

**Minutes of the Formal Meeting
of the
Oakland University Board of Trustees
June 4, 2003**

Present: Chair Henry Baskin, Vice Chair Penny M. Crissman, and Trustees David J. Doyle, Dennis C. Muchmore, Ann V. Nicholson, David T. Fischer and Rex E. Schlaybaugh, Jr.

Absent: Trustee Dennis K. Pawley

Also Present: President Gary D. Russi; Vice Presidents Susan Goepp, Virinder K. Moudgil, Lynne C. Schaefer and Mary Beth Snyder; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; and Student Liaisons Rhonda R. Hanna and David M. Jewell

I. Call to Order

Chair Henry Baskin called the meeting to order at 2:04 p.m. in the Auditorium of 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 Trustee Dennis K. Pawley.

III. President's Report

President Gary D. Russi reported the following information:

- Ms. Bonnie Koch and Mr. Eric Nelson were recognized as the April and May Employees of the Month. Supervisory comments on each recipient were provided in a video presentation.
- Dr. Virinder K. Moudgil, Vice President for Academic Affairs and Provost, recognized the accomplishments of Dr. Peter Bertocci, Professor of Anthropology, who joined Oakland University in 1968. Dr. Bertocci is widely known for his expertise on global issues and international academic programs. His research has focused on Southeast Asia, especially Bangladesh and he has published many books on that topic.

Dr. Bertocci has also authored numerous articles on issues of community, religion, naturalization and political processes of groups in those areas of the world. He served two terms as Department Chair, six terms on the University Senate, two terms on the Faculty Re-Employment and Promotion Committee, three terms on the College Assembly, three terms on the College of Arts and Sciences Committee on Appointment and Promotion and 33 years as the Anthropology Advisor. Dr. Bertocci has also been deeply involved in the department in the development of the Center for International Programs and regularly taught courses within the program.

Dr. Moudgil also recognized the outstanding achievements of Dr. Balaji Rajagopalan who joined Oakland University in August 2000 as Assistant Professor of Management Information Systems and serves as a Faculty Associate in the Applied Technology in Business (ATIB) Program in the School of Business Administration. Dr. Rajagopalan's research interests are in the broader and more effective use of data mining, modeling user resistance to the implementation of information systems, and examining the impact of information propagation in virtual communities. His research work was recognized with the New Investigator Research Award of Oakland University and his research ideas were acknowledged with other colleagues through a \$499,996 National Science Foundation award. Dr. Rajagopalan teaches Systems Analysis, Systems Design and Database Management courses at both the undergraduate and graduate levels. He is perceived by his students to be an excellent teacher and was nominated for the Oakland University Teaching Excellence Award in 2002.

Chair Baskin thanked Dr. Russi for his report and Dr. Moudgil for the faculty recognition.

IV. Action Items

A. Consent Agenda

Chair Baskin moved approval of the following recommendations:

1. Approval of the Minutes of the Formal Meeting of April 2, 2003

2. Approval of the Minutes of the Special Formal Meeting of May 7, 2003

3. Approval of University Personnel Actions

New Appointments

Liptak, Laszlo, Assistant Professor of Mathematics effective April 14, 2003 (\$51,000.00) (New appointment filling a newly authorized position).

(Previously reported as a cancelled appointment at the October 2, 2002 Board of Trustees Meeting).

Emeritus Appointments

Kheir, Naim, Professor Emeritus of Engineering, effective January 1, 2003.

Wedekind, Gilbert, Professor Emeritus of Engineering, effective August 15, 2002.

Change of Status

Hanna, Darrin, from Visiting Assistant Professor of Engineering to Assistant Professor of Engineering, effective May 1, 2003.

Balla Omgba, Bonaventure, from Visiting Instructor in French to Visiting Assistant Professor of French, effective January 1, 2003.

Melamed-Brown, Nancy, from Visiting Instructor in Education to Assistant Professor of Education, effective August 15, 2003.

4. Approval of Appointment of Dean for the School of Nursing

RESOLVED, that the Board of Trustees appoint Dr. Linda S. Thompson to the position of Dean of the School of Nursing and Professor of Nursing with tenure effective August 1, 2003, at an initial salary of \$130,000, in accordance with the terms and conditions of the Employment Agreement between Dr. Linda S. Thompson and Oakland University.

5. Recommendation to Accept Gifts to Oakland University and the Oakland University Foundation for the Period of March 1 through April 30, 2003 and to Accept Grants and Contracts to Oakland University for the Period of March 1 through April 30, 2003

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

6. Approval of Meadow Brook Subdivision Financing Guarantees

(A copy of the Meadow Brook Subdivision Financing Guarantees is on file in the Board of Trustees office.)

7. Approval of Board Members for Public School Academies

WHEREAS, the Board of Directors of Detroit Edison Public School Academy has nominated Althea Bell for renewal on the board; and

WHEREAS, the Board of Directors of Summit Academy has nominated Richard Earl Hedke to fill a vacancy on its board created by term expiration; and

WHEREAS, Althea Bell and Richard Earl Hedke meet the requirements of the University's Board of Trustees and applicable law; now, therefore, be it

RESOLVED, that the University Board of Trustees hereby approves the renewal of Althea Bell as a member of the Board of Directors for Detroit Edison Public School Academy for a new two-year term to expire in 2005; and, be it further

RESOLVED, that the University Board of Trustees hereby approves Richard Earl Hedke as a member of the Board of Directors for Summit Academy for a three-year term to expire in 2006; 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.

8. Adoption of Academic Calendar for 2004-05

RESOLVED, that the Board of Trustees approves the Academic Calendar for 2004-05 as presented in this agendum.

(A copy of the Academic Calendar for 2004-05 is on file in the Board of Trustees office.)

9. Approval of Resolution Approving Conveyance of Property and Release of Easement and Party Wall Agreement and Authorization to Execute the Release of Easement and Party Wall Agreement and Quitclaim Deed for the Kresge Library Addition

RESOLVED, that the Board of Trustees approves the Resolution Approving Conveyance of Property and Release of Easement and Party Wall Agreement and authorizes the Vice President for Finance and Administration to execute the Release of Easement and Party Wall Agreement and Quitclaim Deed.

10. Approval of 2003-2004 Oakland University Board of Trustees Meeting Dates

RESOLVED, that the Board of Trustees approves the following dates for the Board's formal meetings and informal working sessions for the University fiscal year 2003-2004. The meetings will be held at Oakland University, Rochester, Michigan, in the Auditorium of the Elliott Hall of Business and Information Technology on Wednesdays at 2:00 p.m.:

July 9, 2003	Working Session
August 6, 2003	Formal Board Meeting
September 10, 2003	Working Session
October 1, 2003	Formal Board Meeting
November 5, 2003	Working Session
December 3, 2003	Formal Board Meeting
January 7, 2004	Working Session
February 4, 2004	Formal Board Meeting
March 3, 2004	Working Session
April 7, 2004	Formal Board Meeting
May 5, 2004	Working Session
June 2, 2004	Formal Board Meeting

Trustee Penny Crissman seconded the motion. The motion was unanimously approved by those present.

B. Approval of Resolution Honoring David M. Jewell, Student Liaison to the Oakland University Board of Trustees

Trustee Dennis C. Muchmore moved approval of the following recommendation:

WHEREAS, Mr. David M. Jewell, an undergraduate student majoring in Management Information Systems, was appointed by the President as Student Liaison to the Oakland University Board of Trustees in June 2002, upon the recommendation of a screening committee, with his term of office to end June 30, 2003; and

WHEREAS, Mr. Jewell attended Board meetings and provided a cross-section of student views and opinions; and

WHEREAS, Mr. Jewell demonstrated a concern for facilitating communication between the Board and the student body; and

WHEREAS, Mr. Jewell informed student groups of his Student Liaison responsibilities and made periodic Board activity reports to those student groups; and

WHEREAS, Mr. Jewell at all times demonstrated leadership skills at the Board meetings in his role as Student Liaison; now, therefore, be it

RESOLVED, that the Oakland University Board of Trustees recognizes the fact that Mr. David M. Jewell has served as a Student Liaison with dedication and distinction; and, be it further

RESOLVED, that the Oakland University Board of Trustees commends Mr. Jewell for his outstanding academic achievements, diverse involvement in extracurricular activities at Oakland University, and service as a Student Liaison to the Oakland University Board of Trustees; and, be it further

RESOLVED, that a copy of this resolution be forwarded to Mr. Jewell to convey the esteem in which he is held by the Oakland University Board of Trustees; and, be it further

RESOLVED, that the Oakland University Board of Trustees publicly expresses its deep appreciation to Mr. Jewell and extends to him its best wishes for continued success in all of his future endeavors.

Trustee David T. Fischer seconded the motion. The motion was unanimously approved by those present.

C. Approval of Meadow Brook Theatre Agreement and Lease

Trustee David J. Doyle made the following comments regarding the Meadow Brook Theatre:

- First, over the course of the last few weeks, I have read a lot of information in the paper that unfortunately has been erroneous. Anybody who has attended the Oakland University Board of Trustees meetings for the last 7 or 8 years is well aware of the financial difficulties of Meadow Brook Theatre. I think the Meadow Brook Advisory Board and the University community have been aware of the Board's concerns of the financial health of the Theatre. Frankly, I have been surprised to read that some of the newspapers have reported that concerns about the financial difficulties are brand new or that the financial amount of support for the Theatre over the last several years has been insignificant. I just want to say specifically that since I started on the Board in 1995 the Board has given direction to the administration to do everything possible to make the auxiliaries self-sufficient. We have been talking about this year after year. People need to understand that over the course of the last four years, the Board

forgave an accumulation of \$1.2 million in Theatre deficit. Obviously, the Board and the administration have been very supportive of Meadow Brook Theatre and want to see live theatre in that facility on a regular basis. I am pleased that we have gotten some community support here recently.

- As we all know, recently Mr. Joseph Nederlander came forward with a proposal that would effectively outsource Theatre operations, and I believe that the Board wants to go on record commending him for his good intentions and his community spirit. Given the level of opposition to his proposal and the community's interest in continuing the Theatre operations in much the same manner as in the past, at the suggestion of President Russi, the Board tabled any action on Mr. Nederlander's proposal for one month until today. We understand that the community has come together with an alternative proposal, and we welcome that input. Ms. Schaefer will discuss that proposal a little more in detail in a few moments. Over the course of the last few weeks, I have had the privilege of working with the administration as they worked with Mr. Nederlander and the Committee to Save the Meadow Brook Theatre to incorporate suggestions from the University faculty and the Senate to strengthen the ties between the Theatre and the Department of Music, Theatre and Dance (MTD) here on campus. I know that all of us on the Board are looking forward to the strengthening of ties between MTD and Meadow Brook Theatre.
- I want to thank President Russi, Dr. Moudgil, Ms. Schaefer, Mr. Zambardi, Ms. Cooke and Dean Downing, as well as the Committee to Save Meadow Brook Theatre for all of their efforts over the last few weeks. On behalf of the Board, University community and the surrounding community, we thank you for your efforts on behalf of the Theatre and, in particular, on behalf of our students.

Chair Baskin thanked Trustee Doyle for immersing himself in this project over the last several weeks. He noted that it has been a huge undertaking for Trustee Doyle, Mr. Zambardi, and the administration. Chair Baskin called on Ms. Schaefer at this time.

Ms. Schaefer made the following comments:

- We have been working hard with the Committee to Save Meadow Brook Theatre. They have been a great group to work with and have been doing their best to come up with something that can work for the University and work for Meadow Brook Theatre. You have before you a copy of a report that shows the true financial picture that Trustee Doyle mentioned. Basically, it shows that over time the University has put a very large amount of money into Meadow Brook Theatre, including a \$1.2 million buy-down of a deficit back in 1997, and then since 1997, over \$1 million of support has gone into the Theatre on top of an accumulated \$320,000 deficit. I think the University has made great efforts to put the Theatre on sound financial footing, and we simply have not been able to get there. Happily, we now have an alternative before us for eliminating that risk for the

University, and yet continuing to have high quality, professional theatre at the University through Meadow Brook Theatre.

- In your Board packet is a copy of the Agreement with the Theatre Ensemble, which is intended to be incorporated as a new 501(C)(3), composed of a number of theatre professionals, many of whom have been involved in Meadow Brook Theatre for a number of years. Some of the highlights of that proposed Agreement include the continued production of professional theatre at Meadow Brook Theatre; a five-year lease beginning July 1, 2003 with provision for a right of first refusal to extend the term of the lease; a guaranteed rent payment per week of productions at the Theatre (with 30+ weeks guaranteed for each year of the lease); and additional rent payments based on the number of tickets sold. One of the most exciting parts of this Agreement is that the Theatre Ensemble has worked through Provost Moudgil and Dean Downing to discuss ways to strengthen the connections between Meadow Brook Theatre and academic programs at the University. The Theatre Ensemble has been very open to all of the ideas that have been presented to them, which have been incorporated into the Agreement. As we move forward, we look to have increased involvement on the part of the academic departments in Meadow Brook Theatre and helping to strengthen those programs.
- At this point, it is the University's recommendation to enter into this Agreement with the Theatre Ensemble.

Trustee Fischer reiterated that the total University support to the Theatre since 1995 has been approximately \$2.3 million. He asked for clarification that there will be no ongoing level of financial commitment to this Theatre project, and Ms. Schaefer stated that there will be no direct financial support from the University to this group. She noted that the Theatre Ensemble will be using University and Theatre space, props, costumes, the scene shop, and those types of things in exchange for rent payments. Trustee Doyle added that the props will remain University property, but they will be leased under the Agreement to the Theatre Ensemble, which will be responsible for maintenance, repair, and replacement.

Trustee Schlaybaugh asked Ms. Schaefer to explain the fixed and variable rent provisions of the contract and asked if a pro-forma has been done. Ms. Schaefer replied that no pro-forma was done, and she explained that the Theatre Ensemble will pay \$1,000 per playing week for a minimum of 37 productions or \$30,000, plus \$0.50 for each ticket sold at \$5.01 or more. She added that last season the Meadow Brook Theatre sold approximately \$100,000 in tickets.

Trustee Schlaybaugh asked if the University is still committed to pay the estimated \$35,000 in electricity and utility costs, and Ms. Schaefer responded that the University is still responsible for all structural aspects of the facility.

At Trustee Schlaybaugh's request, Mr. Zambardi highlighted the following pertinent parts of the proposed Agreement that relate to the University's ongoing needs:

- Development Activities are exclusively linked to the University since University Relations will coordinate gift requests under a mutually acceptable development plan that does not interfere with, jeopardize, or supercede the University's development activities.
- The proposed Agreement specifies some generic prohibited uses, such as the occurrence of unlawful activity or nuisance on the premises; use of the premises in a manner inconsistent with University policies, practices or mission; and non-conformity with general social conventions and common public morals and decency.
- All sponsorships must be consistent with the mission of the University, which really addresses the issues of tobacco, alcohol, etc.
- Compliance with Law includes Federal, state, local and/or municipal ordinances, regulations, and laws along with University rules, regulations, policies, and ordinances.

Trustee Schlaybaugh asked Ms. Schaefer why the University believes this group will be more successful than the University in raising money to operate at a break-even lease. Ms. Schaefer stated that the group has developed a plan, which represents some departures from what the University has done with the Theatre. Those plans have yet to be put in place and their ability to raise funds through those mechanisms has to be tested. Trustee Doyle added that the Theatre Ensemble does have a plan, but it is going to be a tough job for them to be successful. He added that with this Agreement they are being given opportunity while the liability of the University is being taken away.

Trustee Schlaybaugh expressed support for this proposal because he believes it is a chance for the Theatre to continue and to improve its relationship with the University's academic mission, particularly in light of the fact that the University has invested well over \$2 million over the last few years to support the Theatre. He noted that \$500,000 of support to the Theatre equates to 1% in student tuition, and that in today's world with tough budget decisions, the University must be very responsive to its primary mission of providing great academic opportunities to the students at reasonable cost.

Trustee Fischer concurred with Trustee Schlaybaugh's comments and expressed concern over the lack of academic involvement with the Theatre. He stated that the fact that the Theatre program will immediately become self-sustaining is an admirable goal, and he questioned the ongoing involvement of the University in the development of the Theatre other than the facility costs, and significant financial involvement. Ms. Schaefer replied that any costs other than for utilities would be reported to the Board. She noted that the Theatre is such an integral part of the University and the University is going to

partner with them and do everything possible to help them succeed, short of providing financial subsidies.

President Russi asked Ms. Susan Goepp, Vice President for University Relations, to comment on the development aspect of the Theatre. Ms. Goepp stated that neither the University nor the Foundation anticipates supporting a development salary position; however, University Relations plans to work as partners in coordinating the solicitations and identifying appropriate people at the right time so that the University is not impeding its development operation.

Chair Baskin stated that he believes the consensus of the Board is that, if they do approve an agreement to outsource Meadow Brook Theatre, they are not giving the administration the authority to subsidize the Theatre to any extent. He called on Dr. Moudgil, who stated that he had the opportunity and privilege to sit with Dean David J. Downing, Dr. Karl E. Boelter, Chair of MTD, and the Theatre Ensemble to discuss the future of the Theatre and its involvement with academic programs. Dr. Moudgil added that their approach is to work together to ensure the success of the students, faculty, and community.

Chair Baskin called on Dean Downing to comment on his thoughts, and those of his colleagues, on this matter.

Dean Downing stated that over the past several weeks he has been involved in a series of conversations highlighting the importance of the Theatre to the University's academic mission. He noted that his colleagues from across the institution, including Deans Mary L. Otto and John C. Gardner, along with the Senate Planning Review Committee, have stressed the importance of maintaining an active and engaged Theatre, both as part of the ambiance of the University and as a vital contributor to the missions of teaching and community outreach. Dean Downing stated that when given the opportunity to provide substantial input into the proposed agreements, particularly the proposed agreement with the Theatre Ensemble, he raised the following four key goals on behalf of his MTD colleagues: an opportunity for collaborative productions; academically meaningful internships for students; opportunities for Meadow Brook Theatre professionals to teach in the Theatre program; and the mechanism to strengthen and provide structure for the collaborative relationship between MTD and Meadow Brook Theatre relative to the construction of the sets for all productions, both academic and professional. He added that as Vice President Schaefer has already indicated, he is very pleased that each of these issues has been positively addressed in the proposed Agreement with the Theatre Ensemble. Dean Downing stated that academic visual and performing arts are an essential component of the mission of the College of Arts and Sciences. In addition to supporting students majoring in the performing arts, a critical component of the college's vision for 2010 mandates that all of the institution's students have opportunities to understand and appreciate how culture and the arts enrich and inform all aspects of human endeavor. He commented that he really believes that the proposed Agreement with the Theatre Ensemble will help the college obtain that goal.

Chair Baskin thanked Dean Downing for his comments and called on Mr. Jeffrey Sherbow, Attorney for the Theatre Ensemble, to speak.

Mr. Sherbow thanked the Board and the University for the 30-day delay to allow the Theatre Ensemble, previously known as the Committee to Save Meadow Brook Theatre, the opportunity to put together a proposal. He also thanked Ms. Schaefer and her staff and General Counsel, Mr. Zambardi, who worked diligently with them on this proposal. Mr. Sherbow stated that the Theatre Ensemble's business plan includes a reduction of overhead; reallocation of finances; re-structure of the organization known as The Meadow Brook Theatre Ensemble; and reallocation of personnel resulting in a \$200,000 cut in salary costs. He noted that the Theatre Ensemble has developed and submitted revenue-producing ideas and considered and investigated outreach programs. The proposed agreement presents an increase in revenues to the University based on a longer production season, increased rent and ticket sales, and those items that would directly benefit the University. Mr. Sherbow stated that the Ensemble guarantees that there will never be compromise in the quality of production or performance, or the commitment of the Theatre to Oakland University, its faculty, or its student body.

Mr. Sherbow stated that, assuming the Board authorizes the President to enter into this Agreement, Mr. David Regal has agreed to accept the position of Artistic Director. Mr. Regal has over 30 years of experience in the University setting and he is currently involved with the University of Detroit Mercy in the capacity of running their Theatre Arts Program. Mr. Sherbow commented that the Theatre Ensemble intends to work hand-in-hand with the University, the teaching faculty, and the students to provide an avenue for the Oakland University family to be trained and to develop talent through the production of original and theatrical events at Meadow Brook Theatre. He stated that the Theatre Ensemble has requested that one Oakland University Board member be appointed to the Theatre Ensemble Board of Directors as a non-voting member to be kept apprised on the Theatre's productions and fund raising activities. Mr. Sherbow added that, although the University will divest itself from the financial responsibility of Meadow Brook Theatre, it cannot divest itself from the image, the reputation, and the close connection with the Theatre. He concluded his remarks by stating that the group will result in a seamless transition because most of the Theatre Ensemble personnel are currently working at the Theatre. Through new leadership, innovative financial strategies, and an Artistic Director with a life-long history in the academic field, the Theatre Ensemble will meet the financial needs of the University, the educational needs of the Oakland University students, and the artistic needs required to maintain Meadow Brook Theatre's sterling reputation.

At this time, Mr. Sherbow introduced Mr. Regal to the Board. Mr. Sherbow noted that Mr. Regal will basically act as the Chief Executive Officer of the Theatre Ensemble, and that in the near future a Board will be appointed with up to 15 members who are talented and have time, money, and an understanding of the process.

Student Liaison Rhonda Hanna commented that she believes this has probably worked out the best for the students, since they do not have to pay for the Theatre now through tuition dollars and they will have the opportunity to work with the Theatre. She noted that the previous agreement offered a provision on ticket sales for students where they could purchase tickets on the last day of sales, and she asked if the proposed agreement with the Theatre Ensemble offers a similar discount. Mr. Sherbow responded that it is his understanding that they are going to maintain the same types of programs at a reduction, including the last day ticket sales.

Chair Baskin called on Dr. Boelter who requested to address the Board on behalf of MTD. Dr. Boelter confirmed the department's interest in the developing strengths and ties with Meadow Brook Theatre and the Theatre Ensemble. He stressed the importance of the following goals:

- Internships that are meaningful and that improve the students' educational experiences.
- Educational opportunities for students through the Ensemble's expertise.
- Demanding that the MTD students and faculty and Theatre professional personnel work together for common goals, such as planning the production season, discussing designs, and acting as co-producers on some of the shows.
- Operating the Scene Shop as an organized and cohesive unit that serves all campus theatrical activity.

Dr. Boelter added that the approval of this Agreement will have a wonderful affect on the academic theatre program by enhancing and diversifying learning, broadening the range of literature, and elevating visibility of the arts at Oakland University. He noted that the current paradigm of the Theatre is changing and MTD is highly supportive of this proposal because it continues professional theatre on campus while promising improvement in key areas. The MTD also views this as a means to move toward offering professional degrees in Theatre, such as a Bachelor of Fine Arts and a Master of Fine Arts. Dr. Boelter thanked President Russi, Dr. Moudgil, Dean Downing, and Mr. Zambardi for including him in the final stages of this development.

Chair Baskin thanked Dr. Boelter for his comments and called on Mr. Michael Riley, who requested to address the Board. Mr. Riley stated that he wrote to the Board expressing his support for Meadow Brook Theatre remaining an integral part of Oakland University. He noted that it is extremely encouraging that the Board has considered alternatives to the Theatre issue. He noted that he had heard a lot of good discussion today, and that he hoped that the Board would cast votes in support of the Agreement.

Chair Baskin thanked Mr. Riley for his remarks. For the record, he read the following letter from Mr. Joseph Z. Nederlander dated June 3, 2003:

I would like to thank you, the Board and the Administration, for allowing me the opportunity to be involved in the project which will result, hopefully, in a

continuation of Meadow Brook Theatre. My interest caused momentum and ultimately focused attention on the Theatre and its operational problems. The goal of continuation presumably has been achieved. I laud the energy, enthusiasm, and noble efforts of the Theatre community, which came together to propose to the Board a continuation of operation. My many years with Meadow Brook as one of the founders in the Theatre, and my interest has presented a renewed commitment, and I truly believe that those involved now believe, as I do, that this is a labor of love. I am delighted to hear that this cultural component of our community will continue, and I applaud the efforts, which the Theatre Ensemble has made.

As I am physically unable to be at your meeting, I ask that you read this letter and congratulate those who will now go forward in this noble effort and I offer them my counsel and assistance in any possible way in order to successfully take Meadow Brook Theatre to the next level of cultural esteem.

Very truly yours,

Joseph Z. Nederlander.

Chair Baskin recommended that the Ensemble take advantage of Mr. Nederlander's kind and generous offer in the event that the proposal to partner with the Theatre Ensemble is approved.

At this time, Trustee Doyle moved approval of the following recommendation:

RESOLVED, that the Board of Trustees authorizes the President to execute the Meadow Brook Theatre Agreement and Lease between the Theatre Ensemble and Oakland University.

Trustee Fischer seconded the motion.

Chair Baskin moved that the following friendly amendment be added to the recommendation:

RESOLVED, that the Agreement and Lease shall be reviewed and approved by the Office of the General Counsel prior to execution 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.

Trustee Crissman seconded the amended motion. She commented that it is unfortunate that this did not happen a number of years ago. Trustee Crissman stated that what has occurred here is a great example of how things can be accomplished if we all sit down and work together. She also stated that she truly believes this is a win-win venture for everyone, especially the tie to the academic program, which was the

biggest part of her objection to maintaining the Theatre. Trustee Crissman thanked everyone who worked on this proposal in such limited time, including Trustee Doyle and Mr. Zambardi, for coming up with what she believes to be an excellent resolution.

Trustee Fischer stated that, along with his inquiry for the University's ongoing fiscal involvement with the Theatre, he would like a presentation on how many students are involved with the Theatre, what they are doing, and the academic mission and progress of the program in a few months and once a year thereafter.

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

**D. Approval of Oakland University Trustee Academic Success Fund
Proposal for 2003-04**

Trustee Crissman stated that in 1995 the Board of Trustees established a Trustee Academic Success Fund utilizing the proceeds from the sale of land to the City of Auburn Hills. A provision of that resolution requires that annual proposals of expenditures be presented to the Board for approval. Trustee Crissman moved approval of the following recommendation:

WHEREAS, the Oakland University Trustee Academic Success Fund supports the university goal to recruit and retain a diverse student body; and

WHEREAS, the Fund also expands the cultural horizons of all students to prepare them for employment in an increasingly multicultural world upon graduation; and

WHEREAS, the Fund enhances students' skills, understanding and ability to effectively function across gender, racial, national, ethnic, and cultural lines; and

WHEREAS, the Fund instills respect for diversity into all aspects of university life; and

WHEREAS, the Fund directly responds to the Oakland University in 2010 Key Element -- a scholarly community strengthened by its diversity; now, therefore, be it

RESOLVED, that the Board delegates authority to the President to direct the Office of Equity to expend up to \$257,600 for the Oakland University Trustee Academic Success scholarship program and other initiatives described in Attachments A and B, for the 2003-04 academic year.

(Attachments A and B are on file in the Board of Trustees office.)

Trustee Muchmore seconded the motion. The motion was unanimously approved by those present.

E. Approval of Bachelor of Arts in Studio Art

Trustee Ann V. Nicholson stated that the College of Arts and Sciences proposes to offer a Bachelor of Arts Degree in Studio Art. She explained that the Studio Art program is an academic discipline that embraces both visual communication and expression of an intellectual vision. This liberal arts degree offers up to two specialties in visual arts, photography, drawing and painting. Trustee Nicholson noted that two universities in the area offer this degree, Mary Grove and Michigan State; however, Oakland's degree has much more of an art history component to it. She stated that at this time no additional positions or classroom space are needed for the program.

Trustee Nicholson moved approval of the following recommendation:

WHEREAS, implementation of the Bachelor of Arts in Studio Art is an important initiative for the College of Arts and Sciences and is strongly consistent with the Oakland University in 2010 statement; now, therefore, be it

RESOLVED, that the Board of Trustees authorizes the College of Arts and Sciences to offer a Bachelor of Arts in Studio Art; and, be it further

RESOLVED, that the Bachelor of Arts in Studio Art program shall be reviewed annually by the Provost to determine whether the program should be continued

Trustee Doyle seconded the motion. The motion was unanimously approved by those present.

F. Fiscal Year 2004 General Fund Budget

1. Approval of Oakland University Proposed General Fund Budget and Tuition and Fee Rate Increase for FY 2004

Trustee Schlaybaugh stated that the Board has worked very hard to understand the budget proposal, and he believes the best way to introduce the item is to hear comments from President Russi and Ms. Schaefer. On behalf of the entire Board, Trustee Schlaybaugh conveyed the seriousness in which they reviewed this matter, especially as it relates to tuition. He noted that the Board and the administration looked at every expenditure and cost to insure that they are comfortable with the recommended increase. Trustee Schlaybaugh reiterated that the Board believes that passing on the cost of increases to the students is an unacceptable way for the University to do business. At this time, he called on President Russi to comment on the budget.

President Russi made the following remarks:

- With the Board's guidance and assistance, Oakland University has been on a steady path to distinction and an increasingly enhanced reputation in the region and beyond. At the Board's direction, we have been successful at operating our institution conservatively, and we have accomplished this through resources lower than most, if not all, of our sister and peer institutions. Over the past several years alone, we have saved more than \$3.6 million in annual costs through cost containment measures. As an administration, faculty and students, we are extremely proud of that record. For both the 2003 and 2004 cuts, we began planning months ago and asked all areas of the University to generate suggestions and ideas. As a community, we did the best we could to first protect our core academic mission through the guiding values approved by the University Senate. Throughout the development process, we communicated our progress widely to faculty, staff, and students. At the May Board meeting, we proposed to balance the budget through cost containment measures, personnel cost reductions, operating cuts, and a tuition and fee increase. We made great efforts to protect our core academic mission on behalf of current and future students to keep the tuition increase at a reasonable level so that the pain of balancing the budget is not borne solely by our students and their families, and to keep the tuition and fee rate strategically at or below the median level for Michigan state universities.
- Last month the Board reviewed the proposed budget and requested that we examine ways to cut more from expenses to reduce the proposed fiscal year 2004 tuition and fee increase below 12%. I asked the Vice Presidents to develop ideas for further cuts based on the following criteria from the Board: cut more to reduce the tuition increase and lessen the financial impact on students; ask the college and schools to make proactive and strategic decisions that would bring about positive institutional change even while making cuts; include program review as a discipline for cost cutting; and protect, and where possible enhance, academic instruction in program and service quality in the process. I also asked the Vice Presidents to keep in mind two other factors: the need to protect our ability to respond to additional and anticipated fiscal year cuts from the State and a possible mid-year tuition increase; and the need to retain funds to deal with emergencies.
- Here are our revised plans. We have cut expenses by \$5.5 million. We have cut or reduced in hours some 60 positions, including 21 faculty positions. This represents the equivalent of 44 full-time positions across the University. Remaining employees in many areas will have to take on additional workloads. Our hiring freeze implemented in March remains in place. Executive and upper-level academic administrators' salaries have been frozen. Two academic programs have been eliminated -- one in Nursing and one in Health Sciences. Operating budgets have been cut. Cost containment measures continue to be

implemented. Program review will be accelerated. Incentive programs will be restructured, and we will reduce the base funding level for workers in unemployment compensation. These budget adjustments have significant impact. The following are some examples of operational cuts that, over the long term, will directly affect the quality of our educational delivery and will take a considerable amount of time from which to recover: An increase in the student/faculty ratio; decreases in the frequency of classes offered and in the variety of electives; increases in class sizes, teaching loads and reliance on part-time faculty; less ability to maintain and grow our research capability; reduction in student advising and tutorial services; reduction in marketing and recruiting reach; a less stable technology infrastructure; and fewer resources to meet facility maintenance and repair needs. Other state institutions have greater flexibility to maintain high quality even while cutting expenses. Were we to spend the average of the eleven state universities, excluding Michigan State, Michigan, Wayne State, and Michigan Tech, we would spend an additional \$10 million per year.

- Oakland is known in the community and beyond for a certain level of instruction and a certain level of service delivery including campus life. This educational experience and our reputation have been on the upswing. We know that our students come here with these expectations. We also know that if we get too close to the threshold of quality we will start to lose students to other institutions.
- Board members, we will work hard as a faculty, staff, and administration to maintain and continue to improve the level of quality that our students and community expect. Vice President Schaefer will now share the details of the budget proposal.

Ms. Schaefer presented the following summary:

- I think the President has really put this budget into a terrific perspective as we move forward. This item has been revised fairly significantly from the version you saw at your last meeting.
- In the agenda item, Exhibit 1 is an overview of the proposed budget and Exhibit 2 provides the detailed budget information for each of the major academic operating units of the University. It also includes those key performance indicators that you had asked us to provide beginning a couple of years ago. All of those will give you an idea of what is being achieved within the level of resources that are allocated to each unit. Finally, Exhibit 3 is a Schedule of Proposed Tuition and Fee Rates for the coming year.
- I would like to provide just an overview of the proposed budgets starting with a few key assumptions. First, the budget is based on the Governor's

recommendation of a 10% or \$5.2 million cut in state appropriations for Oakland University. We know that the State House and Senate are currently considering other allocations to the University, but those have not yet been finalized and so we are still relying on the Governor's recommendation. Second, we are looking at non-discretionary cost increases that total about \$6.9 million, and those include compensation, financial aid, enrollment growth, utilities, bank fees, and all the things we talked about at last month's meeting. Those two factors, the state budget reduction and the non-discretionary cost increases left us with a budget shortfall of just over \$12 million. As you know through a year-long planning process, the University has identified budget reductions totaling about \$5.5 million. This represents a 4.5% reduction for Academic Affairs and a 5.5% reduction for all other operating units of the University. This differential reduction strategy reflects the University's guiding values that were established actually at the start of our planning process. Following these extensive reductions, which were detailed in the President's remarks, we were left with a budget shortfall of \$6.6 million. In order to balance the budget given that shortfall, a tuition increase of 9.91% is necessary, as detailed in Exhibit 3. The proposed new resident undergraduate average tuition and fee rate at 30 credit hours will be just over \$5,000, which represents an increase over current amounts of about \$250 per semester. There is also a proposed increase of \$2.00 in course fees in this proposal, which haven't been increased for several years.

- As you know, we are facing many uncertainties in this budget, not the least of which is what is going to happen at the state level, the economy level, or even at the University level. There are three particular scenarios that I want to highlight for you:

Scenario One – Mid-Year Budget Reductions. We know that the economy is not recovering as fast as projected at the state level, so they are struggling in State government to figure out how to close out this fiscal year. As a result, we believe there is a very real likelihood of mid-year reduction in our fiscal year 2004. The strategies that we are considering for responding during fiscal year 2004 include identifying one-time funds to meet the cut in much the same way we did in the current year, and tapping into central sources such as the Rainy Day Fund or contingency strategic or technology funds to cover some portion of those cuts.

Scenario Two – Additional Funds Made Available through the State Legislative Process. We know in the recently passed house appropriations bill, the cut to Oakland University was reduced. There is a lot of work left to be done in Lansing, but you know of that possibility. The Senate Appropriations Committee members have not yet completed their deliberations, but are at least rumored to be considering similar kinds of differentiating cut strategy depending on the availability of funds. The differentiating cuts are specifically targeted at institutions that are at the very low side of per-student funding from the State. If the cut to Oakland University is less than the \$5.2 million reflected in this budget

recommendation, we would propose the following strategies: first, that we hold some portion of those additional funds in order to minimize tuition and fee increases or to meet mid-year budget reductions that we think there is a real likelihood of happening in the coming year; and, secondly, we would use a significant portion of those funds to restore instructional and support funding to maintain and enhance the quality of Oakland University's academic enterprise recognizing that the reason why we would be getting that relief is because our state funding support is at the very low level compared to other institutions in Michigan.

Scenario Three – Actual Fiscal Year 2004 Enrollments Exceed the Budget Target. We have included a resolution in the budget agenda item that, upon Board approval, would authorize the University to spend up to 50% of the additional tuition and fee revenue should we exceed the enrollment target that the budget is based on to fund instructional areas to teach those added students. The strategy would allow the college and the schools to open sections necessary to teach those additional students. Again, as we have made all of the cuts in the budget, including those on the instructional side, we have significantly reduced any flexibility we have to open up those additional sections when more students come.

Ms. Schaefer added that it is entirely possible that we would face all three of these scenarios in the coming year.

Trustee Schlaybaugh expressed concern over the budget cut discussions, since the University's actual budget next year will be \$1.2 million more than it was this year. He noted that the real issue is the embedded non-discretionary cost increases of \$4.7 million in salary and compensation increases and \$2.2 million in other non-discretionary utilities. Trustee Schlaybaugh stressed that the administration and faculty should view the budget issue as a continual issue instead of a temporary problem, based on the forecast for State spending. In that regard, he challenged the administration to seriously review academic programs and to not spend money on tangential, peripheral-type programs if it is really needed in the core academic areas of support. Trustee Schlaybaugh applauded President Russi's efforts to keep costs down, but again cautioned that the budget situation should be viewed as a permanent one.

In response to a question posed by Chair Baskin, Ms. Schaefer stated that the contractual salary awards last year were about a percent higher, while the health care increase was slightly lower due to significant health care concessions by the unions that will carry through into the coming year. She added that health care is expected to increase significantly, which is a big portion of the mandatory compensation increase.

Chair Baskin concurred with Trustee Schlaybaugh's statement regarding the need to take permanent cost containment measures. He suggested that the administration should explore and present a new way of doing business to the Board at some point in

the next two years that acknowledges the cost increases and maintains a quality education without passing it on to the students. In that regard, Chair Baskin asked Trustee Fischer to share tuition data that he discovered in the *Wall Street Journal*. Trustee Fischer stated that the tuition increase at University of Arizona is 40%; University of Massachusetts four campuses averages 17%; University of Minnesota, Twin Cities is 14.7%; Connecticut University System is 14.5%; Ohio State University is 14%; Minnesota State College 33 campuses averages 15%; and Southern Illinois University is 16%. Chair Baskin commented that this is the national trend, but Oakland University does not want to be included in that trend. He expressed appreciation for the efforts of the administration and the Deans, and noted that the University has to start “thinking outside the box” to create a new sound business plan. Chair Baskin noted that Vice President Susan Goepp is charged with soliciting contributions from resident corporations and other donors. He added that the University community and the Board must also support that process.

Trustee Nicholson commended the Provost, the President, and all others involved in the budget process. She agreed with President Russi’s closing remarks that, although it is hard to draw the line between how much tuition people should pay and the quality of the programs, she believes that quality must be maintained for the students and that they are willing to pay for a quality education. She noted that for people who are looking for a new way of doing business, perhaps the University could seek assistance for new business ideas, since the old way of doing business is a very time-honored one.

Chair Baskin stated that the increase is approximately \$250 a semester or 9.91%. He asked what the \$2.00 course fee is for, and Ms. Schaefer replied that the course fees provide supplies and support for selective courses at the University.

Trustee Schlaybaugh asked Chief of Police, Samuel C. Lucido, to comment on the level of campus public safety coverage given the budget cuts. Chief Lucido stated that, although one position will not be filled, a new patrol plan has been developed and approved by Ms. Schaefer and President Russi to meet those demands for services over a 24 hour period. He added that he is confident with the plan, the recent hires, and the committed supervision staff.

Trustee Fischer commented that although the President, Provost, and administration were successful in finding further budget cuts, there will be a time in the future when a different business plan must be created, whether it is through the use of Mr. Pawley’s lean manufacturing techniques, increased tuition, or new lobbying initiatives. He stressed that the most important thing that must be maintained is Oakland University’s academic excellence.

Chair Baskin called on Mr. Jonathan Parks, Student Congress President, who requested to address the Board. On behalf of the student body, Mr. Parks thanked the Board, President Russi, and the administration for their efforts to cut the budget. He stated that he believes the budget issue will be a long-term battle and expressed

concern that the cuts will impact course availability for students close to graduation, and ultimately impact financial aid, since students must maintain a certain amount of credits in order to receive financial aid. He also expressed concern over diminished student services, such as the Academic Skills Center where students depend on their services throughout their career at Oakland University.

Chair Baskin thanked Mr. Parks for his comments.

Ms. Hanna thanked the Board for not wanting to pass the financial burden solely onto the students. She also thanked the administration for meeting with the student liaisons and other student leaders to insure that they understand the budget issues. She reiterated Mr. Park's concern over course availability, and noted that President Russi assured them that the Dean's Council will look into the issue of necessary courses for graduation. Ms. Hanna asked that the Board consider the proposed employee and faculty increases in line with the tuition increases as they complete their union negotiations. She also suggested that if there are any excess funds left over from the \$4.7 million, it should be used for needed courses and the Academic Skills Center.

Chair Baskin thanked Ms. Hanna for her remarks.

Trustee Schlaybaugh moved approval of the following recommendation:

WHEREAS, with the close of the current fiscal year, the 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 2004 General Fund Budget at an expenditure level of \$122,316,050 and approved encumbrances and carry forwards from the June 30, 2003 fund balance. See Exhibit II for detail; and, be it further

RESOLVED, that the Board of Trustees approve the attached schedule, Exhibit III, of Recommended Tuition and Fee Rates for fiscal year 2004; and, be it further

RESOLVED, that the Board of Trustees approve spending 50% of the general fund tuition and fee revenue in excess of the associated approved general fund budget. This practice is necessary to cover the instructional and program expenditures necessary to support higher enrollment levels. If it is necessary to spend more than 50% of the additional revenue, the administration will seek separate board approval for that authority beforehand.

Trustee Fischer seconded the motion. The motion was unanimously approved by those present.

2. Approval of the Use of the "Rainy Day Fund" for Fiscal Year 2004

Ms. Schaefer stated that at a meeting a year ago, the Board approved the establishment of a Rainy Day Fund (RDF) using \$1.5 million in year-end balances from Fiscal Year 2002 to support mid-year budget reductions due to declines in state support. She noted that the state appropriations reductions were implemented during Fiscal Year 2002 at 3.5% of the University's state appropriation. In addition, Fiscal Year 2003 actual enrollments did not meet the budget target. Thus with the two shortfalls, the \$1.8 million through the 3.5% executive order cuts and \$1.2 million shortfall in enrollment required a cut of \$3 million. Ms. Schaefer stated that the University divisions came up with \$2.4 million in one-time cuts during Fiscal Year 2003 to meet that requirement, and she is proposing using a portion of the RDF to meet the remainder of the \$600,000 in cuts. She added that, with the likelihood of more state appropriation reductions in the coming year, the administration is working to identify Fiscal Year 2003 year-end balances that might be available to restore the RDF going into Fiscal Year 2004.

Chair Baskin asked what the RDF balance will be if this proposal is approved, and Ms. Schaefer replied that there will be \$900,000 left in the Fund.

Trustee Dennis C. Muchmore inquired if the University gets a differential on bonding on the RDF, or if it is treated as just a reserve fund. Ms. Schaefer responded that the RDF was just created last summer, and they have not gone into the bond market since that time so they do not know if that would make a difference. She noted that when the University went to the rating agencies in 2001, the conservative fiscal management of the University did play a role in maintaining the A-2 bond rating, so the \$1.5 million is relatively small in relation to the total assets and probably would not make a big difference. Trustee Muchmore commented that, if the University is going to have an operational fund, then it has got to be useful otherwise there is no reason to have one and it might as well be called a reserve bank account. He noted that there is no purpose in going through this exercise if the University is not going to find a level that meets the minimum bonding requirements of the agencies who assign so many points based on the percentage of budget used for operations. He asked where that stands, and commented that, since the University is going to have this, it needs to direct to try to hit that goal and then sit on that goal because it will cost a lot more money if the University loses the double A rating. Ms. Schaefer agreed with Trustee Muchmore, noting that her staff has been working to establish financial goals consistent with what Moody's is doing nationally for institutions of higher education. Trustee Muchmore added that it would be helpful to look at that and give the Board an idea of where that target will be.

Chair Baskin stated that there was discussion at one time about reissuing the bonds, buying back our outstanding debt, in view of the economy and the market, but the Board was told that it would not make much difference at that time. He asked if Ms. Schaefer is still looking at that possibility. Ms. Schaefer responded that there was discussion at

one time about reissuing the bonds and buying back our outstanding debt, in view of the economy and the market, but the Board was told that it would not make much difference at that time. Chair Baskin asked if Ms. Schaefer is still looking at that possibility, and she replied that, as a matter of fact, she discussed with the Finance, Audit and Investment Committee earlier in the week that she believes there is an opportunity to refinance the 1995 bond issue.

Trustee Schlaybaugh stated that it was his understanding that the RDF was established to bridge traumatic state reductions, but that ultimately the University would have to find a permanent fix for that reduction. Ms. Schaefer responded that the budget recommendation that the Board just approved permanently identifies 10% in cuts, or 3.5% cut in 2003 plus 6.5% cut by the Governor in 2004. Trustee Schlaybaugh commented that this would be characterized as investing another \$600,000 to operations from the RDF instead of seeking an additional tuition increase. Ms. Schaefer reiterated that the \$600,000 is being used on a one-time basis to deal with the 2003 cuts. Trustee Doyle noted that the University is still using its cash to fund an operating loss. Trustee Muchmore added that the money has to be put back in to make it a one-time basis, but the University is not doing that. Ms. Schaefer responded that the University is planning to restore those funds from year-end balances. Trustee Schlaybaugh reiterated that the use of the RDF becomes a continuing fix, not a one-time measure unless the money is refunded.

Trustee Schlaybaugh moved approval of the following recommendation:

RESOLVED, that the Board of Trustees approves the use of \$600,000 of the Rainy Day Fund, to help offset the FY 2003 budget reductions

Trustee Fischer seconded the motion. The motion was unanimously approved by those present.

V. Discussion of August 2003 Board of Trustees Formal Meeting Agenda

Chair Baskin stated that if any Board member has additional changes or questions regarding the August 2003 Board agenda, please contact the Secretary to the Board of Trustees.

VI. Other Items that May Come Before the Board

Chair Baskin reported that Dean Pieter Frick fielded a special team of contestants and participants in the SAE International Competition. He noted that former Trustee Stephan Sharf and Trustee Fischer supported the funding of an automobile, called the Sharfmobile, built by School of Engineering students, which placed in the top 14 out of 140 international universities.

Chair Baskin also announced that Senator Carl Levin was recently on campus to present a \$1.5 million check for the Fastening and Joining Research Institute.

VII. Adjournment

Chair Baskin adjourned the meeting at 4:03 p.m.

Submitted,

Approved,

Victor A. Zambardi
Secretary to the Board of Trustees

Henry Baskin
Chair, Board of Trustees