

**Minutes of the Formal Meeting
of the
Oakland University Board of Trustees
December 1, 2004**

Present: Chair Penny M. Crissman; Trustees Henry Baskin, David T. Fischer, Dennis C. Muchmore and Rex E. Schlaybaugh, Jr.

Absent: Vice Chair Dennis K. Pawley; Trustees David J. Doyle and Ann V. Nicholson

Also Present: President Gary D. Russi; Vice Presidents Susan Davies Goepp, Virinder K. Moudgil, and Mary Beth Snyder; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; and Student Liaisons David Lauber and Stefanie Marshall

I. Call to Order

Chair Penny M. Crissman called the meeting to order at 2:07 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 Vice Chair Dennis K. Pawley and Trustees David J. Doyle and Ann V. Nicholson.

III. Action Items

A. Consent Agenda

Chair Crissman presented the following recommendations:

1. Approval of the Minutes of the Formal Meeting of October 6, 2004

2. Approval of University Personnel Actions

New Appointment (effective August 15, 2004)

Gaydos, Rebecca L., Special Instructor in Linguistics (\$34,000) (new appointment filling a newly authorized position)

Administrative Appointments

Department Chairs

<u>Department</u>	<u>Chair</u>	<u>Term</u>
Counseling	Luellen Ramey	August 15, 2004- August 14, 2007 (5 th term)
Human Resource Development	Michael P. Long	August 15, 2004- August 14, 2007 (original appointment began August 15, 2003)
Mechanical Engineering	Gary C. Barber	August 15, 2004- August 14, 2007 (2 nd term)

Emeritus Appointments

Jaymes, William D., Professor Emeritus of French, effective August 14, 2004.

Murphy, Brian F., Professor Emeritus of English, effective August 14, 2004.

Change of Status

Bhargava, Mukesh, from Associate Professor of Marketing and Chair, Department of Management and Marketing, to Associate Professor of Marketing, effective August 15, 2004.

Cowlishaw, John D., from Associate Professor of Biological Sciences and Chair, Department of Biological Sciences, to Associate Professor of Biological Sciences, effective August 15, 2004.

McGlothlin, Charles W., from Assistant Professor, Industrial Health and Safety to Assistant Professor, Occupational Safety and Health, effective August 15, 2004.

Palmer, Valerie P., from Assistant Professor of Communication and Journalism to Assistant Professor of Communication, effective August 15, 2004.

Rozek, Richard J., from Associate Professor of Industrial Health and Safety to Associate Professor of Occupational Safety and Health, effective August 15, 2004.

Administrative Salary Increase

Russi, Gary D., President, Oakland University, increase current annual salary 3.0% retroactive to July 1, 2004, plus \$15,000 additional deferred compensation to be added to the minimum 2004-2005 fiscal year deferral consistent with and subject to the Deferred Compensation Agreement between Dr. Gary D. Russi and Oakland University.

3. Approval of Recommendation of Final Undergraduate and Graduate School Reports dated August 18, 2004

(A copy of the Final Undergraduate and Graduate School Reports dated August 18, 2004 is on file in the Board of Trustees Office.)

4. Recommendation to Accept Gifts to Oakland University and the Oakland University Foundation for the Period of September 1 through October 31, 2004, and to Accept Grants and Contracts to Oakland University for the Period of September 1 through October 31, 2004

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

5. Approval of FY 2005-2006 Operating Budget Request for Submission to the Department of Management and Budget of the State of Michigan

RESOLVED, that the Board of Trustees approve the submission of the attached Oakland University FY 2005-2006 Operating Budget Request to the Department of Management and Budget, State of Michigan, as representative of the University's budget needs for the University's 2005-2006 fiscal year.

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

6. Approval of Oakland University Fiscal Year 2006 5-Year Capital Outlay Budget Request

RESOLVED, that the Board of Trustees approve the submission of the Oakland University Capital Outlay Budget Request for Fiscal Year 2006 5-Year Plan, as presented with this recommendation, to the State of Michigan, Department of Management and Budget.

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

7. Approval of Meadow Brook Subdivision Financing Guarantee

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

Trustee David T. Fischer, seconded by Trustee Dennis C. Muchmore, moved approval of the Consent Agenda. The motion was unanimously approved by those present.

B. Appointment of the Director of the Eye Research Institute

Trustee Fischer stated that the appointment of Dr. Frank J. Giblin as Director of the Eye Research Institute (ERI) is based on input from ERI faculty and staff, as well as consultation with academic administrators from other Schools and the College. It is also recommended that Dr. Giblin continue his appointment as Professor of Biomedical Sciences with tenure. Trustee Fischer noted that Dr. Giblin recently served as Interim Director of ERI; previously served as Associate Director of ERI, ERI research associate, and faculty member; and that he became a full professor of Biomedical Sciences in 1993. During his professional career at Oakland University, Dr. Giblin obtained research grants and awards in excess of \$6.4 million from institutions including the National Eye Institute, Alcon Laboratories, Inc., the American Health Assistance Foundation, Shojin Research Associates, and NASA. Trustee Fischer added that Dr. Giblin's research focuses on oxidative mechanisms involved in the formation of cataracts, and that he has authored 84 publications in highly regarded scientific journals and given over 200 presentations on his research.

Trustee Fischer moved approval of the following recommendation:

RESOLVED, that the Board of Trustees appoint Dr. Frank J. Giblin to the position of Director of the Eye Research Institute and continue his appointment as Professor of Biomedical Sciences with tenure, effective November 1, 2004, in accordance with the terms and conditions of the Academic Administrator Agreement between Dr. Frank J. Giblin and Oakland University.

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

C. Approval of Golf and Learning Center Operating Budget for Fiscal Years Ending December 31, 2005, 2006 and 2007

Trustee Baskin stated that the materials include the proposed budgets for the Golf and Learning Center for fiscal years ending December 31, 2005, 2006 and 2007, along with recommended golf course and golf car fees. He noted that the budgets for 2005, 2006, and 2007 project revenues of \$2,609,502, \$2,806,000,

and \$2,903,000, respectively; operating expenditures of \$2,560,600, \$2,705,749, and \$2,797,377, respectively; and major capital expenditures of \$46,100, \$50,000 and \$75,000, respectively. Trustee Baskin added that the 2005, 2006, and 2007 budgets also incorporate a transfer of funds to the University's general fund to cover administrative overhead costs in the amounts of \$86,379, \$88,970, and \$91,639, respectively.

Trustee Baskin moved approval of the following recommendation:

WHEREAS, the fiscal year for the Oakland University Golf and Learning Center is January 1 through December 31; and

WHEREAS, the University administration believes it is prudent to establish a three-year budget to appropriately and separately monitor the budget of the Oakland University Golf and Learning Center; now, therefore, be it

RESOLVED, that the Board of Trustees approves the Oakland University Golf and Learning Center Budget for the year ending December 31, 2005, with budgeted operating expenditures of \$2,560,600 and capital improvement expenditures of \$46,100, and tentatively approves the budgets for the years ending December 31, 2006 and 2007, with budgeted operating expenditures of \$2,705,749 and \$2,797,377, respectively, and capital improvement expenditures of \$50,000 and \$75,000, respectively; and, be it further

RESOLVED, that any expenditure level in excess of the approved amount that is not funded by a direct revenue increase must have the prior approval of the President or his designee and those amounts shall be reported on a periodic basis to the Board of Trustees.

Trustee Rex E. Schlaybaugh, Jr. seconded the motion. The motion was unanimously approved by those present.

D. Approval of Equipment Installment Purchase Agreement for Golf Cars

Trustee Baskin stated that the golf car lease with Associates Leasing, Inc. expired on October 31, 2004. Proposals were solicited from Club Car, E-Z Go, and Yamaha, with two proposals received from Club Car and E-Z Go. Trustee Baskin noted that the Club Car purchase was recommended because of its many advantages, including a 48 volt four battery system with a five-year warranty, programmable fleet management features, and local service.

Trustee Baskin moved approval of the following recommendation:

WHEREAS, the Golf and Learning Center requires a new golf car fleet to replace the fleet leased under an agreement that expired on October 31, 2004; and

WHEREAS, the University administration believes it prudent to accept the proposal from Club Car to enter into a five-year Equipment Installment Purchase Agreement at a total five-year cost of \$449,532, plus applicable sales taxes; now, therefore, be it

RESOLVED, that the President is authorized to enter into a five-year Equipment Installment Purchase Agreement to purchase 120 electric Club Car golf cars commencing in 2005; and, be it further

RESOLVED, that the Equipment Installment Purchase Agreement shall be reviewed and approved by the Office of 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 Fischer seconded the motion. The motion was unanimously approved by those present.

E. Approval of Authorization to Continue Contracting Electrical Supply from an Alternative Supplier

Trustee Muchmore stated that in February 2000, the Board of Trustees entered into a two-year contract for Electrical Retail Wheeling for electrical supply in the Detroit Edison Electric Choice Program with the low bidder, Quest Energy of Ann Arbor. Power delivery with Quest began in August 2002 and ended in July 2004. In August 2004, due to the unfavorable market for electrical supply through the Electric Choice Program, the University committed to Detroit Edison for 12 months of electrical supply. Trustee Muchmore noted that there is some discussion about whether the Legislature or the Michigan Public Service Commission will waive the market-based power charge and will allow customers to return to the more favorable Electric Choice Program. In order to take advantage of that potential and to provide budget stability, the University is proposing establishing an approved procurement process for contracting for electrical supply from alternative energy suppliers on a continuing basis subject to certain conditions. Trustee Muchmore also noted that potential savings could be \$100,000 to \$200,000 per year if the University returns to the right kind of Electric Choice Program.

Trustee Muchmore moved approval of the following recommendation:

RESOLVED, that the Vice President for Finance and Administration is authorized to enter into contracts with alternative electric suppliers to purchase

electrical supply on a continuing basis, provided however, that all such electrical supply contracts must be:

- (1) in compliance with the bidding policies approved by the Board of Trustees;
- (2) awarded to the lowest responsible bidder;
- (3) for a term no less than month-to-month and no more than five years including extensions;
- (4) for a "total cost" that is less than or equal to the total cost of electric supply provided by Detroit Edison, where "total cost" is the sum of (a) electric supply consumption multiplied by the applicable rates/tariffs, (b) penalties, if any, (c) distribution costs, and (d) administrative costs;
- (5) in compliance with the law and University policies and regulations and must conform to the legal standards and policies of the Board of Trustees;
- (6) reviewed and approved by the University's Office of the General Counsel prior to execution;
- (7) executed by the Vice President for Finance and Administration; and
- (8) any electrical supply contract with an alternative supplier that does not meet the foregoing conditions must be approved by the Board of Trustees; and, be it further

RESOLVED, that the status of the electrical supply purchasing program shall be reported to the Board of Trustees annually.

Trustee Fischer seconded the motion.

Trustee Schlaybaugh asked if additional bidding policies are anticipated for Board approval. Mr. Zambardi replied that none were anticipated but that condition recognized that the current Board-approved bidding policies could change in the future.

Trustee Schlaybaugh then asked about the relationship between Provision 2 and Provision 4 for electrical supply contracts. In reference to Provision 2, Mr. Zambardi explained that the verbiage "responsible" bidder addresses the circumstance when the lowest bidder may not be the appropriate company with which to do business because of financial instability or other issues that leave satisfactory performance of the contract in question. Mr. Zambardi added that Provision 4 recognizes that Detroit Edison is the default provider for the University, so Detroit Edison would not be a bidder in that process. Trustee Schlaybaugh commented that the Board is essentially authorizing the University to search the market to obtain the lowest cost from a responsible provider, whether it is from a supplier through the Electric Choice Program or Detroit Edison.

In response to a question posed by Trustee Muchmore, Mr. Zambardi stated that Michigan law currently does not require the University to enter into a contract with the lowest bidder; however, it is a Board policy. Trustee Muchmore questioned whether the “lowest bid” philosophy is in the best interest of the University, and Mr. Zambardi replied that in practice the consideration of “responsibility” allows the University to determine what is in the best interest of the University.

Trustee Schlaybaugh then moved a friendly amendment, seconded by Trustee Baskin, to delete the words “or equal to” in Provision 4, so that Provision 4 would read: “for a ‘total cost’ that is less than the total cost of electric supply provided by Detroit Edison, where ‘total cost’ is the sum of (a) electric supply consumption multiplied by the applicable rates/tariffs, (b) penalties, if any, (c) distribution costs, and (d) administrative costs.”

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

F. Approval of Business Plan and Ancillary Activities Operating Budgets for Meadow Brook Hall for Fiscal Years Ending June 30, 2005 and June 30, 2006

Trustee Schlaybaugh stated that the Board’s Finance Audit and Investment Committee has spent a considerable amount of time over the past several months considering the administration’s revised operating plan for Meadow Brook Hall (MBH). In June 2004, the Board approved a Business Model and Plan based upon work that was done by the MBH staff and its consulting firm, which were subsequently determined to be unachievable at a projected fiscal year 2004 operating deficit of \$900,000. Trustee Schlaybaugh noted that as a result of these developments, management changes were instituted, and the new management team, led by Mr. Geoffrey Upward, MBH Interim Director, analyzed the following business models: a cultural center model (Cultural Center Model) based upon the MBH museum and food service structure; closing the facility; a museum-only facility with no food service; and a cultural center with a year-round tent similar to the prior Business Model. The Cultural Center Model, based on reduced expenses and revenue projections, is recommended because it offers the best opportunity for a balanced budget and potential to support high level museum activities. As a result, the current caterer, Unique Restaurant Incorporated (URI), will be replaced with a contractor selected through an RFP process which will focus on sales of rooms in MBH rather than on the use of a year-round tent. The financial implication of this model is that MBH will continue to operate at a \$440,000 loss through fiscal year 2005, and it will achieve a break-even performance in fiscal year 2006. The model also includes the elimination of 12 full-time positions and 5 part-time positions.

Trustee Schlaybaugh moved approval of the following recommendation:

RESOLVED, that the Board of Trustees approve the Meadow Brook Hall Business Plan that implements the Cultural Center Model; and, be it further

RESOLVED, that the Board of Trustees approve the FY05 budget for Meadow Brook Hall, which is based on the Cultural Center Model.

Trustee Fischer seconded the motion.

In response to a question posed by Trustee Baskin, Mr. Upward stated that the projected \$1.5 million in facility rentals is based on five-year business averages that he believes are achievable.

Trustee Baskin also asked if the Shotwell-Gustafson Pavilion line item is being incorporated for the first time, and Mr. Upward replied that MBH has operated that facility for a year, and its revenue goal was exceeded during that period.

Trustee Baskin asked if the projected total fiscal year 2006 MBH revenue is achievable. Mr. Upward replied that he believes it is achievable, and his only doubt is due to the change in catering operations, since the house was not sold as much as it had been in the past. He added that those projections are very conservative, and his main concern is with the fiscal year 2005 budget where there is a projected \$440,000 loss, resulting in a \$2 million cumulative loss. Mr. Upward also reported that an RFP was processed for a new caterer; bids have been received; and the selection process is underway. In the meantime, URI will continue food service through December 31, 2004, and MBH will contract food service thereafter on a month-to-month basis until the new caterer is selected.

Trustee Baskin asked where the \$1 million in fiscal year 2006 expenses are reflected in revenue, and Mr. Upward responded that it is basically in the cost of food service at an estimated gross margin of 40% of sales.

Trustee Baskin asked about the projected \$195,000 profit in fiscal year 2006, and Mr. Upward stated that it includes facility rental and proceeds from the Concours, otherwise MBH would break even without that revenue.

Mr. Upward stated that, in an effort to control the budget, the \$3.6 million expense line has been reduced to \$2 million, and the challenge is going to be to attain that revenue, especially with no MBH sales over the last six months. Next year's budget was built around some events already booked. In addition, MBH plans to adjust pricing with the new caterer to accommodate University departmental use of the MBH facility.

Trustee Baskin inquired if Mr. Upward is working with the Golf and Learning Center to help drive revenue to MBH. Mr. Upward replied that it is part of the

RFP process and the Center's food service for concessions and golf outings is an important part of MBH's business.

Chair Crissman commented that she is comfortable with the proposed MBH budget, and she believes the Cultural Center Model is more reasonable than previous models. She added that she is very pleased with the inclusion of the lower University community pricing in the caterer contract. Chair Crissman commended Mr. Upward for his hard work and efforts on behalf of MBH.

Trustee Muchmore commented that this model appears to be the best option and the only one that remotely comes close to breaking even. He expressed concern about the fiscal year 2005 shortfall, and Mr. Upward stated that, although a shortfall is possible, the plan is to aggressively pursue business through creative marketing ideas such as hosting a wedding open house and offering booking incentives.

Trustee Muchmore asked if the Department of Art and Art History or the Detroit Institute of Arts have been consulted regarding preservation of the MBH art collections. Mr. Upward replied that, although a conservation budget is not built into the MBH renovation package, special fundraising efforts for that purpose are being discussed.

Trustee Muchmore then asked about student involvement opportunities at MBH. Mr. Upward responded that currently there are three MBH internships, and more student opportunities are being developed. Trustee Muchmore stated that he would also like to see classroom and overall departmental opportunities offered, similar to the impressive effort at Meadow Brook Theatre.

Trustee Schlaybaugh asked if the fiscal year 2005 revenue is on track, with the proposed budget, and Mr. Upward replied that it is low because of facility rentals.

During a discussion on whether the MBH renovation will impact the budget, Chair Crissman noted that it is high priority to ensure that MBH remains fully operational during the project.

Trustee Fischer commented that the University is making a major investment in MBH, and he expressed his confidence in Mr. Upward's leadership.

The motion was unanimously approved by those present.

IV. Other Items that May Come Before the Board

There were no other items presented to the Board.

V. Adjournment

Chair Crissman adjourned the meeting at 3:08 p.m.

Submitted,

Approved,

Victor A. Zambardi
Secretary to the Board of Trustees

Penny M. Crissman
Chair, Board of Trustees