

**Minutes of the Formal Meeting
of the
Oakland University Board of Trustees
December 7, 2005**

Present: Chair Penny M. Crissman; Vice Chair Dennis K. Pawley; Trustees David J. Doyle, David T. Fischer, Jacqueline S. Long, Ann V. Nicholson; and Trustee Rex E. Schlaybaugh, Jr.

Trustees Doyle and Schlaybaugh joined the meeting in progress as indicated in the minutes

Absent: Trustee Henry Baskin

Also Present: President Gary D. Russi; Vice Presidents John W. Beaghan, Susan Davies Goepp, and Virinder K. Moudgil; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; and Student Liaison James V. Gammicchia

A. Call to Order

Chair Penny M. Crissman called the meeting to order at 2:06 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. Chair Penny M. Crissman was present and Vice Chair Dennis K. Pawley and Trustees David J. Doyle, David T. Fischer, Jacqueline S. Long, Ann V. Nicholson, and Rex E. Schlaybaugh, Jr. were present via teleconference.

Student Liaison James V. Gammicchia was also present via teleconference.

C. Action Item

Tab 1. Consent Agenda

Chair Crissman presented the following recommendations:

Tab 2. Approval of the Minutes of the Formal Meeting of October 5, 2005

Tab 3. Approval of the Minutes of the Special Formal Meeting of October 27, 2005

Tab 4. Approval of the Minutes of the Special Formal Meeting of November 2, 2005

Tab 5. Approval of University Personnel Actions

Emeritus Appointments

Burke, Richard J., Professor Emeritus of Philosophy, effective August 15, 2005.

Goodman, Jane, Professor Emerita of Education, effective August 15, 2005.

Lougheed, Jacqueline I., Professor Emerita of Education, effective August 15, 2005.

Tab 6. Recommendation to Accept Gifts to Oakland University and the Oakland University Foundation for the Period of September 1 through October 31, 2005, and to Accept Grants and Contracts to Oakland University for the Period of September 1 through October 31, 2005

(A copy of the gifts, grants and contracts is on file in the Board of Trustees Office.)

Tab 7. Approval of Recommendation of Final Undergraduate and Graduate School Reports dated August 17, 2005

(A copy of the Final Undergraduate and Graduate School Reports dated August 17, 2005 is on file in the Board of Trustees Office.)

Tab 8. Approval of Capital Outlay Budget Request for Fiscal Year 2007 5-Year Plan

RESOLVED, that the Board of Trustees approve the submission of the Oakland University Capital Outlay Budget Request for Fiscal Year 2007 5-Year Plan, as presented with this recommendation, to the State of Michigan, Department of Management and Budget.

(A copy of the Oakland University Capital Outlay Budget Request for Fiscal Year 2007 5-Year Plan is on file in the Board of Trustees Office.)

Tab 9. Approval of Fiscal Year 2007 Operating Budget Request for Submission to the State of Michigan, Office of the State Budget

RESOLVED, that the Board of Trustees approve the submission of the attached Oakland University FY 2007 Operating Budget Request to the State of Michigan, Office

of the State Budget, as representative of the University's budget needs for the University's 2007 fiscal year.

(A copy of the Oakland University Fiscal Year 2007 Operating Budget Request is on file in the Board of Trustees Office.)

Tab 10. Approval of Ancillary Activities Operating Budget for Meadow Brook Hall for Calendar Year Ending December 31, 2006

RESOLVED, that the Board of Trustees approve the Calendar 2006 Budget for Meadow Brook Hall.

(A copy of the Calendar 2006 Budget for Meadow Brook Hall is on file in the Board of Trustees Office.)

Tab 11. Approval of Board Members for Public School Academies

WHEREAS, the Board of Directors of the **Dove Academy** nominated Darrell C. Boyd, Gena J. Daniel, and Delores Toney to fill vacancies on the Board for a three-year term to expire on December 1, 2008; and

WHEREAS, the Board of Directors of the **Academy of Michigan** nominated Sandra J. Carter and Michael G. Johnson to fill vacancies on the Board for a three-year term to expire on December 1, 2008; and

WHEREAS, the Board of Directors of the **Weston Technical Academy** nominated George B. Glass, Jr. to fill a vacancy on the Board for a three-year term to expire on December 1, 2008; and

WHEREAS, the Board of Directors of the **Detroit Academy of Arts and Sciences** nominated Reverend Jim Holley, Ph.D. to fill a vacancy on the Board for a three-year term to expire on December 1, 2008; and

WHEREAS, Darrell C. Boyd, Gena J. Daniel, Delores Toney, Sandra J. Carter, Michael G. Johnson, George B. Glass, Jr., and Reverend Jim Holley, Ph.D. each meet the requirements of the Oakland University Board of Trustees and applicable law; now, therefore, be it

RESOLVED, that the Oakland University Board of Trustees hereby approves Darrell C. Boyd, Gena J. Daniel, and Delores Toney to fill vacancies on the Board of Directors of Dove Academy for three-year terms to expire on December 1, 2008; and, be it further

RESOLVED, that the Oakland University Board of Trustees hereby approves Sandra J. Carter and Michael G. Johnson to fill vacancies on the Board of Directors of the Academy of Michigan for three-year terms to expire on December 1, 2008; and, be it further

RESOLVED, that the Oakland University Board of Trustees hereby approves George B. Glass, Jr. to fill a vacancy on the Board of Directors of Weston Technical Academy for a three-year term to expire on December 1, 2008; and, be it further

RESOLVED, that the Oakland University Board of Trustees hereby approves Reverend Jim Holley, Ph.D. to fill a vacancy on the Board of Directors of Detroit Academy of Arts and Sciences for a three-year term to expire on December 1, 2008; and, be it further

RESOLVED, that all resolutions and parts of resolutions in conflict with this resolution shall be and hereby are rescinded to the extent of such conflict.

Trustee Fischer, seconded by Trustee Nicholson, moved approval of the Consent Agenda. The motion was unanimously approved by those present.

Trustees Doyle and Schlaybaugh joined the meeting at this time.

D. Action Item

Tab 12. Approval of Reimbursement Resolution

Mr. John W. Beaghan, Vice President for Finance and Administration, stated on October 27, 2005, the Board approved a recommendation to proceed to contract with Chevron Energy Services for energy-related projects. Since that time, the Energy Services Use and Finance Statement was submitted to and approved by the Joint Capital Outlay Subcommittee in Lansing. Mr. Beaghan noted that the Approval of Reimbursement Resolution is necessary to ensure that any project payments made prior to receiving the completed financing will be reimbursable by tax-exempt debt proceeds once the debt is issued.

Mr. Beaghan presented the following recommendation for Board approval:

WHEREAS, Oakland University (the "University") from time to time must make expenditures for capital projects which it intends to have reimbursed through the issuance of tax-exempt obligations; and

WHEREAS, in order to reimburse itself for such expenditures from the proceeds of a tax-exempt borrowing on or prior to the date no later than 60 days after the expenditure is made, the University must declare its official intent to make such reimbursement under the Internal Revenue Code of 1986, as amended; now, therefore, be it

RESOLVED, by the Board of Trustees of Oakland University that the University declares that it reasonably expects to reimburse itself, from debt to be incurred by the University on or after this date, for expenditures for the design, acquisition and installation of energy and energy-related products and equipment; and, be it further

RESOLVED, that the maximum principal amount of debt which is expected to be issued for the above-described expenditures is \$19,000,000 including capitalized interest and issuance costs; and, be it further

RESOLVED, that this resolution is intended to meet the requirements of Treasury Regulation 1.150-2.

Trustee Fischer asked about the projected cost of the debt instrument. Mr. Beaghan replied the bid process has begun, and it appears the fixed cost will be approximately 4.5%. Trustee Fischer also asked who is assisting the University with the debt instrument, and Mr. Beaghan responded the University is working with Lehman Brothers, Comerica, and the Chevron Finance Division.

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

E. Action Item

Tab 13. Approval of Financing Authority for Second Energy Services Agreement

Mr. Beaghan stated at the October 27, 2005 Board meeting he was directed to evaluate and present a debt plan to the Board for appropriate financing of the Chevron Energy Services Project not to exceed \$17.7 million. He noted the recommendation is based on an evaluation of numerous financing scenarios, including using the existing \$4.6 million in reserves, currently designated to support deferred maintenance, to supplement external financing. As a result of that evaluation, Mr. Beaghan considered the following three alternatives: (1) Completely debt finance the Project; (2) Use half of the \$4.6 million reserve and finance the balance; (3) Use the entire reserve to finance the Project. He reported the analysis determined that based on the following assumptions, there is neither added financial benefit nor added financial cost in liquidating the reserves to support the Project: (1) Financing cost 4.5%; (2) Projected endowment investment earnings 8.0%; (3) Endowment spending rate 5% (per Board policy); (4) Reinvestment of all savings from debt service and Project enhancements

into the deferred maintenance reserve; (5) Twenty year debt amortization (plus construction period); (6) Capitalization of net interest costs. Mr. Beaghan noted those scenarios had similar net interest earnings of \$1.6 million over the 20 year period. He added that, considering the University's available debt capacity, relatively low current cost of capital, and available funding source for debt service, he recommends the University debt finance the entire \$17.7 million Project, plus issuance costs and capitalized interest.

Mr. Beaghan presented the following recommendation for Board approval:

WHEREAS, the Board of Trustees ("Board") of Oakland University ("University") acted to authorize the Vice President for Finance and Administration to negotiate and execute a contract(s) with Chevron Energy Services and/or other designers and contractors in an amount not to exceed \$17,668,188 for the Project; and

WHEREAS, the Board is a constitutional body corporate established pursuant to Article VIII, Section 6 of the Michigan Constitution of 1963, as amended ("Constitution"), with general supervision of the University and the control and direction of all expenditures from the University's funds; and

WHEREAS, the Vice President for Finance and Administration has proposed a suitable and acceptable plan to finance the Project; and

WHEREAS, the Board finds that it is in the best interests of the University to finance the Project by entering into a tax-exempt Financing Agreement; now, therefore, be it

RESOLVED, that the Board hereby authorizes the execution and delivery of a suitable tax-exempt Financing Agreement through a competitive bid process that best meets the financing requirements of the Project and the financial interests of the University, in a form acceptable to the Vice President for Finance and Administration provided that the term of the Financing Agreement shall not exceed 20 years, plus any construction period; the principal amount financed pursuant to the Financing Agreement shall not exceed \$19,000,000 including project costs, issuance costs and net capitalized interest; and annual net interest costs shall not exceed 5% per annum; and, be it further

RESOLVED, that the Board designates the Financing Agreement as a tax exempt obligation; and, be it further

RESOLVED, that the Financing Agreement shall be limited and not a general obligation of the Board, and payable from and secured by a lien on the University's General Revenues (to include generally student tuition and other fees, housing and auxiliary revenues, revenues or receipts from departmental or educational activities, unrestricted gifts and grants, unrestricted recoveries of indirect costs, unrestricted investment income and other miscellaneous revenues, subject to certain reductions,

limitations and exceptions), on a parity basis with certain outstanding general revenue obligations of the Board; and, be it further

RESOLVED, that the Board hereby authorizes and directs the Vice President for Finance and Administration to do any and all things necessary to effect the execution and delivery of the Financing Agreement and the performance of all other acts of whatever nature necessary to effect and carry out the authority conferred by this Resolution to execute all papers, documents, certificates, and other instruments that may be required for the carrying out of such authority or to evidence the exercise thereof; and, be it further

RESOLVED, that prior to the execution of the Financing Agreement, instruments and documents authorized to be executed hereunder, that the Financing Agreement, instruments and documents shall be reviewed and approved by the Office of the General Counsel, and shall be in compliance with the law and University policies and regulations and shall conform to the legal standards and policies of the Board of Trustees; and, be it further

RESOLVED, that all resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed insofar as such conflict exists.

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

F. Other Items that May Come Before the Board

There were no other items presented to the Board.

G. Adjournment

Chair Crissman adjourned the meeting at 2:17 p.m.

Submitted,

Approved,

Victor A. Zambardi
Secretary to the Board of Trustees

Penny M. Crissman
Chair, Board of Trustees