintenance. Projects scheduled for 2011-12 include \$15.7 million in renovation, maintenance, and JIT maintenance expenditures.

JIT maintenance projects include \$5.3 million for demolition of the Cherry Lane and Faculty Bricks apartment buildings. Akers Hall improvements including new room furniture, living area updates, and elevator renovations, are budgeted at \$2.9 million. Residence hall roof repairs are budgeted at \$1.25 million and phase three of the residence hall card access project will cost \$0.7 million. Additional projects to maintain RHS facility exteriors, elevators, roof maintenance, energy-efficient lighting replacements, information technology maintenance and upgrades, minor life safety improvements, asbestos and lead remediation, and landscape repair and maintenance will be completed.

## Residence Halls – Effective Fall Semester 2011

Freshman/Transfer/Returning Students: Annual	2010-11 Rate	2011-12 Recommended	\$ Increase	% Increase
Annual – Double Room With Silver Unlimited Meal Plan	\$7,770	\$8,154	\$384	4.95%

Annual	2010-11 Rate	2011-12 Recommended	\$ Increase	% Increase
All Undergraduate Students: Double Room Rate	\$3,208	\$3,368	\$160	4.99%
Freshman/Transfer/Returning Students: Board Rate With Silver Unlimited Meal Plan	\$4,562	\$4,786	\$224	4.91%

## Spartan Village Apartments – Effective August 1, 2011

University Apartments	2010-11 Rate	2011-12 Recommended	\$ Increase	% Increase
Standard 1 Bedroom	\$650	\$650	\$0	0%
Standard 2 Bedroom	\$774	\$774	\$0	0%

## University Village Apartments – Effective August 1, 2011

University Village (4 Bedroom Apartments)	2010-11 Rate	2011-12 Recommended	\$ Increase	% Increase
Resident rate/per month/per room	\$683	\$690	\$7	1.0%

**MSU RHS RESIDENCE HALLS: PRELIMINARY FINANCIAL PREVIEW**

<b>REVENUES</b>	<b>Projected Actual 2010-11</b>	<b>Proposed Budget 2011-12</b>	<b>\$ Increase / (\$ decrease)</b>
Room & Board	\$105,672,000	\$110,774,000	\$5,102,000
Dining Cash Sales	9,996,000	10,702,000	706,000
Academic Space Rental	1,165,000	1,165,000	0
Conferences	4,600,000	3,800,000	(800,000)
<b>Total Revenues</b>	<b>121,433,000</b>	<b>126,441,000</b>	<b>5,008,000</b>
<b>EXPENSES</b>			
Personnel Services	44,383,000	45,845,000 <sup>(1)</sup>	1,462,000 <sup>(1)</sup>
Food Purchases	22,654,000	23,953,000	1,299,000
Utilities	8,086,000	10,060,000 <sup>(2)</sup>	1,974,000 <sup>(2)</sup>
General Expense	5,525,000	5,388,000	(137,000)
Residence Life/Stu Service	4,305,000	4,428,000	123,000
Supplies	5,511,000	5,674,000	163,000
Repairs	4,282,000	4,537,000	255,000
Communications	2,043,000	1,872,000	(171,000)
Bandwidth	738,000	738,000	0
Auxiliary Overhead Fee	2,624,000	2,624,000	0
Laundry	1,324,000	1,490,000	166,000
Insurance	407,000	440,000	33,000
Equipment	203,000	173,000	(30,000)
Travel / Miscellaneous	592,000	545,000	(47,000)
40 Nat'l Merit Scholarships	311,000	327,000	16,000
EBS Administration Fee 1%	1,210,000	1,253,000	43,000
<b>Total Expenses</b>	<b>104,198,000</b>	<b>109,347,000</b>	<b>5,149,000</b>
Less Debt Service Costs	5,626,000	8,323,000	2,697,000
<b>Contribution to JIT &amp; Plant Cash Maintenance =</b>	<b>\$11,609,000</b>	<b>\$8,771,000</b>	<b>(\$2,838,000)</b>

**NOTES:**

*(1) Personnel services costs are budgeted to increase \$1.46 million due to staffing additions for the new Sparty's location in Brody Hall and the renovated Case Hall dining facility, 3% student wage increases, 1% hourly staff wage increases and a 4.3% rise in healthcare benefit costs.*

*(2) Utility costs for the residence halls are budgeted to increase \$1.97 million due to an overcharge in 2009-10 and a subsequent off-setting reduction of the 2010-11 base which created a deceptively large differential for projected utility usage in 2011-12.*

**MSU RHS UNIVERSITY APARTMENTS: PRELIMINARY FINANCIAL PREVIEW**

<b>REVENUES</b>	<b>Projected Actual 2010-11</b>	<b>Proposed Budget 2011-12</b>	<b>\$ increase / (\$ decrease)</b>
Apartment Rent	\$10,696,000	\$9,469,000 <sup>(1)</sup>	(\$1,227,000) <sup>(1)</sup>
<b>EXPENSES</b>			
Personnel Services	2,868,000	2,598,000	(270,000)
Utilities	1,292,000	847,000	(445,000)
General Expense	548,000	450,000	(98,000)
Residence Life/Student Service	470,000	481,000	11,000
Supplies	261,000	516,000	255,000
Repairs	643,000	563,000	(80,000)
Communication	485,000	363,000	(122,000)
Bandwidth	82,000	82,000	0
Auxiliary Overhead Fee	376,000	376,000	0
Insurance	76,000	60,000	(16,000)
Equipment	53,000	28,000	(25,000)
Laundry/ Travel/ Miscellaneous	107,000	91,000	(16,000)
East Lansing Schools	106,000	106,000	0
EBS Administration Fee 1%	107,000	95,000	(12,000)
<b>Total Expenses</b>	<b>7,474,000</b>	<b>6,656,000<sup>(1)</sup></b>	<b>(818,000)<sup>(1)</sup></b>
Less Debt Service Costs	1,161,000	1,143,000	(18,000)
<b>Contribution to JIT &amp; Plant Cash Maintenance =</b>	<b>\$2,061,000</b>	<b>\$1,670,000</b>	<b>(\$391,000)</b>

**NOTE:**

*(1) Revenue and expense decreases for the 2011-12 budget compared to 2010-11 projections are attributable to the planned July 2011 demolition of the 476 units in the Cherry Lane and Faculty Bricks apartment complexes. Proposed 2011-12 budget amounts represent only Spartan Village and University Village apartments.*

**MSU RHS RESIDENCE HALL RATE COMPARISON**  
**Standard Double Room & Board Plan for 2011-12**

<b>BIG TEN UNIVERSITIES</b>	<b>2010-11 Rate</b>	<b>2011-12 Rate</b>	<b>\$ Increase</b>	<b>% Increase</b>
Northwestern University	\$11,700	\$12,051	\$351	3.00% estimated
University of Michigan	\$9,192	\$9,468	\$276	3.00% proposed
University of Illinois	\$9,086	\$9,450	\$364	4.00% proposed
Purdue University	\$8,629	\$8,802	\$173	2.00% proposed
Penn State University	\$8,370	\$8,740	\$370	4.42% approved
Ohio State University	\$8,205	\$8,615	\$410	5.00% proposed
Indiana University	\$7,918	\$8,419	\$501	6.33% proposed
<b>Michigan State University</b>	<b>\$7,770</b>	<b>\$8,154</b>	<b>\$384</b>	<b>4.95% proposed</b>
University of Iowa	\$7,567	\$7,945	\$378	5.00% proposed
University of Minnesota	\$7,576	\$7,879	\$303	4.00% proposed
University of Wisconsin	\$7,435	\$7,725	\$290	3.90% proposed

<b>MICHIGAN UNIVERSITIES</b>	<b>2010-11 Rate</b>	<b>2011-12 Rate</b>	<b>\$ Increase</b>	<b>% Increase</b>
University of Michigan	\$9,192	\$9,468	\$276	3.00% proposed
Ferris State University	\$8,583	\$8,840	\$257	3.00% estimated
Michigan Tech University	\$8,432	\$8,685	\$253	3.00% estimated
Central Michigan University	\$8,092	\$8,379	\$287	3.55% estimated
Lake Superior State University	\$8,088	\$8,330	\$242	3.00% estimated
Western Michigan University	\$8,095	\$8,258	\$163	2.00% estimated
<b>Michigan State University</b>	<b>\$7,770</b>	<b>\$8,154</b>	<b>\$384</b>	<b>4.95% proposed</b>
Eastern Michigan University	\$7,786	\$8,135	\$349	4.48% estimated
Northern Michigan University	\$7,822	\$8,034	\$212	2.71% estimated
Oakland University	\$7,680	\$7,880	\$200	2.60% estimated
Grand Valley State University	\$7,814	\$7,814	\$0	0.00% approved
Saginaw Valley State University	\$7,550	\$7,768	\$218	2.89% estimated
Wayne State University	\$7,650	\$7,725	\$75	1.00% estimated

**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>	<u>2010-11</u>
14,844	14,733	14,611	14,506	14,385	13,947