

**Minutes of the Special Formal Meeting  
of the  
Oakland University Board of Trustees  
July 13, 2005**

**Present:** Chair Penny M. Crissman; Trustees David J. Doyle, David T. Fischer, Jacqueline S. Long, Ann V. Nicholson, and Rex E. Schlaybaugh, Jr., who joined the meeting when indicated in the minutes

**Absent:** Vice Chair Dennis K. Pawley and Trustee Henry Baskin

**Also Present:** President Gary D. Russi; Vice Presidents John W. Beaghan, Susan Davies Goepp, and Mary Beth Snyder; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; Assistant Vice President for Academic Affairs Sheryl Klemanski; Registrar Steven J. Shablin; Associate Dean of the School of Education and Human Services Dawn M. Pickard; and Student Liaisons LaToya D. Hearn and James V. Gammicchia

**A. Call to Order**

Chair Penny M. Crissman called the meeting to order at 2:00 p.m. in the Auditorium of Elliott Hall of Business and Information Technology.

**B. Roll Call**

Mr. Victor A. Zambardi, General Counsel and Secretary to the Board of Trustees, conducted a roll call. All of the Board members were present except Vice Chair Dennis K. Pawley and Trustee Henry Baskin. Trustee Rex E. Schlaybaugh, Jr. joined the meeting when indicated in the minutes.

**C. Reports**

**Tab 1. Meadow Brook Hall Financial Performance Fiscal Year 2004-2005**

Mr. Geoffrey Upward, Interim Director, Meadow Brook Hall (Hall), presented the following highlights on the Hall's financial reports and restoration project:

Comparison of FY 05 Forecast to Budget

- The year-end budget was significantly better than anticipated with a \$112,000 loss compared to the projected loss of \$438,000.
- Revenue exceeds expenditures; however, \$122,000 of the contributed income was designated gifts, which are expensed out since they cannot be used for operations.

Trustee Rex E. Schlaybaugh, Jr. joined the meeting at this time.

Calendar 2005 Budget Projections

- Projections without revenue from the Concours d'Elegance (Concours) are at a \$250,000 loss for calendar year 2005.
- Adding Concours into the budget results in an \$80,000 projected loss.
- The projected revenue of \$1.6 million is on track.
- Contributed income of \$90,000 is projected, which includes \$27,000 in undesignated gifts received to date.
- Catering projections with Continental Cregar's (Cregar's) are on target, and a new financial reporting system is being developed to better reflect actual catering net revenue versus gross revenue.

Calendar 2006 Budget Projections

- A break-even budget is projected for the 2006 calendar year based on \$2 million in catering and event revenue through improved marketing efforts in conjunction with Cregar's.
- Once revenues reach \$2.4 million, the Hall will begin to realize a profit.

Restoration Project Update

Mr. Upward stated that, at Trustee David T. Fischer's request, a tour of the Hall will be scheduled in the fall for the Board to view the restoration progress. In addition, an updated line item project list will be shared with the Board.

Mr. Upward reported that a major building assessment will be conducted by Smith Group to develop a maintenance plan and cost structure. He noted the following renovation projects:

Bid Pack One

- The lower level refrigeration unit was replaced.
- The Knole Cottage roof was replaced.

- Work was completed on the heating system, steam traps, control valves, and thermostats.
- Emergency repairs were done on the house and gutters.

#### Bid Pack Two

- A new generator will be installed in the staff parking lot.
- Comprehensive mechanical and electrical upgrades will be done.
- New air handling systems for the kitchen will be installed.
- Air conditioning upgrades to the Christopher Wren Dining Room and the loggia area will be done.
- Miscellaneous roof tiles will be replaced.
- New bathrooms will be constructed in the lower level.

Trustee Fischer asked if the shift in renovation projects has impacted the budget, and Mr. Upward replied there was no change in the budget. He added that significant contingencies were built into the budget for the contractor and the University, and alternate lists of critical needs were created in case there are excess contingency funds.

Chair Crissman asked if the Hall is adequately insured, and Mr. Upward and Mr. John W. Beaghan replied that the Hall is insured and a current reassessment of the Hall and the collections is being conducted to determine whether the levels of coverage are appropriate.

Chair Crissman thanked Mr. Upward for his reports.

#### D. Action Items

##### Tab 2. Approval of Marketing, Event Sales, and Catering Agreement between Oakland University and Continental Cregar's, LLC and Payment Authorization

Mr. Upward stated he believes the agreement between Oakland University and Cregar's is fairly comprehensive. He noted that Cregar's has been providing food service on a month-to-month Purchase Order.

Mr. Upward summarized the following agreement terms:

- **Term:** Seven and a half years, commencing July 1, 2005 and ending December 31, 2012. The University may terminate the agreement only for cause prior to June 30, 2008, and thereafter upon 180-days prior written notice.

- **Services:** Cregar's will provide:
  - Marketing, sales and food-and-beverage service for the Hall and Shotwell-Gustafson Pavilion events.
  - Food-and-beverage service and limited marketing and sales for golf outings.
  - Concession sales at the R&S Sharf and Katke-Cousins golf courses.
  - Food-and-beverage service for events at Sunset Terrace.
- **Service and Food Quality:** Cregar's guarantees that:
  - All catering services will be of an exceptional quality and with an upscale presentation so as to ensure customer satisfaction.
  - All foods served will be fresh, wholesome, free from spoilage or decay, and when served will be attractive in appearance and correct in temperature and consistency, and will meet or exceed industry standards.
- **Revenue Sharing:**
  - Facility rental: Hall - 85%; Cregar's - 15 %.
  - Food-and-Beverage: Hall -15%; Cregar's - 85%.
  - Alcohol: Hall 100%.
  - Golf Course Concessions: Golf and Learning Center – 10%; Cregar's – 90%.
- **Guaranteed Revenue:** Hall is guaranteed revenues of:
  - \$400,000 in years 2005-07;
  - \$500,000 in years 2008-10; and
  - \$600,000 in years 2011-12.
- **Special Events:** Hall receives all facility rental and tour-related revenue from the Concours and Holiday Walk events, and Hall also shares in food-and-beverage revenue for those two events. However, the revenues guaranteed to Hall are not dependant upon either event.
- **University Discounts:** University departments receive both facility rental and menu discounts.

Mr. Upward stated that the forecasted financial results of the proposed agreement are based upon numerous assumptions and estimates made by the Hall's management. Those assumptions and estimates, together with the Hall's proformas, have been reviewed by Finance and Administration which concluded that the forecasted financial results can be attained with a significant marketing and management effort, and that the proposed agreement is a reasonable arrangement. He added that a debt reduction

schedule has been developed for when the Hall begins to operate with a positive balance. Excess funds will also be placed into an endowment and operating reserves.

Trustee Schlaybaugh stated the financial soundness of the proposal is based upon getting far more than the minimum guarantees provided for in the proposed agreement, and the University is relying upon Cregar's to generate the type of sales needed to surpass the minimum guarantee. He asked whether failure to attain the budgeted sales was a default under the agreement and Mr. Zambardi replied that it was not.

Finally, Mr. Upward noted that the resolution includes payment of \$173,962 to Cregar's for budgeted activity that exceeded the Purchase Order ceiling.

Trustee Fischer, seconded by Trustee David J. Doyle, moved approval of the recommendation. The motion was unanimously approved by those present.

#### **E. Other Items that May Come Before the Board**

There were no other items to come before the Board.

#### **F. Adjournment**

Chair Crissman adjourned the meeting at 2:20 p.m.

Submitted,

Approved,

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Victor A. Zambardi  
Secretary to the Board of Trustees

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Penny M. Crissman  
Chair, Board of Trustees