



OAKLAND UNIVERSITY SENATE

UNIVERSITY SENATE

Thursday, 13 January 1994
Fifth Meeting
Minutes

Members present: Andrews, Ari, Benson, Bhatt, Braunstein, Briggs-Bunting, Buffard-O'Shea, Capps, Christina, Cole, Dahlgren, Downing, Eberwein, Fish, Frankie, Gerulaitis, Grossman, Hansen, Hildebrand, Hough, Hovanesian, Khattree, Liboff, Mabee, Marks, Mittelstaedt, Moran, Muir, Olson, Otto, Packard, Pipan, Polis, Reddy, Reynolds, Rickstad, Rozek, Rush, Russi, Schwartz, Schott-Baer, Selahowski, Stevens, Taam, Urice, Wedekind
Members absent: Abiko, Bertocci, Bricker, Brown, Chipman, Dunphy, Hormozi, Kheir, Moore, Pine, Schmitz, Sevilla, Shepherd, Stano, Thomas, Zenas

Summary of actions:

1. Minutes of 11 November 1993. Approved.
2. Report on the 1993-94 university budget. (President Packard)

Mr. Russi opened the meeting at 3:14 p.m., extending a welcome to any new members joining the Senate with the new semester. He anticipated an active and productive period ahead. Looking back over the fall semester's accomplishments, he drew attention to the minutes of 11 November 1993. When Mr. Pipan objected that he had erroneously been reported as absent from that momentous debate, the Secretary indicated that corrections had been made in official Senate book for all senators who, like him, had called her attention to misinformation in the minutes. She urged senators to be sure to sign the attendance sheet that circulates at each meeting but that apparently failed to make the rounds adequately at that crowded November gathering attended by numerous visitors. People can sign the list right after any meeting or call her the next day to ensure accurate reporting. With no other objections raised, the minutes were approved as corrected.

Ms. Rush then took the floor briefly to announce the appointment of Glenn McIntosh as Director of the Office of Minority Equity. He comes to Oakland University from Wayne State and will begin work on 18 January. She encouraged community to make him welcome.

President Packard then provided two items of information: the first concerning the search for a new vice president for Student Affairs and the second concerning plans for replacing Vice President DeCarlo. She reported that the University has already placed advertisement for the Student Affairs post in appropriate publications and has sent notices to appropriate professional groups. Special efforts are being made to inform members of minority groups about this opportunity. Professor William Macauley chairs the search committee, which includes faculty, staff, and student members. She expected the committee would begin reviewing applications next month. No such search process has been initiated to replace Mr.

DeCarlo, who has long been handling three jobs that may be divided. Reorganization of his office seems likely, and Board members are currently considering how the functions he has performed for the trustees may best be accomplished.

Ms. Packard then pointed out a handsome model of the new Science and Engineering Building, calling attention to changes in plans for use of its tower. Of particular interest is a special purpose room high in the tower that will provide an attractive site for various meetings and special events.

The final introductory report came from Dean Frankie, who provided a brief update on the Strategic Planning process. She thought it was progressing well and held forth hope that the Steering Committee would get out a draft plan to the university community as well as to the Resource and Authorship committees within the next several weeks. Reviewing milestones since her fall report, she mentioned that Blue Ribbon task forces had released their reports and conducted hearings in October. Revised versions of those reports are now circulating. At a special Board meeting in December, Board members had reviewed those reports and provided comments. They identified six needs for the final plan:

- need to know the resource implications for the recommendations

- need for an indication of priority among areas and recommendations

- need to focus on what is central to our mission

- need to see for each recommendation a course of action to achieve the recommendation

- need in three years to be able to assess our progress in achieving our goals and objectives

- need for a plan that is not a mile wide and 1/4 inch deep.

So advised by task forces and the Board, the Strategic Planning Steering Committee has been developing a plan that begins with the University Role and Mission Statement and a slightly revised Vision Statement:

Oakland University will be recognized by its constituencies as an institution of excellence, responsive to their needs, and nationally preeminent in selected areas of teaching, research and service.

The plan identifies three key objectives of the university based on the Vision Statement and outlines strategies and tactics for achieving our key objectives as identified on the basis of task force recommendations. It reiterates our commitment to the university's acknowledged values of excellence, collaboration, and diversity as highlighted in the Strategic Guidelines formulated a few years ago by the Academic Policy and Planning Committee, adding integrity as a fourth centering value. The plan also defines our constituencies and provides an environmental scan along with a section of key definitions. It presents the revised task force reports as appendices. Of 122 recommendations advanced in task force reports, the Steering Committee has referred 5 to other agencies and decided to take no further action on 59 (50 of these calling for specific actions in areas of -projected excellence and distinction). Six areas of excellence and distinction will be identified in the plan. The other 58 task force recommendations are being

reviewed for incorporation in the total design. Scheduling a special meeting to glean Board advice put the process about a month behind the schedule she projected in September. It now appears that the draft plan will appear in late January or early February and be transmitted to the Resource and Authorship Committees before the final plan is ready for presentation to President Packard in March or April.

With no old business to address, Mr. Russi then yielded the floor to President Packard to present her report on the 1993-94 university budget as the only item of new business. Ms. Packard prefaced what she anticipated as "a very long report" by apologizing to those senators already familiar with budget preparations. For the sake of others less experienced, she chose to begin with general information on how we budget in a university before entering into details of this year's decisions. Even before that, however, she informed the Senate about the set of process recommendations she had received jointly from its Senate Budget Review and Senate Planning Review Committees (SBRC, SPRC) and indicated what responses had been made to those recommendations. Since the committees' report reached her in August after budget decisions had been made for this academic year, she mentioned that some of those suggestions must await later implementation.

First came the recommendation that last year's extensive budget hearing process be continued and refined. In fact, that has not quite been the case in 1993-94 because the new Vice President for Finance and Administration preferred to substitute a less time-consuming system for his first year. The budget hearings are being handled on the vice-presidential level with a much abbreviated hearing process that appears to be working successfully. The second SBRC/SPRC recommendation was that Oakland make use of HEIDI data to compare our expenditures in various categories with those of other Michigan public universities (despite variations in how each institution defines categories and what special situations it faces). We are now doing so, introducing a process of "benchmarking" to compare our pattern of expenditures with those of our sister universities. We also use a variety of comparative data beyond HEIDI, however, and are in the process of compiling a list of peer institutions for this purpose--5 or 10 that resemble Oakland now and 5 or 10 that we hope to resemble in the foreseeable future. A third committee recommendation called for developing a process for increasing or decreasing position allocations, with the SBRC/SPRC assigning high priority to adding faculty positions in certain areas. Our current budget process establishes that allocations within existing faculty lines rest with the Vice President for Academic Affairs, who makes decisions based on recommendations from the deans. Any new position lines or increases into lines have to go into the central budget process, however, as do additional faculty positions at full professorial rank. The president has developed a memorandum in collaboration with her cabinet to inform the community about this process. A fourth SBRC/SPRC recommendation was to develop a process to justify resource differentiation among academic units. Recognizing that she cannot reconstruct the reasoning behind past allocations, Ms. Packard assured the Senate that subsequent decisions will be made by the vice presidents within their areas. As part of the budget process, after hearings, she asks each vice president to list priorities for additions and cutbacks within that person's area of responsibility. Additional recommendations come from the two Senate committees. The cabinet then meets without her to merge the various divisional "shopping lists," and it becomes her task to try to fulfill those ranked recommendations as far down the list as she can. The fifth SBRC/SPRC recommendation was that the university develop a set of plans to promote revenue enhancement. As evidence of progress in this area, Ms. Packard noted the success of last year's spring/summer incentive plan that brought an additional \$94,000. to be returned soon to the Academic Affairs division. Announcements would be forthcoming shortly about its

allocation to departments, schools, and the Academic Affairs office itself. Heartened by the success of this experiment, she reported that the administration is working on other profit-sharing plans including a new indirect-cost recovery system. When Ms. Schott-Baer asked about funds that would be returned to any particular academic unit on the basis of 1993 spring/summer teaching, Mr. Nicosia indicated that 60% of the profits would go to the units that earned them with the remainder allocated to other accounts. The sixth committee recommendation was that improved mechanisms be developed to increase funding for graduate students, instructional supplies, and equipment. The president reported that some things had been accomplished in those areas and more developments are being considered. The final SBRC\SPRC recommendation was that two new faculty position lines be added. Ms. Packard reported that the thawing of last year's position freeze had allowed some vacancies in existing lines to be filled. One new faculty line has been added, along with a new CT\AP line that was assigned to the Financial Aid Office to cope with the escalating glut of federal paperwork. She concluded this section of her report by saying that she looked forward to receiving new recommendations from these diligent Senate committees, which also make separate recommendations to Vice President Russi.

After summarizing her responses to these committee recommendations, President Packard proceeded to inform the Senate about the fund accounting system used by universities. She began by pointing out that, although allocations get made at the start of the fiscal year, funds actually come in at various times. There are also multiple account lines to be considered, not all of them mutually transferable. Current funds, defined as money to be spent now for the institution's primary and supporting purposes, fall into four categories--as demonstrated on a chart displayed at the front of the room: the general fund (much the largest hunk of the pie); the designated fund (monies available only for specific purposes but which, unlike the general fund, continue beyond the close of the fiscal year if anything remains unspent); expendable restricted funds, which must be used for a particular purpose and may be recalled if unspent by the end of the year; and auxiliary activities funds, which are carefully separated from the general fund and are used to account for agencies like Meadow Brook Hall that are supported by income from their own operations.

A second pie-diagram represented sources of our funding in 1992-93, showing that most came from the state, somewhat less from tuition and student fees, and the rest from investments and grants. The third chart showed our pattern of expenditures, with 40.1% spent on instruction and lesser amounts on other worthy purposes all the way down to 0.6% for public service (a category that might look larger if faculty salaries were distributed there rather than all classified-under instruction). Other funds exist in addition to the general fund. These, graphically illustrated in another chart, include the student loan fund (small because it represents only Oakland's direct expenses and excludes federal loans), the plant fund that invests in physical values, a small but growing endowment fund (almost \$13 million now after last year's increase of nearly \$5 million), and the retirement and insurance fund that must be maintained and developed to support employee benefits for which our predictable obligations will increase as more employees enter retirement. There is also an agency fund for administering money that comes to us for specific purposes such as Marriott Food Services and Barnes and Noble.

The next chart documented changes in state appropriations over a span of years, indicating each year's percentage of increase or decrease from that preceding. This bar graph traced a decidedly irregular pattern reflecting Michigan's economic fluctuations. This was followed by a chart tracing tuition increases, which responded either immediately or in the next year or so to

declines in state appropriations. A chart of state appropriations in dollars followed these, showing the same story in different terms. This graphic image yielded to a chart displaying the revenue history of the university's general fund, showing that variations come from shifting balances between tuition and state appropriations, with other revenue sources remaining fairly stable. This completed the historical phase of the president's presentation.

Next came elaboration on this year's budget, beginning with a chart of general fund budget allocation that showed compensation costs to represent 80.3% of the budget--a predictable situation in the staff-intensive work of higher education but one that leaves relatively little money to be disbursed among the other categories of equipment, telephone, supplies and services, and travel. A chart displaying how the general fund budget gets allocated by division demonstrated that Academic Affairs got 69.4% of this year's budget, followed by 15.7% for Finance and Administration and comparatively small proportions for other divisions. The next diagram, showing general fund expenditures by program classification, revealed that a little over half goes to instruction and an additional 10.3% to academic support. When the next chart documented changes in general fund allocations from last year to this, increases were demonstrated in Academic Affairs and scholarships. Apparent growth in the Student Affairs division compensated for cuts taken the year before. When Mr. McKay asked the president whether these changes reflected her decisions, she replied affirmatively. Mr. Christina then inquired where increases came from, if not from state appropriations. Ms. Packard responded that they reflected internal reallocations, external funding, and changes in investment policy.

These charts then gave way to two lists, each organized by divisions: the first of these identified one-time-only allocations for this year and the second showed permanent budget increases. Ms. Packard then explained particular entries, noting for example that \$80,000. had been spent on new classroom furniture to replace broken desks and that additional money went toward bringing our physical environment more closely into conformity with provisions of the Americans with Disabilities Act. \$150,000. went into administrative relocation to group student services in North Foundation Hall and move the president and several vice presidents into Wilson Hall. She pointed out revolving funds for equipment (academic and otherwise) that appear on the list but have not as yet been funded both because of threatened cuts from Lansing and because our budget projections for this academic year too sanguinely anticipated stable enrollment rather than the reality of slight declines. Feeling confident at this point that the state will not recall money in the midst of this budget year, she expected that this money would soon be released to the vice presidents. Some opportunities for purchasing equipment may soon develop, therefore, even though resources are inadequate to meet all needs. Permanent budget increases included the final special payment for library acquisitions in preparation for this April's focused North Central review, faculty/staff compensation increases, and growth in various categories of student support.

Charts displaying expenditures revealed that increased allocations from the General Service Fee had been allocated to the Oakland Center, athletics, and parking. The Oakland Center increase initiated the process of refurbishing the building to make it more attractive and serviceable for student functions. Increases in the athletics budget reflect the addition of new women's team sports. Successive pie charts depicting allocations within divisional budgets showed compensation overwhelmingly the dominant budgetary reality. Salaries represented almost 90% of Academic Affairs expenditures and 81.9% of Finance and Administration spending; University Relations, Governmental Affairs, Student Affairs, and the President's Office reflected the same pattern. Only in Auxiliary Activities budgets (including the residence halls and the Meadow Brook enterprises) did a combination of supplies and other expenses

hold compensation to less than 50% of total allocations (actually 42.5%). The next chart showed changes in those proportions.

At this point, President Packard shifted attention from the general fund to the university's endowment, alerting senators that figures reflect two different funds: the university endowment and the Oakland Foundation endowment. Both book value and market value of the university endowment rose last year, largely as a result of the Squirrel Road property sale. When Mr. Bertocci asked whether it had been a conscious choice to put that revenue into the endowment, Ms. Packard replied that it was. Some money had been reserved, however, to provide scholarships for Auburn Hills students. Not having been here for negotiations between our Board and the city, she could furnish no details of their discussions. She reported that Board policy allows spending no more than 5% of endowment income each year, with the rest (in good years when investments bring a better return than that) going back into the endowment. Her penultimate chart showed that Oakland has very little unrestricted endowment funding (especially within the Foundation) because original donors put restrictions on their gifts. Mr. Grossman then asked why a separate foundation exists, wondering whether it was a historical accident. Nobody present really knew, as Ms. Packard and Mr. Harris came to the university after the Foundation's establishment and Mr. McKay, who was here from the beginning, either forgot or never knew. The president commented that universities often establish foundations to gain flexibility with respect to state laws as well as to enlist dedicated donors. Vice President Bissonnette added that public universities generally set them up to avoid dealing with a host of rules and regulations about how state money can be used. Michigan laws, however, are not especially restrictive. Ms. Packard offered the example of a private donor at the University of Tennessee at Chattanooga buying up land near the campus and donating it to that school's foundation as a possible site for a new athletic stadium. Most likely, Oakland's pattern emerges from its history as part of Michigan State University, which has its own active foundation. The final chart showed changes made last year in the way Oakland University invests its short-term cash, which is needed to meet normal operating costs. Moving to a new bank extended the time at which money could be put out at investment (still conservative) to improve potential earnings.

Promising briefer reports in succeeding years, Ms. Packard offered to respond to any questions and encouraged community members to offer suggestions at any time for more productive use of resources. Mr. Russi then thanked her for this presentation and welcomed chorused motions for adjournment at 5:14 p.m.

Respectfully submitted
Jane D. Eberwein
Secretary to the University Senate ~

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