

**Minutes of the Meeting
of the
Oakland University Board of Trustees
September 9, 1999**

Present: Chairperson David J. Doyle; Trustees Henry Baskin, Robert N. Cooper, Penny M. Crissman, David T. Fischer, Louis Grech-Cumbo, and Rex E. Schlaybaugh, Jr.

Absent: Vice Chairperson Ann V. Nicholson

Also Present: President Gary D. Russi; Vice Presidents David S. Disend, Louis Esposito, Lynne C. Schaefer, Mary Beth Snyder; General Counsel & Secretary to the Board of Trustees Susan Gerrits; Student Liaisons Amy N. Block and Bonefacio F. Delarosa; and Administrative Assistant Rhonda G. Saunders

I. Call to Order

Chairperson David J. Doyle called the meeting to order at 2:12 p.m. in the Gold Rooms of the Oakland Center. He welcomed Ms. Penny M. Crissman to the meeting and congratulated her on her recent appointment to the Oakland University Board of Trustees by Governor John Engler.

II. President's Report

President Gary D. Russi reported the following information:

- Ms. Sandy Oliver and Ms. Janet Siegle were recognized as the August and September Employees of the Month respectively.
- Oakland University has received the following external grants from the U.S. Department of Education:
 - A \$1.5 million five-year grant for the *GEAR UP Partnership Program*, an initiative designed to assist low-income, middle school age youth gain an early awareness of, and the skills to enter college, led by Ms. Lynn Hockenberger, Director of Learning Resources.

- A \$1.4 million three-year grant for *Preparing Tomorrow's Teachers to Use Technology*, a project that places established professional educators and pre-service teacher education students with technology skills in a supportive, collaborative, technology enhanced environment, led by Dr. Anne Porter, Professor of Education, Department of Reading and Language Arts.
- Upcoming campus activities include the New Student Convocation following the Board meeting at 4:30 p.m. in the Athletic Arena; the opening of the lower level of the Oakland Center on September 16 at 3:00 p.m.; the annual Hispanic Celebration from September 20 through September 24; and WOCOUC V Weekend of Champions activities from September 30 through October 2.
- Enrollment is up 2% over last year, as of the end of the "regular registration" period.
- Ms. Susan Gerrits has resigned from her position as General Counsel and Secretary to the Board of Trustees effective October 2, 1999, after 10 years of service to the university. With the birth of her new daughter, Mary Grace, Ms. Gerrits has decided to dedicate all her energy to her family. The university community is invited to a reception in Ms. Gerrits' honor on September 28 at 3:00 p.m. in the Fireside Lounge. Ms. Gerrits was publicly thanked for her support, dedication, advice, and counsel to Oakland University and the Board of Trustees.

Chairperson Doyle thanked President Russi for his report. On behalf of the Board of Trustees, he stated that Ms. Gerrits' advice and counsel will be greatly missed, and he wished her the very best in her new endeavors. Ms. Gerrits thanked Chairperson Doyle and President Russi for their comments and stated that it has been an absolute privilege to serve the Board, the President, and the institution. She added that she is honored to have had the opportunity to work with the university community.

III. Reports

There were no reports presented to the Board at this time.

IV. Roll Call

Ms. Gerrits conducted a roll call vote. All of the Board members were present except Trustee Ann V. Nicholson.

V. Action Items

A. Consent Agenda

Chairperson Doyle presented the following recommendations:

1. Approval of the Minutes of the Meeting of July 29, 1999

2. Approval of the Minutes of the Closed Meeting of July 29, 1999

3. Approval of University Personnel Actions

New Appointments

Ault, Amber, Assistant Professor of Sociology, effective August 15, 1999 (\$43,000) (New appointment)

Brooks, Geneal, Assistant Professor in Nursing, effective August 15, 1999 (\$48,000) (New appointment filling a vacant authorized position)

Carter, Vincent, Assistant Professor of Marketing, effective August 15, 1999 (\$68,000) (New appointment filling a vacant authorized position)

Cashman, Timothy, Assistant Professor of Education, effective August 15, 1999 (\$43,000) (New appointment filling a vacant authorized position)

Hawley, Lisa, Assistant Professor of Education, effective August 6, 1999 (\$43,000) (New position)

Isken, Mark, Assistant Professor of Management Information Systems, effective August 15, 1999 (\$74,000) (New appointment filling a vacant authorized position)

McEneaney, John, Associate Professor of Education, effective August 15, 1999 (\$56,000) (New appointment filling a vacant authorized position)

Miree, Cynthia, Assistant Professor of Management, effective August 15, 1999 (\$70,000) (New appointment filling a vacant authorized position)

Setzekom, Kristina, Instructor of Management Information Systems, effective August 15, 1999 (\$71,000) (New appointment filling a vacant authorized position)

Smith, Julia, Associate Professor of Education, effective August 15, 1999 (\$47,000) (New position)

Sugumaran, Vijayan, Assistant Professor of Management Information Systems, effective August 15, 1999 (\$79,000) (New appointment filling a vacant authorized position)

Change of Status

Clingerman, Evelyn, from Visiting Assistant Professor of Nursing to Assistant Professor of Nursing, effective August 15, 1999 (\$48,700)

Hovey, Judith, from Visiting Assistant Professor of Nursing to Assistant Professor of Nursing, effective August 15, 1999 (\$46,000)

Mills, Helene, from Visiting Assistant Professor of Education to Assistant Professor of Education, effective August 15, 1999 (\$43,400)

Administrative Changes of Status

Russi, Gary D., annual salary increase to \$175,000 effective July 1, 1999, plus a one-time cash bonus of \$20,000

Zambardi, Victor, from Assistant General Counsel, to Acting General Counsel and Acting Secretary to the Board of Trustees, effective October 2, 1999, with a monthly stipend of \$1,500

4. Approval of Degree Candidates List Dated June 26, 1999

5. Recommendation to Accept Gifts to Oakland University and the Oakland University Foundation for the Period of July 1 through July 31, 1999, and to Accept Grants and Contracts to Oakland University for the Period July/August 1999

6. Approval of Meadow Brook Subdivision Financing Guarantee

Chairperson Doyle stated that if any member of the Board wishes to remove any item from the consent agenda, the request should be made, and the remaining items will then be considered with a separate discussion on the item removed. Trustee Henry Baskin requested that Item 6, Approval of Meadow Brook Subdivision Financing Guarantee, be removed for additional discussion.

Trustee Penny Crissman, seconded by Trustee Baskin, moved approval of Items 1 through 5 of the consent agenda. The motion was unanimously approved by those present.

Trustee Baskin stated that he understands the university's policy to guarantee Meadow Brook Subdivision mortgages through the Michigan State University Federal Credit Union, or any other lending institution. He asked whether the mortgage company is the first mortgagee and the university is the second mortgagee, and Ms. Gerrits replied that he is correct. Trustee Baskin also inquired about the down payment and the property value of the homes. Dr. Mary Beth Snyder, Vice President for Student Affairs, stated that about two years ago the Board approved a change in the down payment from 20% to 10%, in consultation with the credit union. She also noted that the property value is appraised by two appraisers. Dr. Snyder also clarified for Trustee Crissman that the university owns the land in the subdivision, which is tax exempt, but that the structure itself is taxable.

Trustee Baskin, seconded by Trustee Robert N. Cooper, moved acceptance of the Meadow Brook Subdivision Financing Guarantee report. The motion was unanimously approved by those present.

B. Approval of Pouring Rights Agreement Between Oakland University and Pepsi Bottling Group

Ms. Lynne C. Schaefer, Vice President for Finance and Administration, stated that beginning about a year ago, the university solicited proposals from two major soft drink companies to enter into an exclusive campus beverage or pouring rights agreement. The most favorable proposal was received from the Pepsi Bottling Group (Pepsi). Ms. Schaefer stated that under the proposed agreement, Oakland University would grant exclusive supplier status to Pepsi for 10 years for all fountain, vending, and retail sales of soft drinks, juices, sports drinks, and bottled water. Pepsi has agreed to pay the university approximately \$3.5 million over the 10 year period of the agreement and to provide additional marketing support to the university. Ms. Schaefer stated that the annual cash payments of about \$350,000 are proposed to be allocated for a number of university priorities including academic/instructional facilities, program initiatives, student activities, and sponsorship revenue for student athletics. If the

agreement is approved, the university's agreement with Metro Vending Services, the current food service and vending supplier, would have to be amended. In particular, the university would like to pursue amending the agreement with Metro to only provide for hot beverage and food vending services on campus. Ms. Schaefer commented that she believes that the size and scope of Pepsi's offer to the university represents their recognition that Oakland University is going to continue to grow and thrive in the years to come and that they want to be a part of that growth. She introduced Ms. Karen Kokeny, Sales Manager for the Pepsi Bottling Group.

Ms. Schaefer submitted the following resolution to the Board for approval:

WHEREAS, Oakland University is interested in leveraging its position in the marketplace to generate resources to ensure the long term quality of the institution and to achieve its strategic goals; and

WHEREAS, the Pepsi Bottling Group has offered to provide the university with significant cash payments and marketing support over the next ten years in exchange for exclusive supplier status on campus; now, therefore, be it

RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to negotiate and sign a pouring rights agreement with the Pepsi Bottling Group for a ten year period beginning September 10, 1999; and, be it further

RESOLVED, that the agreement will include a requirement that Pepsi Bottling Group pay to the university, upon being granted full service vending supplier status, annual payments totaling at least \$346,000 for pouring rights, vending commissions and athletics sponsorship activities; and, be it further

RESOLVED, that the agreement will include provision of various marketing support activities by Pepsi Bottling Group to Oakland University to benefit students and the university; and, be it further

RESOLVED, that the university will provide to Pepsi Bottling Group various opportunities to recognize its sponsorship in the Student Recreation and Athletic Center main arena and aquatics center; and, be it further

RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to amend the university's agreement with Metro Vending Services to provide for hot beverage and food vending only at a reduced commission level and for an additional two year period; and, be it further

RESOLVED, that the agreement shall be reviewed by the Office of General Counsel prior to execution and shall conform to all university policies.

Trustee David T. Fischer, seconded by Trustee Rex E. Schlaybaugh, Jr., moved approval of the recommendation.

In response to a question posed by Trustee Baskin regarding extrication from the existing contract with Metro Vending, Ms. Schaefer stated that the contract includes a termination without cause clause provision upon 90 days written notice.

Trustee Schlaybaugh noted that the agendum item does not include a copy of the draft contract. He asked if there is a policy that addresses when contracts of this magnitude must be submitted to the Board for review prior to Board approval. Ms. Gerrits stated that the Board does not have a policy governing contract review. She noted that, although the General Counsel's office reviews contracts to ensure conformity with university policies, it is not the purview of the office to determine whether the contracts offer a good business deal.

Trustee Baskin suggested that the Board approve the recommendation in principle with the caveat that the Board has to review the final contract prior to execution. Trustee Schlaybaugh stated that, although he is sensitive to the limited Board of Trustees meeting schedule in order to conduct the university's business, he is uncomfortable not having been provided a substantially complete contract of this magnitude for review prior to approval. Ms. Schaefer stated that there have not been any changes to the draft contract previously provided to Trustee Schlaybaugh, and that she does not anticipate any material changes to the contract. Trustee Schlaybaugh stated that he supports the venture with Pepsi; however, it is the university's responsibility to make the contract part of the record. Trustee Baskin proposed adding a resolution to the recommendation that the contract will be presented to the full Board for ratification. Trustee Schlaybaugh also proposed approval of the item with the inclusion of the draft contract as part of the record, and that there will be no material changes to the contract without additional Board approval. He stated that future contracts of this level ought to be substantially complete, if not in executable form, by the time they are presented to the Board.

Trustee Crissman concurred with Trustee Schlaybaugh's concerns, and inquired about how Pepsi's sponsorship and marketing support will be recognized. Ms. Schaefer noted that the Pepsi sponsorship will be recognized in the program books and that the marketing support will be done through the scoreboard signage in the main arena and aquatics center. Pepsi will also provide free marketing support through such things as dorm deals, special coupons, and free Pepsi T-shirts handed out at athletic events.

Student Liaison Bonefacio Delarosa stated that although he supports the Pepsi agreement, he is concerned that he did not have enough prior notification to share information on the proposed contract with the student body in order to formulate an informed opinion. He also expressed the desire that the same (or more) annual vending commissions of \$120,000, received from Metro Vending Services for academic and instructional facilities, student activities, and athletics would be guaranteed from Pepsi. Student Liaison Amy Block concurred with Mr. Delarosa's comments, and she stressed the importance of receiving a breakdown of those commissions. Ms. Schaefer responded that, in an outreach effort to the student population on this issue, Dr. Snyder discussed the pouring rights agreement with student leaders last April. There was also an article in the *Oakland Post* last spring on this topic, and Dr. Snyder met with Mr. Robert Filer, Vice President of Student Congress, in July to discuss pouring rights. Ms. Schaefer added that, in terms of student activities support, a group of student leaders may be asked to advise the university on student activity needs to have a better understanding each year of what those needs are and to incorporate them into the budget. President Russi commented that the student liaisons' request for a vending commissions report is a reasonable one, but it is also important to assess the priorities for spending that money. Trustee Baskin stated that Mr. Delarosa's point is well taken, and that the university can go forward knowing that he does not wish to disturb the integrity of the funding that presently exists, but that he is hopeful that there will be additional funds for student activities. Trustee Baskin added that he concurs with

President Russi's statement that a report will be issued to inform the students where the money will be allocated.

At this time, Chairperson Doyle called on Ms. Gerrits to present an amendment to the recommendation addressing the concerns regarding the contract. Ms. Gerrits first asked Ms. Schaefer if there is an identifier on the draft contract, and Ms. Schaefer replied that the draft contract is dated September 7, 1999. Ms. Gerrits submitted the following friendly amendment to the Board:

RESOLVED, that the draft contract of September 7, 1999, shall be executed without material changes unless such changes are approved by the Board of Trustees in advance.

Trustee Baskin, seconded by Trustee Schlaybaugh, moved approval of the amendment to the recommendation.

Chairperson Doyle called on Mr. Nicholas Mitchell, Student Congress President, who requested to address the Board on this item. Mr. Mitchell stated that Mr. Delarosa had made the same comments that he had planned to make on the importance of soliciting as much student input as possible on matters of this nature. He explained that it is difficult to get students to come to campus during the summer to hold a forum to discuss these issues. Mr. Mitchell asked the Board to table the pouring rights item for one month to allow time for Student Congress to hold a student forum to inform everyone about the proposed contract.

Chairperson Doyle thanked Mr. Mitchell for his comments.

Trustee Schlaybaugh asked if a due diligence check on Pepsi Bottling Group was conducted, and Ms. Schaefer replied that it is underway. She added that all information currently received is very positive and that she is confident that the university can do business with Pepsi. Trustee Schlaybaugh asked for confirmation when the due diligence check has been completed.

The amended motion was approved with six affirmative votes. Trustee Grech-Cumbo abstained from the vote because of his relationship with the beverage distribution business.

C. Purchase of University Telephone System Central Switching Equipment

Ms. Schaefer stated that this item is a proposal to enter into a lease purchase agreement for the existing university telephone switch with Capital Associates International, Inc. The university entered into a five-year lease agreement for the current telephone switch on October 17, 1994, and that agreement expires at the end of October. Capital Associates has offered to extend the lease for a period of two years at \$9,875 per month, and then to allow the university to purchase the switch for \$1.00. Ms. Schaefer noted that the switch, which is currently five years old, has an expected useful life of 10 years, and a current estimated market value of \$225,000. Given that price, the effective interest rate on the proposed lease is 5.039%. Ms. Schaefer stated that the lease will allow time to do a Request for Proposals (RFP) within the next several years to replace the telephone system with more updated and state-of-the-art technology.

Ms. Schaefer submitted the following resolution to the Board for approval:

WHEREAS, the existing lease for the university's central telephone switching equipment will end in October, 1999; and

WHEREAS, the university wishes to purchase this equipment and use it until the end of its useful life; and

WHEREAS, this option has been thoroughly reviewed and recommended by university administration; now, therefore, be it

RESOLVED, that the Vice President for Finance and Administration be authorized to contract with Capital Associates International, Inc. for the lease/purchase of the university's central telephone switching equipment. The contract will be for the lease of the equipment for 24 months at \$9,875 per month and the subsequent purchase of the equipment for the sum of \$1; and, be it further

RESOLVED, that the agreement between the university and Capital Associates International, Inc. will be reviewed by the Office of the General Counsel before execution.

Trustee Crissman, seconded by Trustee Fischer, moved approval of the recommendation. Trustee Fischer asked if the maintenance arrangements on the switching equipment are contracted or as requested, and Ms. Schaefer replied that she believes they are as requested and that she will provide that information to the Board.

The motion was approved with six affirmative votes. Trustee Cooper abstained from the vote because of his relationship with the communications industry.

VI. Discussion of October 14, 1999, Board of Trustees Meeting Agenda

The Board reviewed the October 14, 1999, proposed agenda and made no changes.

VII. Other Items that May Come Before the Board

Chairperson Doyle noted that two people have requested to address the Board. He reminded the audience that this section of the meeting is a forum to permit members of the public to make comments and not to conduct a debate or discussion. Chairperson Doyle stated that the Board members will not respond to questions or comments. He added that if any member of the Board has an item that they wish the administration to

review, the request should be addressed to him and the administration will be asked to follow up on the request.

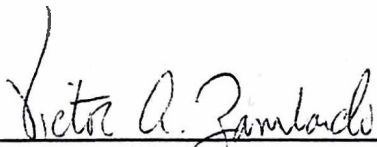
Chairperson Doyle called on Mr. Michael Howell, President of the Oakland University Men's Ice Hockey Club, who requested to address the Board. Mr. Howell noted that an *Oakland University Hockey Black Bears 1999-2000 Season Schedule* was distributed to the trustees prior to the meeting. He invited the Board and university community to attend the upcoming hockey games at the newly completed Onyx Ice Arena in Rochester. Mr. Howell stated that the three-year old club has been accepted to the Michigan Collegiate Hockey Conference, which offers club status in a league of 10 Michigan colleges. He noted that some of the club's goals include developing student leadership and showing that there is large grass roots support for the sport of ice hockey at Oakland University. Mr. Howell added that there are 25 excellent players, all of whom are Juniors, and that the first home game will be held on October 9 at 7 p.m. at the Onyx Arena.

Chairperson Doyle thanked Mr. Howell for his comments.

Prior to calling on Dr. Philip Singer, Professor of Health Behavioral Science, who requested to address the Board, Chairperson Doyle again clarified that the purpose of this section of the meeting is to permit members of the public to make comments and that it is not a debate or a discussion forum. (At Dr. Singer's request, all comments during his address were videotaped by a person he had chosen.) Dr. Singer reiterated his previous requests to receive the minimum distribution from his TIAA pension. He asked the trustees to respond individually to his request. At that time, Chairperson Doyle reminded Dr. Singer that he has received a written response on behalf of the Board of Trustees, has had meetings with administrators in the university Staff Benefits office, and has had personal conversations with the General Counsel's office on this matter. Chairperson Doyle also noted that Dr. Singer was present at the June Board meeting when Ms. Schaefer gave a report and recommendation to the Board to not allow the distribution of pension funds before retirement, and that Dr. Singer received a copy of that report. Chairperson Doyle stated that in addition, Dr. Singer was present at the same meeting when Trustee Ann Nicholson made comments in support of the administration's recommendation. He noted that the Board's position at that June meeting was to not take up the issue, and that Dr. Singer has not been ignored or uninformed on the Board's decision. Chairperson Doyle concluded by stating that at this time the Board does not wish to change the university's policy of not allowing distribution of pension funds before retirement.

Trustee Schlaybaugh, seconded by Trustee Fischer, moved adjournment of the meeting. The motion was unanimously approved by those present. The meeting adjourned at 3:04 p.m.

Submitted,



Victor A. Zambardi
Acting Secretary to the
Board of Trustees

Approved,

David J. Doyle
Chairperson