


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

April 3, 2013

**MEMORANDUM**

**To:** Trustee Finance Committee

**From:** Vennie Gore   
Vice President for Auxiliary Enterprises

**Subject:** 2013-14 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 \$8,806 for freshman, transfer, and returning students who select the silver unlimited meal plan for the 2013-14 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, 2013.

OFFICE OF THE  
EXECUTIVE  
VICE PRESIDENT FOR  
ADMINISTRATIVE  
SERVICES

**BACKGROUND**

Attached are materials that show recommended 2013-14 academic year housing and dining rates.

The proposed rates represent a 3.90% increase for the residence halls over the 2012-13 rates. This increase is consistent with the forecasted rate increase presented to the Board in January 2013. 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 2012-13 academic year was 3.95%.

If the new rates are adopted, the residence hall double room rate for undergraduate students will increase \$136 per year and the silver unlimited meal plan for freshman, transfer, and returning students will increase \$194.

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For university apartments, the rates will remain unchanged for all units in Spartan Village and University Village for the 2013-14 academic year.

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, W. Beekman, S. Udpa, D. Maybank, B. Latta, M. Haas,  
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# MSU RHS 2013-14 Housing and Dining Rate Recommendations

## April 12, 2013

### OVERVIEW:

The proposed housing and dining rate recommendations for academic year 2013-14 reflect a 3.90% increase for the residence halls and no increase for university apartments. This residence hall increase is less than the academic year 2012-13 increase of 3.95% and the lowest rate increase since the 2000-01 academic year. It is also consistent with the forecasted rate provided to the Board in January 2013.

With this proposed rate change, the double-room residence hall housing rate would increase \$136 to \$3,636 per year. The Silver Unlimited dining meal plan for residence hall students would increase \$194 to \$5,170 per year. Total residence hall housing and dining costs would increase from \$8,476 to \$8,806 for the 2013-14 academic year.

For 2013-14, 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 2013-14 academic year remains a value at \$39 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 \$39 per day:***

***Housing:*** Furnished residence hall room, window coverings, all utilities, high-speed Internet connection, cable TV hook-up, linen and laundry 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, SpartanConnect 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:**

The Neighborhoods initiative has been implemented in all five undergraduate neighborhoods. The North Campus Engagement Center, along with the Multi-Cultural Center or Unity Center, will be co-located on the second floor of MSU Union. This configuration will provide the University with a partnership not found on many research one campuses. We believe this partnership uniquely positions the University to meet our goals of increasing persistence and retention while reducing the time to graduation.

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 Centers and the Department of Mathematics. The Engagement Centers also provide access to a branch of the Writing Center. These offerings provide multiple pathways to assist students in their academic success. We are beginning to experience college advisors and department tutors utilizing the Centers to meet with students. The next step will be to develop analytic models to create specific plans for individual success.

Residence Education staff are creating community development models that will assist freshmen with their transition to Michigan State and opportunities for engagement in the academic enterprise. This model is a collaborative effort with our living learning colleagues, Student Affairs staff and Engagement Center staff. These efforts support our goals of persistence, retention and academic success. Residence Education staff will be more active in regional and national associations. It is necessary for our staff to stay current with national trends in Residence Education and to share our best practices from the Neighborhood initiative.

The 2008 RHS Strategic Plan has recently been updated to reflect the evolving needs of our University community. MSU residence halls were built between 1931 (Mayo Hall) and 1967 (Holden Hall). Over the past five years, we were able to renovate 55% of our residence halls. The Neighborhood Initiative primarily focused on the freshman year in our early development. The next evolution will be to focus support on the sophomore experience, especially for those students not admitted to their college of choice which includes college academic planning and career exploration. We will be planning on replacing family and visiting faculty housing given that Spartan Village is beyond its useful life. There could be opportunities for mixed land use on that property as it has outlined in the University's master plan.

## **STUDENT HOUSE COUNTS:**

Residence Halls: Budgeted house counts total 14,550 for 2013-14. This is a reduction of 170 from the actual projected house counts for 2012-13. Anticipated reductions in freshman admissions for fall semester 2013 account for the decrease.

Renovations at the Brody Square dining facility and adjacent residence halls have provided improved retention in the Brody neighborhood compared to previous years. Many recently renovated residence halls such as Shaw, Case, Holden, Mayo, Owen, and McDonel are also experiencing improved student retention. Retention lags at Akers and Hubbard Halls, however. To enhance value to our residence hall students, use of laundry facilities will be included in room rates for 2013-14. The announcement has been well received and had positive media coverage. This is anticipated to cost \$308,000 and is included in residence hall repair and maintenance expense.

Increasing competition from new private apartment developments 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.

In 2011, Capstone Properties opened “The Lodges”, a new 650-bed apartment complex on Hannah Blvd., east of Michigan Athletic Club. The Lodges phase 2 will open another 650 beds in August 2013 directly south of phase 1. Free bus service to the center of campus continues to be provided by the Lodges. American Campus Community purchased the Lodges from Capstone in 2012 and has been aggressively marketing this complex to MSU residence hall students. They now promote services similar to MSU’s Neighborhood Engagement Center programs.

The “Residences in East Lansing” on Albert Street is a new 42 unit, 8 story apartment complex opening in the summer of 2013. Other new student apartments are being built on Michigan Avenue, east of Harrison.

Apartments: University Village apartments’ 304 beds are budgeted to remain near 100% occupancy for 2013-14. This facility remains very popular during fall and spring semesters. Occupancy diminishes significantly during the summer. Spartan Village’s 1,028 units are budgeted to decrease from 85% to 83% occupancy for 2013-14. New apartment development, combined with the economic downturn has resulted in reduced occupancy and lease rates for private apartments in the greater Lansing area. This has also presented increased competition for University Village and Spartan Village apartments.

#### **FACILITIES UPDATE:**

Butterfield Hall and Landon Hall are scheduled to close for renovation from May 2013 until August 2014. Total residence hall capacity remains sufficient to absorb the loss of the 405 Butterfield Hall beds and 317 Landon Hall beds during 2013-14 renovation. Armstrong Hall and Bryan Hall in the Brody neighborhood will re-open their 940 combined beds in August 2013 after being renovated during 2012-13.

The Vista dining facility at Shaw Hall was reopened in January 2013 after being closed for 8 months for renovation. The Landon Hall dining facility will be closed for extensive renovations from May 2013 to August 2014.

The North Campus Engagement Center and relocated Multi-Cultural Center will be constructed on the second floor of the MSU Union beginning in May 2013. The temporary North Campus Engagement Center at the MSU Union will remain open until the completion of the construction. Both Centers will be open in time for fall semester 2013.

#### **FINANCIAL SUMMARY:**

The 2013-14 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.

2012-13 Current Year Operating Projection: Combined residence hall and apartment operating net income prior to debt service cost is projected to be \$26.9 million, above the budgeted amount of \$25.9 million due to higher residence hall house counts compared to budget.

Current year revenues are approximately 2% (+\$3 million) higher than budget primarily due to residence hall house count increases of approximately 270 students over the 14,450 students budgeted in 2012-13. Higher fall semester 2012 freshman admissions compared to 2011 are responsible for this increase.

Apartment revenue is approximately 3% below actual 2011-12 amounts due to reduced occupancy at Spartan Village. Apartment operating net income projects to be \$195,000 below 2012-13 budget amounts. Related Spartan Village expenses have been reduced to offset the revenue reduction.

Residence hall and apartment operating expenses are projected to be 1.7% (+\$2 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 in culinary services due to an increased number of dish machine, mixer, and equipment repairs.

2013-14 Proposed Operating Budget: Operating net income prior to debt service cost is projected to be \$24.4 million, below the 2012-13 projected total of \$26.9 million due to reduced summer conference income and 170 fewer residence hall students.

Consolidated 2013-14 residence hall, apartment, and summer conference revenues are projected to increase only 0.1% (\$0.2 million) above projected current year amounts. Residence hall room and board rates will increase 3.9%, while Spartan Village and University Village apartment rates will remain unchanged from 2012-13. Anticipated decreases in 2013 nonrecurring summer conference activity, combined with the residence halls' 170 student house count decrease, offset the rate increase for budgeted revenues.

Consolidated residence hall and apartment operating expenses are budgeted to increase 2.1% (+\$2.7 million) in 2013-14 over projected 2012-13 levels. Personnel services and related benefit costs comprise the majority of the 2013-14 budgeted expense increase due to bargaining unit agreement wage increases and health care cost inflation. MSU Power Plant utility expenses for the residence halls and apartments are budgeted to increase 2.6% (+\$0.3 million) over current amounts, the smallest increase in 3 years.

DEBT SERVICE COST: Debt service cost will increase from \$11.4 million to \$15.1 million in 2013-14 due to extensive bonded residence hall renovations. Additional 2013 series 30-year bonded debt financing of \$72 million will be incurred in May 2013. This debt will help finance the renovation of Armstrong, Bryan, Butterfield, Landon, Shaw dining and a portion of Akers dining. Total borrowing for the entire Brody Neighborhood renovation is projected to be \$142 million and is scheduled to be completed when Butterfield Hall is reopened in August 2014.

RHS annual debt service cost is budgeted to increase over the next two years until 2015-16 when it is anticipated to peak near \$17.4 million per year until 2031. RHS long-term debt obligations currently total \$216 million. RHS maximum debt capacity is forecasted to be \$285 million and is expected to be reached in 2015.

RESERVE FUND 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 2013-14 include \$12 million in renovations and JIT maintenance expenditures provided by 2012-13 operating net income.

JIT maintenance projects include \$4.3 million for construction of the North Campus Engagement Center and Multi-Cultural Center at the MSU Union. This project budget is \$13 million, with MSU general funds also providing \$8.7 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 2013**

Freshman/Transfer/Returning Students: Annual	2012-13 Rate	2013-14 Recommended	\$ Increase	% Increase
Annual – Double Room With Silver Unlimited Meal Plan	\$8,476	\$8,806	\$330	3.90%

Annual	2012-13 Rate	2013-14 Recommended	\$ Increase	% Increase
All Undergraduate Students: Double Room Rate	\$3,500	\$3,636	\$136	3.89%
Freshman/Transfer/Returning Students: Board Rate With Silver Unlimited Meal Plan	\$4,976	\$5,170	\$194	3.90%

**Spartan Village Apartments – Effective August 1, 2013**

University Apartments	2012-13 Rate	2013-14 Recommended	\$ Increase	% Increase
Standard 1 Bedroom	\$650	\$650	\$0	0%
Standard 2 Bedroom	\$774	\$774	\$0	0%

**University Village Apartments – Effective August 1, 2013**

University Village (4 Bedroom Apartments)	2012-13 Rate	2013-14 Recommended	\$ Increase	% Increase
Resident rate/per month/per room	\$690	\$690	\$0	0%

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

<b>REVENUES</b>	<b>Projected Actual 2012-13</b>	<b>Proposed Budget 2013-14</b>	<b>\$ Increase / (\$ decrease)</b>
Room & Board	\$121,714,000	\$124,204,000	\$2,490,000
Dining Cash Sales	13,994,000	14,346,000	352,000
Academic Space Rental	1,260,000	1,260,000	0
Conferences – Recurring	3,300,000	3,544,000	244,000
Conferences - Nonrecurring <sup>(1)</sup>	2,750,000 <sup>(1)</sup>	0 <sup>(1)</sup>	(2,750,000) <sup>(1)</sup>
<b>Total Revenues</b>	<b>143,018,000</b>	<b>143,354,000</b>	<b>336,000</b>
<b>EXPENSES</b>			
Personnel Services	52,960,000	54,971,000	2,011,000
Student Affairs / Res Life	191,000	191,000	0
Food Purchases	27,072,000	27,460,000	388,000
Utilities	11,238,000	11,557,000	319,000
General Expense	5,149,000	5,223,000	74,000
Supplies	5,503,000	5,381,000	(122,000)
Repairs & Maintenance	5,690,000	5,506,000	(184,000)
Communications/Bandwidth	2,828,000	2,857,000	29,000
Auxiliary Overhead Fee	2,700,000	2,700,000	0
Laundry	1,562,000	1,527,000	(35,000)
Insurance	375,000	392,000	17,000
Equipment	339,000	279,000	(60,000)
Travel / Miscellaneous	1,161,000	1,312,000	151,000
40 Nat'l Merit Scholarships	339,000	352,000	13,000
EBS Administration Fee 1%	1,417,000	1,421,000	4,000
<b>Total Expenses</b>	<b>118,524,000</b>	<b>121,129,000</b>	<b>2,605,000</b>
Less Debt Service Costs <sup>(2)</sup>	10,377,000	13,991,000 <sup>(2)</sup>	3,614,000
<b>Contribution to JIT &amp; Plant Cash Maintenance =</b>	<b>\$14,117,000</b>	<b>\$8,234,000</b>	<b>(\$5,883,000)</b>

**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) In 2013-14 RHS debt service costs will increase significantly to finance construction costs incurred for renovating residence halls in the Brody, South and River Trail neighborhoods.*

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

<b>REVENUES</b>	<b>Projected Actual 2012-13</b>	<b>Proposed Budget 2013-14</b>	<b>\$ increase / (\$ decrease)</b>
Apartment Rent	\$8,800,000	\$8,665,000	(\$135,000)
<b>EXPENSES</b>			
Personnel Services	2,320,000	2,366,000	46,000
Utilities	867,000	867,000	0
General Expense	466,000	477,000	11,000
Student Affairs / Res Life	0	9,000	9,000
Supplies	498,000	536,000	38,000
Repairs & Maintenance	1,005,000	945,000	(60,000)
Communication /Bandwidth	586,000	617,000	31,000
Auxiliary Overhead Fee	300,000	300,000	0
Insurance	51,000	54,000	3,000
Equipment	28,000	17,000	(11,000)
Laundry/ Travel/ Miscellaneous	85,000	97,000	12,000
East Lansing Schools	106,000	106,000	0
EBS Administration Fee 1%	88,000	87,000	(1,000)
<b>Total Expenses <sup>(1)</sup></b>	<b>6,400,000</b>	<b>6,478,000</b>	<b>78,000</b>
Less Debt Service Costs	1,065,000	1,059,000	(6,000)
<b>Contribution to JIT &amp; Plant Cash Maintenance =</b>	<b>\$1,335,000</b>	<b>\$1,128,000</b>	<b>(\$207,000)</b>

**MSU RHS RESIDENCE HALL RATE COMPARISON**  
**Standard Double Room & 20+ Meals/Week Board Plan for 2013-14\***

<b>BIG TEN UNIVERSITIES</b>	<b>2012-13 Rate</b>	<b>2013-14 Rate</b>	<b>\$ Increase</b>	<b>% Increase</b>
Northwestern University	\$12,894	\$13,436	\$542	4.20% proposed
University of Michigan	\$9,752	\$10,045	\$293	3.00% proposed
University of Illinois	\$9,688	\$9,979	\$291	3.00% proposed
Purdue University	\$9,700	\$9,904	\$204	2.10% proposed
Ohio State University	\$9,318	\$9,598	\$280	3.00% proposed
University of Nebraska	\$9,122	\$9,532	\$410	4.49% proposed
Penn State University	\$8,990	\$9,260	\$270	3.00% approved
Indiana University	\$8,853	\$9,161	\$308	3.48% proposed
<b>Michigan State University</b>	<b>\$8,476</b>	<b>\$8,806</b>	<b>\$330</b>	<b>3.90% proposed</b>
University of Iowa	\$8,243	\$8,622	\$379	4.60% proposed
University of Minnesota	\$8,000	\$8,312	\$312	3.90% proposed
University of Wisconsin	\$8,024	\$8,289	\$265	3.30% proposed
<b>MICHIGAN UNIVERSITIES</b>	<b>2012-13 Rate</b>	<b>2013-14 Rate</b>	<b>\$ Increase</b>	<b>% Increase</b>
University of Michigan	\$9,752	\$10,045	\$293	3.00% proposed
Michigan Tech University	\$8,742	\$9,052	\$310	3.55% actual
Ferris State University	\$8,744	\$9,006	\$262	3.00% estimated
<b>Michigan State University</b>	<b>\$8,476</b>	<b>\$8,806</b>	<b>\$330</b>	<b>3.90% proposed</b>
Lake Superior State University	\$8,481	\$8,735	\$254	3.00% estimated
Western Michigan University	\$8,414	\$8,666	\$252	3.00% estimated
Central Michigan University	\$8,376	\$8,627	\$251	3.00% estimated
Wayne State University	\$8,354	\$8,605	\$251	3.00% estimated
Eastern Michigan University	\$8,286	\$8,535	\$249	3.00% estimated
Oakland University	\$8,207	\$8,453	\$246	3.00% estimated
Northern Michigan University	\$8,200	\$8,446	\$246	3.00% estimated
Grand Valley State University	\$8,120	\$8,300	\$180	2.22% actual
Saginaw Valley State University	\$7,980	\$8,190	\$210	2.63% actual

\*MSU 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. THIS PLAN ALSO INCLUDES 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. MSU'S MEAL PLAN ACCESS AND FLEXIBILITY IS UNMATCHED BY ANY OTHER BIG TEN OR STATE OF MICHIGAN PUBLIC UNIVERSITY.

**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>	<u>2012-13</u>				
14,820	14,720				