

MINUTES OF THE SPECIAL MEETING
OF THE
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

May 10, 2002

The Trustee Finance Committee meeting was held in the Board Room of the Administration Building beginning at 9:00 a.m. on Friday, May 10, 2002. Minutes of the meeting are on file in the Office of the Secretary of the Board of Trustees.

President McPherson called the special meeting of the Board of Trustees to order at 9:10 a.m. on Friday, May 10, 2002 in the Board Room.

Trustees present: Dolores M. Cook, Joel I. Ferguson, Dorothy V. Gonzales, Colleen M. McNamara, Donald W. Nugent, Randall L. Pittman, David L. Porteous, and G. Scott Romney.

University officers present: President McPherson, Provost Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, and Vice Presidents Denbow, Greenleaf, June, and Webster. Faculty Liaisons present: Norman Abeles, Jonathan Hall, Ted Tims, and Linda Lou Smith. Student Liaisons present: Jim Ciszewski, Matthew Clayson, and Matthew Weingarden.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Ms. McNamara, supported by Mr. Nugent, **THE BOARD VOTED to approve** the proposed agenda.

2. Public Participation

There were no requests to address the Board of Trustees on issues germane to the agenda or other issues.

3. President's Report

A. President McPherson said that he was very pleased with the visit and address from Vice President Dick Cheney for commencement ceremonies, and said that Mr. Cheney enjoyed the visit as well. Mr. McPherson commented that the Vice President has great respect for the size and complexity of the campus, and felt he was warmly received.

B. President McPherson welcomed two new Student Board Liaisons. Jim Ciszewski was recently elected as the president of the Council of Graduate Students. He replaced Sam Howerton. Matt Weingarden was elected Chairperson of ASMSU's Student Assembly, replacing Quinn Wright. Mr. McPherson thanked Sam Howerton and Quinn Wright for their service.

4. The Trustee Finance Committee report and recommendations were presented by Committee Chairperson Nugent.

- A. Appointment of New Investment Fund Manager

It was recommended that funds resulting from the liquidation of the current investment in Commonfund Small Cap Growth Fund (approximately \$8.5 million as of May 1, 2002) be invested in the Artisan Partners Mid-Cap Growth Fund.

On a motion by Mr. Nugent, supported by Mr. Pittman, **THE BOARD VOTED to approve** the recommendation.

Trustee Nugent said that Artisan has an excellent track record, and the Commonfund Small Cap Growth Fund has not been performing at an appropriate level.

Trustee Porteous commented that the approach of Artisan managers is disciplined and diversified, and this fits well into MSU's philosophy of diversification. A long-term view, he said, helps protect the University from a volatile market.

Trustee Nugent added that the University's overall portfolio performed extremely well in the first quarter.

Trustee Pittman mentioned that the University's investments did very well in a difficult market. He said that compared to the previous few years, returns are down some, but overall the portfolio did very well over the last year and in the first quarter.

- B. Financing for Radiopharmaceutical Addition

It was recommended that the administration be authorized to negotiate and execute any necessary and appropriate agreements for a loan of approximately \$10 million to the University from General Electric Healthcare Financial Services to finance the radiopharmaceutical addition project, and to replace the resolution concerning the same subject matter adopted by the Board of Trustees on February 13, 2002 with this resolution.

On a motion by Mr. Nugent, supported by Mr. Pittman, **THE BOARD VOTED to approve** the recommendation.

Trustee Porteous asked what the interest rate will be on the loan. Tom Cooper from the Department of Radiology responded that he believed the interest rate would be 5.8%. Following the Board meeting, Mr. Cooper confirmed that the interest rate would be 5.44%.

Trustee Pittman noted that it is important to protect the scientific environment so that computers function properly and test results remain

accurate. He said that was the reason for increasing the loan from \$8.5 million to \$10 million to allow for more building space.

C. Purchase of James B. Henry Executive Development Center Building; Liquidation of Fund for EDC Acquisition

It was recommended that the administration be authorized to negotiate and implement the purchase and financing of the Executive Development Center and that the Board authorize the liquidation of the fund functioning as an endowment known as the Executive Development Center Fund.

On a motion by Mr. Nugent, supported by Mr. Pittman, **THE BOARD VOTED to approve** the recommendation.

Trustee Nugent said that this is a wise move and a sound investment.

D. 2002-2003 Budget Guidelines

It was recommended to adopt the Guidelines for Development of the 2002-2003 budgets for the University General Fund, the Michigan Agricultural Experiment Station, the Michigan State University Extension, and Intercollegiate Athletics.

The 2002-2003 Budget Guidelines include a Policy of Mutual Responsibility, which expresses MSU's commitment to restrain tuition increases, and the State's responsibility to fund the University at appropriate levels. A copy of the Policy is on file in the Office of the Secretary of the Board of Trustees.

On a motion by Mr. Nugent, supported by Ms. Cook, **THE BOARD VOTED to approve** the 2002-2003 Budget Guidelines that include a Policy of Mutual Responsibility. Trustee Gonzales voted No.

Trustee Nugent pointed out that the budget guidelines rely on the State's commitment to hold the appropriation to its current level. He said that if there is deviation from that, the guidelines will have to be revisited.

Trustee McNamara noted that because of economic uncertainty, this has been one of the most difficult times to be on the Board of Trustees. She said that the members of the MSU Board are appropriately named "trustees" because they hold the institution in trust and it is a Trustee's role to balance today's needs with those of the future. It is important to ensure that MSU maintains its high quality. It is very hard, she emphasized, to vote for an 8.5% tuition increase, but it is a necessary step.

President McPherson said that the University has worked many years at effectively holding tuition down. He pointed out that MSU's seven-year average tuition increase of only 2.8% may have been a national record

during that period of time. The University is committed to driving quality while containing cost increases.

Trustee Ferguson said that since Trustees McNamara and Nugent are both up for election this year, it would have been easy for them to grandstand and say that they are opposed to raising tuition, knowing that the increase would pass anyway. But raising tuition to a point that maintains the quality of the institution is the most important issue, he urged. He said that President McPherson tries to save every penny possible, but never at the expense of the quality of the institution.

Trustee Porteous commented that for a number of years, the State legislature was able to help higher education because the economy was good. The economy is softer now, he said, and legislators are not able to do as much as they would like to do for higher education. Mr. Porteous noted that in the recent past the State made a commitment, even when other State departments were cutting budgets, to not cut appropriations to education as long as institutions restrained tuition increases.

Trustee Porteous explained that he voted against a tuition increase last year, hoping that the University could get through difficult times using reserves. The reality, he said, is that the economy has not turned around and this recommendation is reasonable and necessary to maintain the quality of MSU's programs. He said that the Board and administration have been tremendous stewards of taxpayer and tuition dollars over the years.

Trustee Cook said that a major concern is that the financial outlook from the State is not good, and the Board is committed to giving students and their families enough time to prepare for tuition increases. She said she believes that students understand the importance of maintaining the quality of the institution. Ms. Cook noted that the Board is aware of what a tuition increase means to students, their families, the faculty, and the University community.

Trustee Romney said that the Board has a fiduciary responsibility to current and future students of the University. He pointed out that for low-income families, a much higher percentage of income is required to send their children to college than was the case 10 years ago. It is a troubling trend across the country, he commented, and the Board should continue to try to find ways for families to afford a quality education.

In terms of dollars, Trustee Ferguson noted, MSU's actual dollar tuition increase is much smaller than that of the University of Michigan, even though the percentage is the same.

Trustee Pittman said he joined the Board already aware of the budget problems, and was initially skeptical that the University's budget was so tight. After a number of meetings, he said he understands that the administration has made difficult decisions over the years in order to provide value in terms of delivering the highest quality of education at a low cost. Mr. Pittman explained that this proposal is appropriate because it

balances a short-term problem with a long-term perspective for the University.

Trustee Porteous pointed out that even with an 8.5% tuition increase, University departments are making significant sacrifices through tough cuts in budgets. President McPherson added that without these budget cuts, a tuition increase of several points more would be necessary.

5. Chairperson's Report

Trustee Nugent said that everyone has worked very hard on the critical issue of the budget, and thanked them for their input and help in making the decision. He said he hopes that the legislature will satisfy their own budget challenges without making cuts from University appropriations.

Trustee Nugent commended President McPherson for bringing Vice President Cheney to campus for commencement ceremonies. He said that there was beautiful weather, and it was nice to see the smiling faces of the proud families of graduates.

6. Trustees Comments

- A. Trustee McNamara congratulated the Graduate Employees Union and the administration on reaching an agreement.

Trustee McNamara said that it is a shame that most students are not on campus during the summer to enjoy the music of carillon and the beautiful weather.

- B. Trustee Porteous said that it was wonderful to have the Vice President on campus for commencement, and it was also great when President Clinton was on campus several years ago. It is always great, he noted, to have presidents and vice presidents visit campus, and it was clear that Vice President Cheney visited because of the personal invitation from President McPherson, a close friend of Mr. Cheney. Mr. Porteous said that it is extraordinary that Vice President Cheney gave only two commencement addresses this year, and he chose MSU for one of them. The Vice President's comments were just perfect, Trustee Porteous emphasized, and Mr. Cheney captured the special moment of graduation very eloquently. President McPherson added that it is not an unrealistic goal to hope that a member of each new presidential administration will visit campus.

- C. Trustee Romney said that Vice President Cheney was inspiring. Mr. Romney indicated that when he graduated from MSU, Hubert Humphrey was the commencement speaker, and he was equally inspiring.

Mr. Romney commented that he is very impressed with the quality of students who graduate from this University, from the 4.0 GPA Award recipients, to the student speakers at commencement.

Trustee Romney commended the administration for constructing the budget guidelines. It is a difficult thing to do, he said, to get the right balance and be able to move the University forward.

- D. Trustee Gonzales commented that graduation was very special this year. She thanked everyone who was involved in constructing the great visit by the Vice President.

Trustee Gonzales noted that she was pleased that an agreement had been reached between the University and the Graduate Employees Union.

- E. Trustee Cook said that the college deans are very good about including members of the Board in college commencement ceremonies. Spring ceremonies bring a very special warmth to the families and students, and brings students closer to the University. One student speaker, Ms. Cook said, urged students to remember the role that MSU has played in their lives, as they will appreciate it more as they get older. Individual college commencements, she said, all have a different, touching aspect to them. Trustee Cook added that campus was exquisite for graduation, and the weather was wonderful.

- F. Trustee Pittman said that this was his first opportunity as Trustee to participate in commencement ceremonies. He said that in addition to the visit by the Vice President, there was also a Nobel Prize winner, Dr. Peter Doherty, at the advanced degree ceremony. Mr. Pittman said that Dr. Doherty is a brilliant man who took time, prior to the ceremony, to give a lecture to the College of Veterinary Medicine. Students had an excellent time interacting with a Nobel Prize winner, and that was a great opportunity.

Mr. Pittman noted that during commencement he could see, first hand, the way that this University transforms lives and means so much to students. Even with a difficult budget, he said, the University will be able to continue to transform students' lives.

Trustee Pittman commented that he was pleased to see faculty members of the administration, including Secretary of the Board Sue Carter, greet their students at the advanced degree ceremony. He said that teaching means giving a part of oneself, and the faculty should be thanked, because that is where real learning takes place.

- 7. An Executive Session was not requested.
- 8. On a motion by Mr. Nugent, supported by Ms. McNamara, the Board voted to adjourn at 10:00 a.m.

Respectfully submitted,

L. Susan Carter, J.D.
Secretary of the Board of Trustees