


MICHIGAN STATE
U N I V E R S I T Y

April 4, 2012

MEMORANDUM

To: Trustee Finance Committee
From: Fred L. Poston 
Subject: 2012-13 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 double room and board rate of \$8,476 for freshman, transfer, and returning students who select the silver unlimited meal plan for the 2012-13 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, 2012.



BACKGROUND

Attached are materials that show recommended 2012-13 academic year housing and dining rates.

The proposed rates represent a 3.95% increase for the residence halls over the 2011-12 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 2011-12 academic year was 4.95%.

If the new rates are adopted, the residence hall double room rate for undergraduate students will increase \$132 per year and the silver unlimited meal plan for freshman, transfer, and returning students will increase \$190.

For university apartments, the rates will remain unchanged for all units in Spartan Village and University Village for the 2012-13 academic year.

OFFICE OF THE
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OPERATIONS

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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.

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MSU 2012-13 Housing and Dining Rate Recommendations

April 13, 2012

OVERVIEW:

The proposed housing and dining rate recommendations for academic year 2012-13 reflect a 3.95% increase for the residence halls and no increase for university apartments. This residence hall increase is less than the academic year 2011-12 increase of 4.95% and the lowest rate increase since the 2000-01 academic year. It is also consistent with the forecasting provided to the Board in September 2008.

For 2012-13, 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 remain unchanged at \$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.

Living in a residence hall on campus for the 2012-13 academic year remains a value at \$37 per day, based on double occupancy. On-campus apartment options can cost as little as \$13 per day at Spartan Village, \$18 per day at Williams Hall, and \$23 per day at University Village. Many different meal plans may be added to these apartment options.

MSU Residence Halls – All Inclusive Amenities for \$37 per day:

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 Resident Assistants 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, Union Deli, Serrano’s, or Riverwalk Market retail dining locations on campus.

STUDENT SERVICE PROGRAMMING:

Residence Hall Neighborhood Engagement Centers: 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 pillars: intercultural development, academic support, residential support, and health and wellness. It is an intentional alignment between Academic Affairs, Student Affairs and Residential and Hospitality Services.

The pilot program in the East Neighborhood at Hubbard Hall in Academic Year 2010-11 was the beginning of the University's shared vision in support of our students. The pilot program has proven to be very successful. Additional Engagement Centers in the Brody Neighborhood and in the South Neighborhood at Holden Hall were opened in August 2011.

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. This collective engagement seeks to provide the necessary services to enable students to persist and graduate from MSU. The first year is critical for creating a successful foundation for undergraduates.

The Neighborhood Engagement Centers have 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.

The Engagement Centers feature a Math Learning Center which attracts students for math tutoring and test preparation sessions. The Math Learning Center is a partnership between the Engagement Center and the Department of Mathematics.

The Engagement Centers also provide a branch of the Writing Center, which offers students one-on-one help; and a student health services clinic that provides primary care, health education and preventive medicine. There are also Sparty's Cafés that include a coffee shop, convenience store and grill.

Similar expansion of the Neighborhood Engagement Center program for residence hall students will occur in the River Trail Neighborhood at McDonel Hall and a temporary engagement center in North Campus Neighborhood in 2012-13. Once the Neighborhoods initiative is fully implemented, there will be five engagement centers geographically spaced throughout the campus.

Department of Residence Life & Campus Living Services Integration: Beginning July 2012 the Department of Residence Life will be fully integrated with the Division of Residential and Hospitality Services, moving from 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.

Dr. Kathy Collins has been hired as the director who will guide the combined departments. Residence Life program expenses are projected to remain approximately the same as budgeted 2011-12 amounts. In previous years, these expenses were transferred to Student Affairs. Thus, the personnel and travel costs increase reflects the change in reporting relationship. In addition, the program will seek to reflect national best practices and incorporate the Neighborhood Concept practices in how we serve our students. The Residence Hall Association function and related budget will also be transferred to RHS in July 2012.

STUDENT HOUSE COUNTS:

Residence Halls: Budgeted house counts total 14,450 for 2012-13. This is a reduction of 400 from the actual projected house counts for 2011-12. Anticipated reductions in freshmen admissions for fall semester 2012 account for the decrease.

Renovations at the Brody Square dining facility and Emmons Hall have provided improved retention in the Brody neighborhood compared to previous years. Many recently renovated RHS residence halls such as Case, Holden, Mayo, and Owen are also experiencing improved student 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 2012-13. 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. Spartan Village's 1,028 units are budgeted to remain at 95% occupancy for 2012-13.

Cherry Lane (292 apartments) and Faculty Bricks (184 apartments) were demolished in July 2011. They had exceeded their useful life spans and were no longer economical to maintain. Current tenants found many options both on and off campus for relocation.

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

FACILITIES UPDATE:

Armstrong Hall and Bryan Hall in the Brody neighborhood are scheduled to close for renovation from May 2012 until June 2013. Total residence hall capacity remains sufficient to absorb the loss of the 470 Armstrong Hall beds and 470 Bryan Hall beds during 2012-13 renovation. Bailey Hall and Rather Hall in the Brody neighborhood will re-open their 896 combined beds in July 2012 after being renovated during 2011-12. The first floor of Brody Hall reopened 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 Shaw Hall dining facility will be closed for extensive renovations from May 2012 to January 2013. The Shaw renovation will offer expanded facilities and enhanced dining options similar to those at South Pointe Dining at Case Hall, which opened in January 2012 after being closed for seven months for renovations.

The Wonders Hall dining facility was closed upon completion of the South Pointe/Case Hall dining renovation in January 2012. Expanded Case Hall capacity will be sufficient to serve Wonders residents. The College of Engineering is reviewing plans to repurpose the Wonders dining facility into academic classroom space.

The River Trail Neighborhood Engagement Center at McDonel Hall will be constructed beginning in May 2012. A temporary North Neighborhood Engagement Center at the MSU Union will also be constructed beginning in May 2012. Both Centers will be open in time for fall semester 2012.

FINANCIAL SUMMARY:

The 2012-13 proposed rate increase and operations budget will allow RHS to remain financially viable. RHS has three financial objectives to be achieved through net income from operations: 1) to pay debt service costs, 2) provide just-in-time maintenance funds for repairs and improvements, and 3) maintain an adequate reserve balance to address unforeseen emergencies.

2011-12 Current Year Operating Projection: Combined residence hall and apartment operating net income prior to debt service cost is projected to be \$26.0 million, considerably above the budgeted amount of \$19.9 million.

Current year revenues are approximately 6.6% (+\$9 million) higher than budget primarily due to residence hall house count increases of approximately 1,000 students over FY11-12 budgeted amounts. Significantly higher fall semester 2011 freshman admissions compared to 2010 and higher residence hall retention rates are responsible for this increase.

Apartment revenue is approximately 17% below actual FY10-11 amounts, however, due to the demolition of Cherry Lane and Faculty Bricks Apartments in July 2011. Apartment net income should achieve FY11-12 budget amounts.

Residence hall and apartment operating expenses are projected to be 2.5% (+\$2.9 million) higher than budget due primarily to increased food costs associated with the increased house counts. Repair and maintenance costs are also higher than budget due to the increased number of students.

2012-13 Proposed Operating Budget: Operating net income prior to debt service cost is projected to be \$25.9 million, slightly below the 2011-12 projected total of \$26.0 million.

Consolidated residence hall and apartment revenues are projected to increase 2.7% (+\$3.9 million) for 2012-13 over projected current year amounts. Residence hall room and board rates will increase 3.95%, while Spartan Village and University Village apartment rates will remain unchanged from FY11-12. Anticipated reductions in freshmen admissions for fall semester 2012 account for the 400 residence hall student house count decrease compared to 2011-12.

Increases in nonrecurring conference activity will generate incremental revenue to offset the residence hall's student house count decrease. Net proceeds from these conferences will finance RHS facility renovations.

Consolidated residence hall and apartment operating expenses are budgeted to increase 3.3% (+\$3.9 million) in 2012-13 over projected 2011-12 levels.

The Department of Residence Life (DRL) will be combined with Campus Living Services effective July 1, 2012. In prior years, RHS transferred funds monthly to DRL in Student Affairs for their services. The FY12-13 budget includes \$5.0 million in DRL expenses. The equivalent FY11-12 budget for DRL expenses was \$4.9 million and was listed on one separate expense line. Of the FY12-13 personnel services expense increase totaling \$4.5 million (+11.9%), \$3 million (+7.9%) is for DRL staffing. Similarly, of the FY12-13 benefits expense increase totaling \$1.8 million (+16.0%), \$1.3 million (+11.8%) is for DRL staff.

Food purchase expense is budgeted to remain flat as improved RHS purchasing contracts should offset the estimated 5% inflation increase. MSU Power Plant utility expenses for the residence halls are budgeted to increase 11.2% (+\$1.1 million) over current amounts due to rising fuel costs and a \$577,000 adjustment increase for FY10-11 prior year reconciliation.

DEBT SERVICE COST: Debt service cost will increase from \$9.5 million to \$11.4 million in 2012-13 due to the additional 2010A series 30-year bonded debt financing/refinancing reaching a total of \$104 million. This increased debt financed the renovation of Brody Square dining and classrooms, Emmons Hall, large portions of Bailey/Rather Halls, and Case Hall dining. Total borrowing for the entire Brody neighborhood renovation is budgeted at \$145 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 \$18.0 million per year until 2031. RHS long-term debt obligations currently total \$184 million. RHS maximum debt capacity is forecasted to be \$285 million and is expected to be reached in 2015-16.

RENOVATIONS AND JUST-IN-TIME (JIT) 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 2012-13 include \$13.4 million in renovations and JIT maintenance expenditures.

JIT maintenance projects include \$3.5 million for construction of the River Trail Neighborhood Engagement Center at McDonel Hall. This project totals \$5.5 million, with MSU general funds providing \$2 million in financing.

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 2012

Freshman/Transfer/Returning Students: Annual	2011-12 Rate	2012-13 Recommended	\$ Increase	% Increase
Annual – Double Room With Silver Unlimited Meal Plan	\$8,154	\$8,476	\$322	3.95%

Annual	2011-12 Rate	2012-13 Recommended	\$ Increase	% Increase
All Undergraduate Students: Double Room Rate	\$3,368	\$3,500	\$132	3.92%
Freshman/Transfer/Returning Students: Board Rate With Silver Unlimited Meal Plan	\$4,786	\$4,976	\$190	3.97%

Spartan Village Apartments – Effective August 1, 2012

University Apartments	2011-12 Rate	2012-13 Recommended	\$ Increase	% Increase
Standard 1 Bedroom	\$650	\$650	\$0	0%
Standard 2 Bedroom	\$774	\$774	\$0	0%

University Village Apartments – Effective August 1, 2012

University Village (4 Bedroom Apartments)	2011-12 Rate	2012-13 Recommended	\$ Increase	% Increase
Resident rate/per month/per room	\$690	\$690	\$0	0%

MSU RHS RESIDENCE HALLS: PRELIMINARY FINANCIAL PREVIEW

REVENUES	Projected Actual 2011-12	Proposed Budget 2012-13	\$ Increase / (\$ decrease)
Room & Board	\$117,482,000	\$118,858,000	\$1,376,000
Dining Cash Sales	13,216,000	13,217,000	1,000
Academic Space Rental	1,165,000	1,165,000	0
Conferences – Recurring	3,600,000	3,300,000	(300,000)
Conferences - Nonrecurring ⁽¹⁾	0	2,750,000 ⁽¹⁾	2,750,000 ⁽¹⁾
Total Revenues	135,463,000	139,290,000	3,827,000
EXPENSES			
Personnel Services ⁽²⁾	46,736,000	52,835,000 ⁽²⁾	6,099,000 ⁽²⁾
Residence Life ⁽²⁾	4,428,000	328,000 ⁽²⁾	(4,100,000) ⁽²⁾
Food Purchases	25,604,000	25,571,000	(33,000)
Utilities ⁽³⁾	10,104,000	11,238,000 ⁽³⁾	1,134,000 ⁽³⁾
General Expense	5,388,000	5,149,000	(239,000)
Supplies	5,610,000	5,569,000	(41,000)
Repairs	4,639,000	4,726,000	87,000
Communications/Bandwidth	2,611,000	2,828,000	217,000
Auxiliary Overhead Fee	2,700,000	2,700,000	0
Laundry	1,514,000	1,556,000	42,000
Insurance	371,000	397,000	26,000
Equipment	203,000	294,000	91,000
Travel / Miscellaneous	733,000	1,026,000	293,000
40 Nat'l Merit Scholarships	327,000	339,000	12,000
EBS Administration Fee 1%	1,331,000	1,381,000	50,000
Total Expenses	112,299,000	115,937,000	3,638,000
Less Debt Service Costs	8,323,000	10,377,000	2,054,000
Contribution to JIT & Plant Cash Maintenance⁽¹⁾ =	\$14,841,000	\$12,976,000⁽¹⁾	(\$1,865,000)

NOTES:

(1) In 2012-13 MSU will host large national and international conferences on campus. These conferences are nonrecurring in nature for MSU and are not a part of the normal event calendar. Net proceeds from these conferences will finance RHS facility renovations.

(2) Personnel services costs are budgeted to increase \$6.1 million due to the 2012-13 integration of Campus Living Services and Residence Life. For 2011-12 the Residence Life funding of \$4.4 million was transferred monthly to the Division of Student Affairs. For 2012-13 Residence Life staff will be paid as RHS staff. Net increase equals 3.9% for both personnel services and residence life combined.

(3) Utility costs for the residence halls are budgeted to increase \$1.1 million due to a 2010-11 final cost reconciliation addition of \$0.6 million to be expensed in 2012-13.

MSU RHS UNIVERSITY APARTMENTS: PRELIMINARY FINANCIAL PREVIEW

REVENUES	Projected Actual 2011-12	Proposed Budget 2012-13	\$ increase / (\$ decrease)
Apartment Rent ⁽¹⁾	\$9,453,000	\$9,516,000	\$63,000
EXPENSES			
Personnel Services	2,172,000	2,350,000	178,000
Utilities	795,000	867,000	72,000
General Expense	497,000	466,000	(31,000)
Residence Life/Student Service	463,000	463,000	0
Supplies	503,000	498,000	(5,000)
Repairs	1,024,000	1,005,000	(19,000)
Communication	446,000	506,000	60,000
Bandwidth	80,000	80,000	0
Auxiliary Overhead Fee	300,000	300,000	0
Insurance	72,000	77,000	5,000
Equipment	28,000	28,000	0
Laundry/ Travel/ Miscellaneous	59,000	80,000	21,000
East Lansing Schools	106,000	106,000	0
EBS Administration Fee 1%	95,000	95,000	0
Total Expenses ⁽¹⁾	6,640,000	6,921,000	281,000
Less Debt Service Costs	1,143,000	1,065,000	(78,000)
Contribution to JIT & Plant Cash Maintenance =	\$1,670,000	\$1,530,000	(\$140,000)

NOTE:

(1) Revenue and expense decreases for the 2011-12 projected actual amounts compared to the prior year are attributable to the July 2011 demolition of the 476 units in the Cherry Lane and Faculty Bricks apartment complexes. 2011-12 projected amounts and 2012-13 budget amounts represent only Spartan Village and University Village apartments.

MSU RHS RESIDENCE HALL RATE COMPARISON
Standard Double Room & 20 Meals/Week Board Plan for 2012-13*

BIG TEN UNIVERSITIES	2011-12 Rate	2012-13 Rate	\$ Increase	% Increase
Northwestern University	\$12,345	\$12,876	\$531	4.30% proposed
Purdue University	\$9,510	\$9,795	\$285	3.00% estimated
University of Michigan	\$9,468	\$9,752	\$284	3.00% proposed
University of Illinois	\$9,452	\$9,688	\$236	2.50% proposed
University of Iowa	\$8,739	\$9,087	\$348	4.00% proposed
Penn State University	\$8,740	\$9,002	\$262	3.00% approved
Ohio State University	\$8,670	\$8,930	\$260	3.00% estimated
University of Nebraska	\$8,647	\$8,906	\$259	3.00% estimated
Indiana University	\$8,419	\$8,756	\$337	4.00% proposed
Michigan State University	\$8,154	\$8,476	\$322	3.95% proposed
University of Minnesota	\$8,032	\$8,273	\$241	3.00% estimated
University of Wisconsin	\$7,724	\$8,024	\$300	3.88% proposed

MICHIGAN UNIVERSITIES	2011-12 Rate	2012-13 Rate	\$ Increase	% Increase
University of Michigan	\$9,468	\$9,752	\$284	3.00% proposed
Ferris State University	\$8,744	\$9,006	\$262	3.00% estimated
Michigan Tech University	\$8,648	\$8,907	\$259	3.00% estimated
Lake Superior State University	\$8,319	\$8,569	\$250	3.00% estimated
Western Michigan University	\$8,249	\$8,496	\$247	3.00% estimated
Michigan State University	\$8,154	\$8,476	\$322	3.95% proposed
Central Michigan University	\$8,212	\$8,458	\$246	3.00% estimated
Northern Michigan University	\$7,970	\$8,209	\$239	3.00% estimated
Oakland University	\$7,968	\$8,207	\$239	3.00% estimated
Wayne State University	\$7,940	\$8,178	\$238	3.00% estimated
Eastern Michigan University	\$7,896	\$8,133	\$237	3.00% estimated
Grand Valley State University	\$7,814	\$8,120	\$306	3.92% estimated
Saginaw Valley State University	\$7,768	\$7,980	\$212	2.73% estimated

***MSU meal plan provides unlimited meals 7 days per week**

MSU RHS AVERAGE RESIDENCE HALL HOUSE COUNTS

<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	14,010
<u>2011-12</u>					
14,850					