MICHIGAN STATE
UNIVERSITY

April 10, 2014

MEMORANDUM

To: Trustee Finance Committee

From: Vennie Gore
Vice President for Auxiliary Enterprises

Subject: 2014-15 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 $9,154 for freshman, transfer, and returning students who select the silver unlimited meal plan for the 2014-15 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 $705 per month/per person for a four-bedroom apartment, effective August 1, 2014.

BACKGROUND

Attached are materials that show recommended 2014-15 academic year housing and dining rates.

The proposed rates represent a 3.95% increase for the residence halls over the 2013-14 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 2013-14 academic year was 3.90%.

If the new rates are adopted, the residence hall double room rate for undergraduate students will increase $144 per year and the silver unlimited meal plan for freshman, transfer, and returning students will increase $204.

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For university apartments, the monthly rate per person at University Village will increase $15. Rates will remain unchanged for all units in Spartan Village for the 2014-15 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, J. Youatt, S. Udpa, B. Beekman, B. Noto, D. Maybank, M. Haas, D. Byelich, K. Collins, G. Procopio, R. Patterson

MSU RHS 2014-15 Housing and Dining Rate Recommendations
April 10, 2014

OVERVIEW:

The proposed housing and dining rate recommendations for academic year 2014-15 reflect a 3.95% increase for the residence halls, a 2.2% increase for rent at University Village apartments and no increase for Spartan Village apartments. This residence hall increase is comparable to the academic year 2013-14 increase of 3.90%. It is also consistent with the forecasted rate increase provided to the Board in January 2013.

With this proposed rate change, the double-room residence hall housing rate would increase $144 to $3,780 per year. The Silver Unlimited dining meal plan for residence hall students would increase $204 to $5,374 per year. Total residence hall housing and dining costs would increase from $8,806 to $9,154 for the 2014-15 academic year.

For 2014-15, Spartan Village two-bedroom apartment monthly rent would be unchanged at $774. Spartan Village one-bedroom apartment monthly rent would be unchanged at $650. University Village four-bedroom apartment monthly rent would increase from $690 to $705 per resident, the first increase in two years.

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.

For new students living on campus beginning fall semester 2014, RHS is exploring an option of guaranteeing a two-year fixed room and board rate for their freshman and sophomore years.

Living in a residence hall on campus for the 2014-15 academic year remains a value at $41 per day, based on double occupancy. On-campus apartment options can cost as little as $13 per day at Spartan Village, $19 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 $41 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 access/meals at any of the 10 residence hall dining facilities from 7 am to 12 midnight seven days a week. All Silver plans also include daily access to one Combo-X-Change meal at any of the Sparty's, Union Pizzeria, Union Deli, Serrano's, "Eat At State" Food Truck, 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 and Mosaic Multi-Cultural Center are now 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 six 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 2014-15. This is a reduction of 100 from the actual projected house counts for 2013-14. Anticipated reductions in freshman admissions for fall semester 2014 account for the decrease.

Many recently renovated residence halls such as Brody Neighborhood, Shaw, Case, Holden, Mayo, Owen, and McDonel are experiencing improved student retention. Retention lags, however, at Akers and Hubbard Halls, and is a continual struggle to maintain system-wide, even with the many renovations and neighborhood engagement center service implementations.

Increasing competition from numerous 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.

Apartments: University Village apartments' 304 beds are budgeted to remain near 100% occupancy for 2014-15. This facility remains very popular during fall and spring semesters by offering a nine month lease. Occupancy diminishes significantly during the summer and these units are utilized for MSU summer conference attendees.

Spartan Village's 1,028 units are budgeted to decrease from 85% to 83% occupancy for 2014-15. 120 unoccupied Spartan Village units will not be leased in 2014-15 as they are cost prohibitive to repair. Spartan Village apartments will be phased out by 2017 as they reach the end of their useful service lives. Planning is currently under way to develop future replacement MSU student family housing options.

FACILITIES UPDATE:

Akers Hall dining is scheduled to close for renovation from May 2014 until January 2015. Butterfield Hall (405 beds in the Brody Neighborhood) and Landon Hall and dining (317 beds in the North Neighborhood) will re-open in August 2014 after being renovated during 2013-14. The renovated Landon dining facility will provide 350 seats, up from 191. When Landon dining reopens, the adjacent Yakeley-Gilchrist dining hall will be permanently closed (162 seats). All residence halls will be open for 2014-15, greatly reducing/eliminating the need for transitional (tripled) housing.

MSU IPF and an independent consulting study recommend masonry façade repairs for Hubbard Hall estimated at $13.5 million. These repairs will be completed and financed over the next five years beginning in the summer of 2014 using RHS reserve/Just-In-Time (JIT) maintenance funds.

FINANCIAL SUMMARY:

The 2014-15 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 JIT maintenance funds for repairs and improvements, and 3) maintain an adequate reserve balance to address unforeseen emergencies.

2013-14 Current Year Operating Projection: Combined residence hall and apartment operating net income prior to debt service cost is projected to be $27.7 million, above the budgeted amount of $24.4 million due to higher residence hall house counts compared to budget.

Current year revenues are approximately 1.5% (+$2.3 million) higher than budget primarily due to residence hall house count increases of approximately 100 students over the 14,550 students budgeted in 2013-14. This resulted in more residential dining meal plans and dining cash sales accounting for $1.9 million of the revenue increase over budget. Housing revenue increases were offset by transitional housing refunds, however.

Residence hall and apartment operating expenses are projected to be -0.8% (-$1 million) lower than budget due primarily to decreased food costs associated with favorable food purchasing agreements. Personnel Services costs were also $211,000 below budget due to difficulties in maintaining student staffing levels for residential dining.

2014-15 Proposed Operating Budget: Operating net income prior to debt service cost is projected to be $28.2 million, approximating the 2013-14 projected total of $27.7 million due to similar budgeted residence hall student numbers.

Consolidated 2014-15 residence hall, apartment, and summer conference revenues are projected to increase 4.0% ($6.2 million) above projected current year amounts. Residence hall room and board rates will increase 3.95%, University Village apartment rates will increase 2.2%, and Spartan Village apartment rates will remain unchanged from 2013-14. The Odyssey of the Mind conference is scheduled to return to MSU in May 2015, resulting in over $1 million in incremental conference service budgeted revenues. Net income from this conference generates additional funding to increase JIT maintenance efforts. Off-campus meal plan revenues and retail food sales are also budgeted to increase 4.1% ($0.6 million).

Consolidated residence hall and apartment operating expenses are budgeted to increase $5.6 million (+4.4%) in 2014-15 over projected 2013-14 levels. Culinary staffing and related benefit expenses are budgeted to increase $2.9 million over projected 2013-14 amounts to address current staffing shortages in residential dining halls. Student shift pay increases and temporary staffing services are currently being utilized to provide improved service levels in the dining halls. Food costs are also budgeted to increase $1.4 million due to inflation and for the 2015 Odyssey of the Mind conference.

DEBT SERVICE COST: Debt service cost will increase from $14.7 million to $16.3 million in 2014-15 due to continued bonded residence hall renovations. New 2013 series 30-year bonded debt financing of $80 million was added in May 2013. This debt will help finance the renovation of Bailey, Rather, Armstrong, Bryan, Butterfield, Landon, and Shaw dining. Total borrowing for the entire Brody Neighborhood renovation is projected to be $139.7 million and is scheduled to be completed when Butterfield Hall is reopened in August 2014. The original Brody Neighborhood budget was $170 million in 2008.

RHS debt service cost is budgeted to increase over the next two years until 2016-17 when it is anticipated to peak near $17.9 million per year until 2031. RHS long-term debt obligations currently total $253 million. RHS maximum debt capacity is forecasted to be $285 million and is expected to be reached near the end of 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 2014-15 include $11.6 million in renovations and JIT maintenance expenditures provided by 2013-14 operating net income.

JIT/facility improvement projects include $1.85 million for construction of the Wilson Hall Creative Commons renovation. This project budget is $2.45 million, with other MSU departments also providing financial support. The Creative Commons will serve as a student-based incubator to support the development of entrepreneurial ventures and new Michigan-based products and services, and equip students with the skills and resources necessary to succeed as both entrepreneurs and business executives in corporations, both large and small. Replacement of the Kellogg Hotel and Conference Center chiller/HVAC system is also budgeted for JIT funds at $2.7 million for 2014-15.

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 2014

Freshman/Transfer/Returning Students: Annual	2013-14 Rate	2014-15 Recommended	$ Increase	% Increase
Annual – Double Room With Silver Unlimited Meal Plan	$8,806	$9,154	$348	3.95%

Annual	2013-14 Rate	2014-15 Recommended	$ Increase	% Increase
All Undergraduate Students: Double Room Rate	$3,636	$3,780	$144	3.95%
Freshman/Transfer/Returning Students: Board Rate With Silver Unlimited Meal Plan	$5,170	$5,374	$204	3.95%

Spartan Village Apartments – Effective August 1, 2014

University Apartments	2013-14 Rate	2014-15 Recommended	$ Increase	% Increase
Standard 1 Bedroom	$650	$650	$0	0%
Standard 2 Bedroom	$774	$774	$0	0%

University Village Apartments – Effective August 1, 2014

University Village (4 Bedroom Apartments)	2013-14 Rate	2014-15 Recommended	$ Increase	% Increase
Resident rate/per month/ per room	$690	$705	$15	2.2%

MSU RHS RESIDENCE HALLS: PRELIMINARY FINANCIAL PREVIEW

REVENUES	Projected Actual 2013-14	Proposed Budget 2014-15	$ Increase / ($ decrease)
Room & Board	$124,945,000	$129,238,000	$4,293,000
Dining Cash Sales	15,491,000	16,142,000	651,000
Academic Space Rental	1,260,000	1,260,000	0
Conferences – Recurring	3,928,000	3,928,000	0
Conferences - Nonrecurring(1)	0(1)	1,177,000(1)	1,177,000(1)
Total Revenues	**145,624,000**	**151,745,000**	**6,121,000**
EXPENSES			
Personnel Services	54,817,000	58,174,000	3,357,000
Student Affairs / Res Life	191,000	216,000	25,000
Food Purchases	26,658,000	28,043,000	1,385,000
Utilities	11,555,000	11,653,000	98,000
General Expense	5,223,000	5,578,000	355,000
Supplies	5,466,000	6,168,000	702,000
Repairs & Maintenance	5,641,000	5,680,000	39,000
Communications/Bandwidth	2,614,000	2,622,000	8,000
Auxiliary Overhead Fee	2,700,000	2,700,000	0
Uniforms / Linen	1,551,000	1,662,000	111,000
Insurance	392,000	432,000	40,000
Equipment	238,000	154,000	(84,000)
Travel / Miscellaneous	1,329,000	1,055,000	(274,000)
40 Nat'l Merit Scholarships	352,000	360,000	8,000
EBS Administration Fee 1%	1,444,000	1,505,000	61,000
Total Expenses	**120,171,000**	**126,002,000**	**5,831,000**
Less Debt Service Costs(2)	13,666,000	15,263,000(2)	1,597,000
Contribution to JIT & Plant Cash Maintenance =	**$11,787,000**	**$10,480,000**	**($1,307,000)**

NOTES:

(1) In 2014-15 MSU will host a large international conference on campus. This conference is nonrecurring in nature for MSU and is not a part of the normal event calendar. Net proceeds from these conferences will finance RHS facility renovations.

(2) In 2014-15 RHS debt service costs will increase significantly to finance construction costs incurred for renovating residence halls in the Brody, East and River Trail neighborhoods.

MSU RHS UNIVERSITY APARTMENTS: PRELIMINARY FINANCIAL PREVIEW

REVENUES	Projected Actual 2013-14	Proposed Budget 2014-15	$ increase / ($ decrease)
Apartment Rent	**$8,708,000**	**$8,747,000**	**$39,000**
EXPENSES			
Personnel Services	2,366,000	2,204,000	(162,000)
Utilities	867,000	867,000	0
General Expense	477,000	524,000	47,000
Student Affairs / Res Life	9,000	9,000	0
Supplies	536,000	565,000	29,000
Repairs & Maintenance	945,000	965,000	20,000
Communication /Bandwidth	617,000	525,000	(92,000)
Auxiliary Overhead Fee	300,000	300,000	0
Insurance	54,000	64,000	10,000
Equipment	17,000	0	(17,000)
Linen/ Travel/ Miscellaneous	97,000	55,000	(42,000)
East Lansing Schools	106,000	106,000	0
EBS Administration Fee 1%	87,000	87,000	0
Total Expenses	**6,478,000**	**6,271,000**	**(207,000)**
Less Debt Service Costs	1,059,000	1,050,000	(9,000)
Contribution to JIT & Plant Cash Maintenance =	**$1,171,000**	**$1,426,000**	**$255,000**

MSU RHS RESIDENCE HALL RATE COMPARISON
Standard Double Room & 20+ Meals/Week Board Plan for 2014-15*

BIG TEN UNIVERSITIES	2013-14 Rate	2014-15 Rate	$ Increase	% Increase
Northwestern University	$13,716	$14,265	$549	4.00% proposed
Rutgers University	$11,860	$12,270	$410	3.46% proposed
University of Michigan	$10,050	$10,301	$251	2.50% proposed
University of Maryland	$9,895	$10,286	$391	3.95% proposed
University of Illinois	$9,980	$10,279	$299	3.00% proposed
Ohio State University	$9,440	$9,808	$368	3.90% proposed
University of Nebraska	$9,532	$9,961	$429	4.50% proposed
Penn State University	$9,370	$9,651	$281	3.00% approved
Indiana University	$9,149	$9,559	$410	4.48% proposed
Purdue University	$9,654	$9,413	($241)	(2.50%) proposed
University of Iowa	$9,066	$9,383	$317	3.50% proposed
Michigan State University	***$8,806***	***$9,154***	***$348***	***3.95% proposed***
University of Minnesota	$8,312	$8,561	$249	3.00% proposed
University of Wisconsin	$8,287	$8,536	$249	3.00% proposed

MICHIGAN UNIVERSITIES	2013-14 Rate	2014-15 Rate	$ Increase	% Increase
University of Michigan	$10,050	$10,301	$251	2.50% proposed
Michigan Tech University	$9,052	$9,486	$434	4.80% estimated
Ferris State University	$9,006	$9,168	$162	1.80% estimated
Michigan State University	***$8,806***	***$9,154***	***$348***	***3.95% proposed***
Western Michigan University	$8,666	$8,948	$282	3.25% estimated
Lake Superior State University	$8,735	$8,900	$165	1.89% estimated
Eastern Michigan University	$8,535	$8,856	$321	3.76% estimated
Oakland University	$8,453	$8,833	$380	4.50% estimated
Central Michigan University	$8,627	$8,800	$173	2.00% estimated
Wayne State University	$8,605	$8,793	$188	2.18% estimated
Northern Michigan University	$8,446	$8,741	$295	3.50% estimated
Grand Valley State University	$8,300	$8,549	$249	3.00% estimated
Saginaw Valley State University	$8,190	$8,436	$246	3.00% estimated

*MSU BASIC "SILVER" PLAN PROVIDES UNLIMITED ACCESS/MEALS AT ANY OF THE 10 RESIDENCE HALL DINING FACILITIES FROM 7 AM TO 12 MIDNIGHT SEVEN DAYS A WEEK. THIS PLAN ALSO INCLUDES ONE DAILY ACCESS TO A COMBO-X-CHANGE MEAL AT ANY OF THE SPARTY'S, UNION PIZZERIA, UNION DELI, SERRANO'S, "EAT AT STATE" FOOD TRUCK, 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

1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
17,800	17,200	17,700	17,570	17,900	17,680
1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
16,100	15,354	15,551	16,100	16,437	16,800
1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
16,950	17,300	16,500	15,800	15,100	13,900
1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
14,126	13,972	13,964	13,965	14,234	14,181
1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
14,190	14,564	14,494	14,624	14,342	14,485
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
14,844	14,733	14,611	14,506	14,385	14,010
2011-12	2012-13	2013-14			
14,820	14,720	14,650			