Minutes of the Formal Session
of the
Oakland University Board of Trustees
July 11, 2007

Present: Chair Dennis K. Pawley; Vice Chair David T. Fischer; and Trustees Henry Baskin, Penny M. Crissman, Monica E. Emerson, Jacqueline S. Long, Ann V. Nicholson, and Ganesh V. Reddy

Also Present: President Gary D. Russi; Vice Presidents John W. Beaghan, Susan Davies Goepp, Mary Beth Snyder, and Virinder K. Moudgil; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; and Student Liaisons Samir R. Hanna and Aaron L. Kochenderfer

A. Call to Order

Chair Dennis K. Pawley called the meeting to order at 2:05 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. Trustee Ann V. Nicholson was present via teleconference.

C. Reports

Tab 1. Treasurer's Report

Mr. John W. Beaghan, Vice President for Finance and Administration, presented the Treasurer's Report as set forth in the agendum item.

In response to a question from Chair Pawley, Mr. Beaghan clarified that if the delayed state appropriation payments were booked as a receivable, it would raise concerns with Oakland University's external auditors who might issue a qualified opinion letter impacting Oakland University's (University) credit rating. He added that no other Michigan university is booking the receivable because it is not a generally acceptable accounting practice unless the State appropriated budget specifically states that payment will be made.

Chair Pawley thanked Mr. Beaghan for his report.

Tab 2. Meadow Brook Hall Budget Status Report

Mr. Geoffrey C. Upward, Executive Director, Meadow Brook Hall, presented the Meadow Brook Hall (Hall) Budget Status Report as set forth in the agendum item.

In response to questions from Trustees Penny M. Crissman and Henry Baskin, Mr. Upward stated the Hall's assessment of its art and historic pieces collection will include a valuation amount for insurance coverage and information on preservation of the collection.

In response to a question from Trustee David T. Fischer on whether the University has considered copying or reproducing and licensing some of the special collection items for marketing purposes, Mr. Upward stated it has been considered and will be addressed further after the assessment is completed.

In response to another question from Trustee Baskin regarding whether the Hall has full reproduction and licensing rights, Mr. Zambardi and Mr. Upward stated the University currently uses a series of Meadow Brook marks or trademarks on some products, but no collection items have been marketed to date.

Chair Pawley thanked Mr. Upward for his report.

D. Consent Agenda for Consideration/Action

Tab 3. Consent Agenda

Chair Pawley asked if any of the Trustees wished to remove any item from the Consent Agenda for discussion, and there were no requests.

Chair Pawley then presented the following Consent Agenda recommendations for Board approval:

Tab 4. Minutes of the Formal Session of June 6, 2007

Tab 5. Acceptance of Gifts to Oakland University for the Period of May 1, 2007 through May 31, 2007

RESOLVED, that the Board of Trustees accept the gifts to Oakland University identified in the attached Gift and Pledge Report, Attachment A, for the period May 1, 2007 through May 31, 2007.

(A copy of Attachment A is on file in the Board of Trustees Office.)

Tab 6. Acceptance of Grants and Contracts to Oakland University for the Period of May 1 through May 31, 2007

RESOLVED, that the Board of Trustees accept grants and contracts to Oakland University identified in the attached Grants and Contracts Report, Attachment A, for the period of May 1 through May 31, 2007.

(A copy of Attachment A is on file in the Board of Trustees Office.)

Tab 7. Final Undergraduate School and Graduate School Reports Winter 2007 – April 26, 2007

RESOLVED, that the Board of Trustees approves granting the degrees more fully described in the Final Undergraduate School Report and the Final Graduate School Report, each dated April 26, 2007.

(A copy of the Final Undergraduate School and Graduate School Reports dated April 26, 2007 is on file in the Board of Trustees Office.)

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

E. New Items for Consideration/Action

Tab 8. Appointment of Working Capital Investment Managers

Mr. Beaghan called on Mr. Steve Roberts, Assistant Vice President of Finance and Administration, who introduced the item and the investment managers, who made presentations as set forth in the agendum item.

LaSalle Bank

Mr. John M. Ganfield, First Vice President, and Mr. Simon Reeves, Portfolio Manager, LaSalle Bank, stated that LaSalle Bank (LaSalle) is proposing that their Enhanced Cash Fund be used for the University's short-term investment. It is designed specifically for higher education institutions and corporations looking for high-grade, short-duration, enhancements with low volatility to yield above and beyond money market funds.

In response to a question from Chair Pawley, Mr. Beaghan stated that LaSalle would manage the University's short-term investments on a day-to-day basis and they will communicate frequently with Mr. Roberts about the market and the University's cash balances.

In response to a question from Trustee Baskin, Mr. Roberts stated that the total amount of money that will be invested short-term is currently $44 million.

In response to an additional question from Trustee Baskin, Mr. Reeves stated that LaSalle is currently part of ABN AMRO; however, the whole of ABN AMRO is on the market and LaSalle is potentially going to be sold. He added that if that occurs the University's money will still remain with the custodian, LaSalle, consolidated in Chicago in the trust services group.

<u>Commonfund</u>

Ms. Crissie L. Fortmeyer, Managing Director, Commonfund, stated that Commonfund is proposing a high-quality bonds fund for the University's intermediate fixed income portfolio based on a "top down" as well as a "bottom up" approach that active investments can outperform passive investments.

In response to a question from Trustee Baskin, Mr. Roberts stated that the University's intermediate investments total approximately $48 million.

In response to a question from Chair Pawley and Trustee Baskin regarding the amount of time it would take to move to other managers, Mr. Beaghan stated that there is a 30 day cancellation clause in the investment manager's contract.

<u>JPMorgan</u>

Mr. Michael M. Barry, Vice President, and Mr. Charles A. Dillard, Vice President, JPMorgan Asset Management (JPMorgan), stated that JPMorgan is proposing the use of Intrepid Funds as the University's equities solution, based on a behavioral finance theory with the application of psychology to the financial markets in determining which stocks to buy and sell within the portfolio.

In response to questions from Trustee Baskin, Mr. Barry stated he believes JPMorgan offers an increased return with less risk than Munder does by using the Intrepid Funds approach. He added that the University's equities are approximately $20 million. In response to a question from Trustee Long, Mr. Roberts stated that the Board's Investment Policy for Pooled Cash includes benchmarks, and while one of the benchmarks, S&P 500, reached a 6.97% return for the reported five-year period, Munder reached a 9.31% return during that same period.

After a general discussion, the Board requested that the administration meet with the Finance, Audit and Investment Committee (Committee) to determine when reviews of competitive working capital investment manager firms should occur and to better inform the Board on other more profitable investment opportunities.

Trustee Ganesh V. Reddy suggested that the contracts with LaSalle, Commonfund, and JPMorgan include a clause to provide investment return information to the University.

Mr. Beaghan recommended the following resolution for Board approval:

WHEREAS, the Board wishes to maximize the working capital investment total return of the University; and

WHEREAS, the Board expects to achieve its investment return goals with acceptable investment risk as described in its *"Pooled Cash Investment Policy"*; and

WHEREAS, the university has engaged in a competitive search and extensive review of potential working capital investment managers; now, therefore, be it

RESOLVED, that the Vice President for Finance and Administration is authorized to execute any and all agreements and resolutions necessary to establish operating and investment accounts with LaSalle Bank N.A., Commonfund Securities, Inc., and JPMorgan Investment Advisors, Inc., or any subsidiaries or related parties recommended by the investment managers required to implement the investments through these firms; and, be it further

RESOLVED, that the instruments and documents to implement this resolution will be reviewed and approved by the Office of the General Counsel prior to execution, and will be in compliance with the law and University policies and regulations and will conform to the legal standards and policies of the Board of Trustees.

Trustee Baskin requested separate votes on the three investment proposals.

Trustee Reddy, seconded by Trustee Monica E. Emerson, moved approval of the appointment of LaSalle Bank to manage the University's short-term investments. The motion was approved with one abstention by Trustee Fischer due to a conflict of interest.

Trustee Crissman, seconded by Trustee Long, moved approval of the appointment of the Commonfund to manage the University's intermediate fixed income investments. The motion was unanimously approved by those present.

Trustee Reddy, seconded by Trustee Emerson, moved approval of the appointment of JPMorgan to manage the University's equity investments. The motion was approved with abstentions from Trustees Fischer and Baskin due to conflicts of interest.

Chair Pawley thanked Mr. Beaghan, Mr. Roberts, and the investment managers for their presentations.

Tab 9. Appointment of Interim Dean for the School of Business Administration

Dr. Virinder K. Moudgil, Vice President for Academic Affairs and Provost, presented the Appointment of Interim Dean for the School of Business Administration as set forth in the agendum item.

Trustee Fischer, seconded by Trustee Baskin, moved approval of the following resolution:

RESOLVED, that the Board appoints Dr. Mohan R. Tanniru to the position of Interim Dean of the School of Business Administration and Professor of Management Information systems with tenure, effective July 1, 2007, at an initial salary of $190,000, in accordance with the terms and conditions of the Employment Agreement between Dr. Mohan R. Tanniru and Oakland University.

The motion was unanimously approved by those present.

Tab 10. Bachelor of Social Work (BSW)

Dr. Moudgil called on Dr. Albert J. Meehan, Chair of Sociology and Anthropology, who presented the Bachelor of Social Work (BSW) as set forth in the agendum item.

In response to a question from Trustee Reddy regarding concerns by the Governor and the Legislature on new degree program criteria, Dr. Moudgil explained that every new proposed degree program goes through a rigorous analysis and a series of checks and balances within the University's governance system, (i.e., Program Committee, department, school or college, University Senate, and President), prior to institutional approval. The proposals are then sent to the State Committee and the Presidents Council, consisting of various academe components. The chief academic officers of all 15 State universities then vigorously examine the programs for feasibility, need, applicability, and budget implication prior to program approval.

In response to other questions from Trustee Reddy regarding additional concerns of the Governor and Legislature that new degree programs should show an immediate impact on local communities and the State, Dr. Moudgil stated that the BSW program is specifically important for the community because students from cities such as Waterford, Pontiac, and Oak Park will remain and work in local areas that are deprived economically or academically.

Trustee Reddy, seconded by Trustee Baskin, moved approval of the following resolution:

WHEREAS, the Bachelor of Social Work (BSW) is consistent with several objectives contained in Oakland University's strategic plans; and

WHEREAS, the BSW will respond to a rapidly increasing need for social workers in Southeast Michigan and the United States; now, therefore, be it

RESOLVED, that the Board of Trustees authorizes the Department of Sociology and Anthropology, with the participation of the Departments of Biological Sciences, Political Science, Psychology, and the Women Studies Program in the College of Arts and Sciences to offer a BSW; and, be it further

RESOLVED, that the Vice President for Academic Affairs and Provost will complete annual reviews of the BSW degree program to evaluate academic quality and fiscal viability to determine whether the program should be continued.

RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to execute agreements and resolutions necessary to open and maintain operating and investment accounts with Comerica, Inc; and, be it further

RESOLVED, that the agreements be reviewed and approved by the Office of the General Counsel prior to execution, and be in compliance with the law and University policies and regulations and conform to the legal standards and policies of the Board of Trustees.

The motion was unanimously approved by those present.

Tab 11. Oakland University General Fund Budget and Tuition Rates for Fiscal Year 2008

Mr. Beaghan presented the Oakland University General Fund Budget and Tuition Rates for Fiscal Year 2008 as set forth in the agendum item and highlighted below.

- The University's FY 2007 State appropriations were dramatically reduced by two distinct actions late in the University's fiscal year. Executive Order 2007-3 which resulted in a "delayed payment" of $2,382,200 and Public Act 17 of 2007 which resulted in a second "delayed payment" of $2,382,200, and a permanent base "operations reduction" of $1,031,000 for total reductions of $5.8 million, or 11.06%. The University's state funding declined to 29%, which is projected to continue. To manage this decline, tuition and expenditures are impacted.
- Considering the instability of State revenues, even if more generous appropriations were included in the State's initial FY 2008 budget, the probability of mid-year reductions remains high; therefore, a conservative appropriation assumption is used.
- State funding is $1.5 million less than in FY 2000.
- Based on the projected appropriation and enrollment for FY 2008, per FYES funding will dip by $639, to $3,149, an all-time low of 28% of the General Fund budget compared to 47% in FY 2000.
- The University's tuition increases in dollars over the past 10 years have been the third lowest in Michigan.
- Over 45% of Oakland University students receive non-loan financial aid, with an average aid package of $4,140 for FY 2008, or an average net cost to attend of $3,787 when netted against tuition rates.
- Compared to the State average, Oakland University's General Fund budget is $3,625 less per student, substantiating that the University is an efficient, lean organization.

- With State funding as a percentage of the University's General Fund budget dropping to an all-time low, and cost containment and budget reduction initiatives continuing, tuition increases are necessary to protect the core education of students.
- The proposed FY 2008 budget includes a tuition increase of $971 per FYES, which covers the anticipated $639 per student appropriation reduction, a $1.4 million increase in financial aid, a $210,850 increase in purchased utilities, and a $3.3 million increase in total compensation costs.
- The FY 2008 revenue includes a projected State appropriation decrease of $5.8 million.
- An increased FYES enrollment of 14,801, or 144 new students, is expected.
- Operating budget funding is also required for approved course offerings with related faculty appointments (reflecting program growth and market demand), debt service obligations and other contractual obligations.

Chair Pawley commented that the University should not necessarily follow what other Michigan universities are doing, although the logic in doing that has been to continue to keep tuition low with the expectation that someday the University's growth will be recognized and the State appropriations formula will increase. He stated that unfortunately continued constraints on revenue will negatively impact the quality of education. Trustee Baskin agreed with Chair Pawley, noting that the University needs to focus on its own unique needs and not on comparisons with other Michigan universities that have higher base funding.

In response to a question from Trustee Crissman, Mr. Beaghan explained that the University's 40% enrollment growth and inflationary cost increases over the past 7 years have contributed to increases in its total budget.

Trustee Emerson expressed that students who graduate from the University must be adequately prepared to meet employer expectations, and she stated that it would be more harmful to not increase tuition and allow the quality of education to suffer so that students are not adequately prepared to make meaningful contributions in the workplace. She added that a balance must be maintained in order to prevent deterioration of the quality of education the University offers.

Mr. Beaghan agreed with the Board's concerns, and noted that the budget is based on what the University needs to maintain and protect the core education of the students. He stated that comparisons with other Michigan universities do add value in understanding where the University stands in relative funding.

Mr. Beaghan presented the following resolution for Board approval:

WHEREAS, with the close of FY 2007, the new General Fund Budget and Tuition Rates for FY 2008 require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approves the FY 2008 General Fund Budget at an expenditure level of $165,313,127 (see Attachment B for detail) and approved encumbrances and carry-forwards from the June 30, 2007 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates, Effective Fall Semester 2007 attached hereto as Attachment C; and, be it further

RESOLVED, that the Board of Trustees approves the spending of General Fund revenues generated from any enrollment in excess of that budgeted to adequately cover the instructional, programmatic and operating expenditures necessary to support higher than budgeted enrollment levels.

In response to a question from Trustee Nicholson regarding how the Academic Affairs division will specifically handle anticipated future declining State funding and whether departments or programs will have to be reduced or eliminated, Dr. Moudgil stated that there will be an increased emphasis on partnerships, such as the SmartZone initiative, and doing all that can be done to ensure the survival of the mission of providing a quality education. Chair Pawley commented that eliminating programs and departments would reduce the quality of the education available to students and result in fewer students attending the University, which would drive a drop in enrollment and increasing costs. Dr. Moudgil added that increased enrollment and degree programs have greatly contributed to the University's fiscal health.

Trustee Baskin expressed support for an equal across-the-board distribution of State funding, and noted that if State appropriations do not increase the State universities may be forced to move perilously closer to privatization. He added it is imperative that students, parents, relatives, friends, and others communicate these concerns with the State legislators. Trustee Reddy concurred with Trustee Baskin's statement and commended the President and his administration for their efforts in maintaining fiscal control.

At this time, Chair Pawley called on Student Liaison Samir R. Hanna who requested to address the Board and who stated that the Board of Trustees and the administration historically have done a great job of having low tuition increases. The students understand that the root of the problem is at the State level. Students understand that the quality of their education is important, and do not want to sacrifice their education. However, students are worried about the effect of increases in tuition which could negatively affect retention rates. In addition, it could reduce students' studying time. At Oakland University in 2005, approximately 58% of students worked more than 15 hours off campus, nearly double the national average of 30%. Students cannot continue to increase working without something else being sacrificed, whether it is their extracurricular activities, sports, or most importantly their grades and education. The University's proposal to increase tuition for 2007-08 is the highest in the past decade at Oakland University, requiring students to pay almost the entire State deficiency rather than allocating costs between the students and the University. He then asked the Board and administration to carefully reconsider the proposed tuition increase.

Chair Pawley thanked Mr. Hanna for his statement and called on Student Congress President, Rob Meyer, who requested to address the Board and who stated that Oakland University is a great place for an education. Oakland has the best faculty, staff, resources, programs, and most importantly students. A vast majority of Oakland students commute to campus because it makes the cost of education and living more affordable. Education is a priority in today's society and in the State of Michigan. In order for students to compete in today's global economy, it is crucial to have an education, and most importantly, an affordable one. Michigan's economy is not getting any better. It has been steadily dwindling over the past five years. Gas prices have increased, food costs have increased, the cost of education has increased, and the overall cost of living has increased. All of these dramatically affect students, and, most importantly, Oakland's students. The tuition increase may force students to work longer and harder and spend less time in the classroom. Full-time students could eventually become part-time students. Fifty-five percent (55%) of Oakland students did not receive any type of financial aid or scholarship this past year. This means they are forced to pay out of their own pocket, or even worse, through student loans. He then asked the Board not to pass an unaffordable increase in tuition.

Chair Pawley thanked Mr. Meyer for his presentation and called on Student Congress Vice President, Jameelah Muhammad, who also requested to address the Board and who stated that she had many concerns about the proposed increase in tuition for the 2007-08 school year. She mentioned that over the past few months she and other students from various universities visited numerous officials in Lansing to discuss supporting higher education funding so that the educational system in the State of Michigan can have a chance to grow and prosper. She also stated that we must have more intense and more frequent discussions with State officials and work closely with the State to provide solutions to deficit and budget issues because State funding is clearly not a consistent and reliable source. In addition, the budget should be reviewed for efficiencies that can be optimized. It is also very important to distribute budget information to students so that they are able to make decisions about how they can adjust to the budget changes and also propose other solutions to the problem. Over the past several years, the Federal government has also made significant changes in student aid. There have been changes that include a cut in the Pell grant as well as an increase in student loans. There are serious discussions taking place on a national level. There are different factors that are essential to contributing to a vibrant and prosperous educational system. She expressed hope that when the meeting was over it would not be the end but only the beginning of really examining this problem regarding the cost of education and how we can work together to solve this issue.

Chair Pawley thanked Ms. Muhammad for her comments and noted that all three students made very good points. He stated that the Board owes the students the return on their investment through the highest quality education possible and to provide a safe campus environment in which to gain that education; however, both are at stake if the Board does not act to invest the necessary funds to ensure their survival. Chair Pawley added that the efforts to reduce costs and improve quality of education will continue regardless of the Board's action on tuition.

After a general discussion, it was the consensus of the Board that declining State appropriations has placed a greater burden on the University and the students, and with the Legislature's failure to act on the budget, the Board has no choice but to increase tuition. Trustee Fischer stated he believes it is the Board's duty to provide the University with the necessary tools to nurture the intellectual product it offers in order to continue to attract and retain students.

The Board also discussed how any State rebated delayed payments will be allocated if they are received. Trustee Baskin proposed that the use and allocation of any rebated funds be debated by the Board. Student Liaison Hanna added that the students would also like the opportunity to add their input to that discussion.

Trustee Fischer, seconded by Trustee Baskin, moved approval of the resolution.

Trustee Fischer, seconded by Trustee Baskin, then offered the following friendly amendment:

RESOLVED, that if either or portions of: (1) the University's FY 2007 State appropriations that were reduced by Executive Order 2007-3 and Public Act 17 of 2007; or (2) additional FY 2008 State appropriations are received, then the administration shall present a recommendation to the Board for use and allocation of the proceeds for Board discussion and approval.

Chair Pawley conducted the following roll call vote:

Trustee Baskin	Yes
Trustee Crissman	Yes
Trustee Emerson	Yes
Trustee Fischer	Yes
Trustee Long	Yes
Trustee Nicholson	Yes
Trustee Pawley	Yes
Trustee Reddy	Yes

The underlying motion, as amended, was unanimously approved by those present.

F. Other Items for Consideration/Action that May Come Before the Board

There were no other items presented to the Board.

G. Adjournment

Chair Pawley adjourned the meeting at 4:41 p.m.

Submitted,	Approved,
____________________________	____________________________
Victor A. Zambardi Secretary to the Board of Trustees	Dennis K. Pawley Chair, Board of Trustees