

**Minutes of the Special Formal Meeting
of the
Oakland University Board of Trustees
July 19, 2001**

Present: Vice Chair Louis Grech-Cumbo; Trustees Henry Baskin, Robert N. Cooper, Penny M. Crissman and Rex E. Schlaybaugh, Jr.

Absent: Chair Ann V. Nicholson; Trustees David J. Doyle, and David T. Fischer

Also Present: President Gary D. Russi; Vice Presidents Susan Davies Goepf, Lynne C. Schaefer and Mary Beth Snyder; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; and Student Liaisons Adam L. Kochenderfer and Kimberly A. Langley

I. Call to Order

In the absence of Chair Ann V. Nicholson, Vice Chair Louis Grech-Cumbo called the meeting to order at 1:50 p.m. in the Auditorium of the Elliott Hall of Business and Information Technology.

II. 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 Chair Ann V. Nicholson and Trustees David J. Doyle and David T. Fischer.

III. Action Items

A. Approval of General Fund Budget and Tuition and Fee Rate Increase for Fiscal Years 2002, 2003, and 2004

Vice Chair Grech-Cumbo asked Trustee Robert N. Cooper to update the Board on the proposed budget and tuition increase item. Trustee Cooper stated that at the July 11, 2001 Working Session, the Board preliminarily reviewed the budget and posed questions to Ms. Lynne C. Schaefer, Vice President for Finance and Administration. Trustee Cooper noted that the current proposal addresses some of those questions, and suggested that the beginning of this meeting be devoted

to answering any other questions that the Board may have on the budget to ensure that the Board understands and is comfortable with the proposed budget. He also reminded the Board that the proposed tuition increase was 9.97% at the July 11 meeting.

The following is a summary of the general discussion:

Trustee Henry Baskin expressed concern about taking formal action on an item that the Board just received. Ms. Schaefer stated that the majority of the proposal is identical to the one that the Board received at the July 11 Working Session. She noted that the one change is that the administration reduced the recommendation on the tuition and fee rate increase to 8.99% by making some corresponding reductions on the expenditure side totaling \$350,000. Vice Chair Grech-Cumbo and Trustee Baskin asked what efficiencies within the administration are being proposed to satisfy that 1.02% tuition reduction, and Ms. Schaefer replied that the \$350,000 worth of reductions include an \$85,000 reduction in part-time faculty funding, which means that fewer sections may be offered; a \$100,000 reduction in the contingency fund, where the goal was to have 1% of the General Fund Budget to handle emergencies and initiatives; a \$35,000 reduction in the Strategic Fund intended to support the 2010 Vision; a \$75,000 reduction in Student Affairs for business processes such as technology projects; and a \$30,000 reduction in Finance and Administration for implementation of federal laws 1098-T and the new combined Office of Student Financial Services.

Vice-Chair Grech-Cumbo commented that the budget must be very tight if all those programs and departments will be struggling as a result of only a \$350,000, or 3/10ths of 1 percent, reduction out of a \$112 million budget. Ms. Schaefer stated that the budget is very tight and that the staffing is very lean across the entire university, which will continue as enrollment grows in the coming year. Vice-Chair Grech-Cumbo questioned how the university workload can be so burdensome when there were faculty salary savings left over at the end of last year. Ms. Schaefer replied that the faculty salary savings were spent to support part-time faculty and Academic Affairs initiatives.

Trustee Baskin referred to Exhibit II of the proposal and asked Ms. Schaefer to explain the second column to him titled "Eliminate FY 2001 One-Time." Ms. Schaefer stated that, in fiscal year 2001 the university received \$2.4 million from the state in one-time funds to be used for infrastructure, technology, equipment and maintenance. She noted that the state has not given the university any one-time funds for fiscal year 2002. President Gary D. Russi stated that there is a possibility for an additional 1.65% increase in state funds for Michigan universities dependant upon repeal of the tuition tax credit.

Trustee Baskin commented that it is the administration's duty to convince the Board that this request is reasonable, that everything has been done to scale back the budget, and that proper efficiencies have been put in place to reduce the cost of running the university. Ms. Schaefer stated that, in reaching the point where the proposed budget was on July 11, most of the very high priority requests that were submitted to the administration were cut out. She reiterated that the budget was very tight to begin with and that it was very hard to make those additional cuts. Trustee Baskin expressed his concern that the proposed part-time faculty reduction will impact the academic programs offered to the students. Ms. Schaefer explained that of the proposed \$900,000 budget for part-time faculty, only \$85,000, or about 10%, is being cut. Trustee Baskin noted that an article in *USA Today* indicates a 3.8% inflation rate for the first six months of 2001. He stated that, in real terms, last year the Board tentatively approved a 3%, or \$150 tuition increase per student for 2002 based on Oakland's tuition of \$4,300. With another proposed 6% on top of that that, or \$240, the tuition increase would be approximately \$400.

Vice-Chair Grech-Cumbo asked Trustee Rex E. Schlaybaugh, Jr. if the questions he had on the budget have been answered, and Trustee Schlaybaugh replied that the administration was very helpful in providing supplemental information. Trustee Schlaybaugh stated that the issue may be clearer if viewed from the expenditure side of the budget rather than the revenue side. He and Ms. Schaefer noted that last year's expenditures were \$107.2 million and that \$111.9 million is proposed for expenditures in 2002, which is a 4% or \$4.7 million increase over last year. Trustee Schlaybaugh also noted that the proposed 4% cost to run the university is very close to the 3.8% general inflation rate. Ms. Schaefer noted that a 1.7% increase in expenditures per FYES is also being proposed. Trustee Schlaybaugh commented that the real question is how the university gets the revenue to pay those expenses. Trustee Schlaybaugh, Trustee Cooper and Ms. Schaefer stated that the total state allocation will be approximately \$51,410,000, which leaves \$59,590,000 to be covered through other sources, such as tuition, grants, and indirect cost recovery on miscellaneous income sources.

Trustee Schlaybaugh asked Ms. Schaefer if the university is comfortable that the proposed expense budget has no excessive "fat" in it and that it has been "scrubbed" so that every bit of efficiency that the university can get in expense savings is utilized to reduce costs to students. Ms. Schaefer replied that she is very comfortable with the proposed budget and the efficiencies that are in place. Trustee Schlaybaugh stated that he is comfortable with the fact that the proposed rate of increase of the university's operational costs equates to the inflation rate, recognizing that there are a number of items, such as energy costs, that vastly exceeded inflation last year.

Ms. Schaefer clarified for Trustee Baskin that, when last year's actual expenditures are compared to the proposed 2002 expenditures, the per Full Time Student Expenditure is only proposed to go up 1.7%, which includes a 4% compensation package for all employees and a \$500,000 increase above inflation in the utilities budget. She noted that this proves that the proposed 2002 budget is tighter than the 2001 budget.

President Russi explained that, to reach the \$59 million, the rate of increase in the number of students and an increased tuition revenue come into play. Ms. Schaefer added that, looking at the 1.7% increase in state appropriations, the minor increases in other sources of revenue, the amount required to increase the tuition and fees rate is 8.99% based on projected 12,300 FYES.

Trustee Cooper stated that he noted that a number of the proposed expenditures are in line with the rate of inflation, but some of them are significantly higher, such as a 27% increase in the general fund, an 9% increase in the School of Health Sciences, and a 6.2% increase in the School of Business Administration. Trustee Cooper asked Ms. Schaefer to explain what is driving those higher expenditures. Ms. Schaefer responded that the general fund category includes the \$3.2 million compensation increase and the \$557,000 increase in utilities for natural gas. She added that the 9% increase in the School of Health Sciences is largely due to budgeting of the Masters in Physical Therapy fee that was implemented several years ago and was not placed in the budget. Ms. Schaefer also clarified for Trustee Cooper that a 1% point increase is worth about 1.5% of the increase in the tuition increase.

Student Liaison Adam L. Kochenderfer expressed his concern about the real impact the \$85,000 reduction in part-time faculty salaries would have on the number of course sections offered to the students. He noted that many students have commented to him that there are currently not enough sections available, especially in the introductory freshman courses. Ms. Schaefer stated that the university will try to garner savings from elsewhere in order to support those sections. Vice-Chair Grech-Cumbo asked Ms. Schaefer how this will occur, when she just stated that the university will have to struggle in that area due to the reduction in part-time faculty funding. Ms. Schaefer stated that the struggle is going to be in trying to find the savings elsewhere in the university to support the sections that the student body will require. Vice-Chair Grech-Cumbo reiterated Trustee Baskin's concern about the Board's fiduciary responsibility to make the most informed decision on the budget.

Trustee Schlaybaugh requested that charts be included in the final proposed budget that provide the FYES number in an academic sense for the prior year and the FYES assumption for this year, and the revenue that they generate based on the recommendations. Ms. Schaefer stated that she would provide that information to the Board.

Trustee Baskin and Ms. Schaefer clarified that it is not necessary to approve budgets for 2003 and 2004 at this juncture. Trustee Schlaybaugh noted that several years ago the Board adopted a recommendation to do three-year budgeting to assist the administration in planning. Trustee Baskin commented that a lot of universities, which have long track records and very rich alums, receive large gifts and assistance for tuition and to the university. He perceived Oakland's growth as flat-lined in that area. President Russi stated that Ms. Susan Davies Goepp, Vice President for University Relations, just completed an analysis for the year on that issue. Ms. Goepp stated that the university raised almost \$8 million this past year without having anyone in the annual giving program, which may have been \$1 million more if that area was fully staffed. She projected that \$10 million will be raised next year. Trustee Baskin asked if that money would help reduce student costs, and Ms. Goepp replied that private support adds excellence to the university's programs and makes a critical difference between what the university can get from the General Fund. President Russi added that part of that money will reduce the cost for a number of students who receive scholarships, and Ms. Goepp stated that it could help in salary support if there are endowments for faculty.

Trustee Schlaybaugh commented that there are several factors being debated. The first factor is whether the Board is reasonably comfortable that the costs of operating the university have been fairly, accurately and reasonably determined and that every opportunity has been taken to reduce costs. The second factor is that, as much as the Board wants to hold tuition down, there is a direct correlation between the amount the state supports the university and the amount that has to be charged. Trustee Schlaybaugh stated that at some point, the cost of doing business is going to go up, the state is only going to give the university so much money, and the balance of that will have to be obtained from the students in the form of tuition in order to pay the university's bills. He added that even though there is a much larger increase than budgeted for this year, the reason for it is because the funding source that the university counted on did not materialize and the university is forced to go to the only other funding source it has. Trustee Baskin stressed the importance for posterity that the Board has fully deliberated and debated this issue and is confident that the proposal is factual, correct and scrubbed.

Student Liaison Kimberly A. Langley asked if the university has compared the tuition increase proposal to other Michigan colleges and universities. She noted that high school students who are comparing Oakland University to other universities may not view Oakland as competitive. President Russi responded that the most recent tuition increases are 13.4% at Eastern Michigan University, 10.5% at Ferris State University; 9.1% at Grand Valley State University; 8% at Lake Superior State University; 8% at Michigan State University; 19% at

Michigan Technological University; 8.8% at Northern Michigan University; 9.4% at Michigan-Dearborn; 9.9% at Western Michigan University; and 6.7% at Saginaw Valley State University.

Trustee Penny M. Crissman stated that during the early part of this year, when some of the Governor's recommendations were made and revenue projections were reduced, she knew that the Board was going to have to make some difficult decisions regarding tuition. She noted that she wants to take a very hard look at next year's budget assumptions before she makes that decision. Trustee Crissman commented that it is very unfortunate that the students have to bear this amount of increase, although Oakland's tuition increase is not as high as some of the other Michigan institutions. For the benefit of the students and parents, she stated that they will still receive a quality education at Oakland University. Trustee Crissman added that she believes Ms. Schaefer has worked diligently in an effort to keep tuition down.

Trustee Cooper also commended the Finance office for their assistance to him in trying to find ways to cut expenditures and raise additional revenues.

Trustee Baskin stated that there does not seem to be a coalition of universities with a collective voice in Lansing to push for funding allocations for higher education.

Trustee Cooper noted that he believed that there was a recommendation at the July 11 Working Session that if the university receives additional state funds, they will go towards reducing tuition.

Vice-Chair Grech-Curnbo commented that he is not certain that the \$112 million budget has been scrubbed as tightly as it can be to reduce the tuition increase. He expressed concern about cutting the Academic Affairs budget if it hurts the academic mission of the institution, and stressed the need to look elsewhere in the budget for reductions. Ms. Schaefer stated that the Academic Affairs reduction was only 24% of the \$350,000 total reductions, and that the non-academic budgets were more heavily cut.

Vice-Chair Grech-Cumbo and Trustee Schlaybaugh stated that another meeting will have to be scheduled to address the budget again. President Russi noted that the latest possible date for budget approval is August 1st. Ms. Schaefer added that it is critical that the tuition information is provided to the students as soon as possible for billing purposes for the fall term.

Trustee Crissman stated that it was the Board's original expectation that the budget was to have come to the Board in a Working Session, but it was actually brought forward in a Special Formal Board Meeting prior to the July 11 Working Session. She noted that the Board has commented that there simply was not

enough time to review and discuss the budget in order to make a decision on it. Trustee Crissman stated that today's budget proposal was not received until the Board members arrived at the meeting, which makes it difficult for the Board to take the necessary action in a knowledgeable manner. She added that she is willing to come back for another meeting on the budget.

Vice-Chair Grech-Cumbo stated that he would like the Board to give the Secretary to the Board of Trustees the direction that the Chair must approve items going to a Special Formal Board Meeting held prior to a Working Session. He noted that the intent of the Working Sessions is to provide a month for Board review and discussion of the items.

Trustee Schlaybaugh requested that the final budget proposal be provided to the Board at least a couple days in advance of the next meeting.

Trustee Cooper moved to table the following resolution until some meeting to be determined in the future where the Board will take an action on the new budget:

WHEREAS, with the close of the current fiscal year, a new General Fund Budget and Tuition and Fee Rates for the coming year require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approve the FY 2002 General Fund Budget at an expenditure level of \$111,974,130 and approved encumbrances and carry forwards from the June 30, 2001 fund balance. See Exhibit II for detail; and, be it

RESOLVED, that the Board of Trustees conditionally approve the FY 2003 General Fund Budget at an expenditure level of \$117,380,657 and approved encumbrances and carry forwards from the June 30, 2002 fund balance. See Exhibit III for detail; and, be it further

RESOLVED, that the Board of Trustees conditionally approve the FY 2004 General Fund Budget at an expenditure level of \$123,074,918 and approved encumbrances and carry forwards from the June 30, 2003 fund balance. See Exhibit IV for detail; and, be it further

RESOLVED, that the Board of Trustees approve the attached schedule, Exhibit V, of Recommended Tuition and Fee Rates for fiscal years 2002, 2003, and 2004. The Recommended Tuition and Fee Rates for fiscal years 2003 and 2004 are provisionally approved based on assumptions that the state appropriation increase for each year will be at least 4%, enrollment growth will be at least 2% and compensation increases other than those in existing labor contracts will not exceed 3%; and, be it further

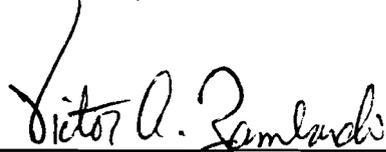
RESOLVED, that the Board of Trustees approves a FY 2001-02 adjustment for non-represented employees effective July 1, 2001, of a 4.0% pool increase for each employee subgroup, as follows: Group I, Executives and Dean; Group II, Academic Administrators, Administrative-Professionals, and Contract employees; and Group III, Excluded Clerical-Technical and Miscellaneous Employees. The distribution for individual employees within subgroups will be based on an assessment of performance or merit.

Trustee Baskin seconded the motion. The motion to table the resolution was unanimously approved by those present.

IV. Adjournment

Vice Chair Grech-Cumbo adjourned the meeting at 3:00 p.m.

Submitted,



Victor A. Zambardi
Secretary to the Board of Trustees

Approved,



Louis Grech-Cumbo
Vice Chair, Board of Trustees