

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

October 10, 2003

The Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 2:00 p.m. on Friday, October 10, 2003. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

President Peter McPherson called the meeting of the Board of Trustees to order at 2:17 p.m. in the Board Room.

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

Trustee absent: G. Scott Romney

University officers present: President Peter McPherson, Provost Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, Huggett, June and Webb, Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Robert Maleczka, James Potchen and Jon Sticklen, Student Liaisons present: Jared English, Missy Kushlak, Misty Staunton and Kimberly Yake.

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

1. On a motion by Mr. Ferguson, supported by Ms. McNamara, **THE BOARD VOTED to approve** the agenda.
2. On a motion by Ms. Gonzales, supported by Ms. McNamara, **THE BOARD VOTED to approve** the minutes of the meeting of September 12, 2003.
3. President's Report

The National Science Foundation has awarded a \$35 million grant to a team of educators, including MSU, to improve science and math teaching and achievements in K-12 schools in Michigan and Ohio. The grant may affect as many as 400,000 students. It is a

continuing recognition of Michigan State's outstanding College of Education.

Ten teachers from Michigan and five MSU faculty and staff will travel to Nepal for three weeks beginning October 11th. They will develop environmental education programs. After returning, the group will compile their findings and projects in a study guide to be distributed to other teachers.

The MSU debate team that over the years has had spectacular success, finished second and won a top individual speaker award at its first tournament of the intercollegiate debate season recently.

Senior Advisor and Director Paulette Granberry Russell and her colleagues have organized a "Best Practices in Diversity at MSU: Enhancing a Diverse Campus Community" conference. It will be held at Kellogg Center on October 17th. The conference will provide an opportunity to share and develop strategies and best practices for the entire community for supporting and achieving a more diverse faculty, staff and student body. Andrew Valentine, Director of Global Equal Opportunity Programs for IBM, will be the keynote speaker. He is a Michigan State alumnus.

4. Public Participation on Items Germane to the Agenda

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

5. Personnel Actions

Provost Simon presented the following personnel action:

Appointment

Sordillo-Gandy, Lorraine M., AN-Professor, Meadowbrook Farm Animal Health and Well Being Chair. Department of Large Animal Clinical Sciences, \$145,000, with Tenure, effective January 1, 2004.

On a motion by Mr. Nugent, supported by Ms. McNamara, **THE BOARD VOTED to approve** this personnel action.

Dr. Simon said Dr. Sordillo-Gandy comes to Michigan State from Penn State University, where she had a distinguished career in immunology. This addition to the faculty is a great fit with MSU's interest in food animal and an emergence in infectious diseases. The Meadowbrook Chair available was significant in recruiting Dr. Sordillo-Gandy.

6. Gift, Grant and Contract Report

Vice President Huggett presented the Gift, Grant and Contract Report for the period of August 22, 2003, through September 23, 2003. The report is a compilation of 205 Gifts, Grants and Contracts, and 23 Consignment/Non-Cash Gifts, with a total value of \$22,955,547.66.

On a motion by Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to approve** the Gift, Grant and Contract Report.

Vice President Huggett said the total is 38% above the same reporting period last year in research and 41% above the same reporting period last year. Further, the \$35 million grant mentioned by President McPherson in his report today is not included.

7. The Trustee Finance Committee report and recommendations were presented by Committee Chairperson Pittman.

A. Bids and Contract Awards:

- 1) It was recommended that a contract in the amount of \$373,700 be awarded to Kares Construction Co., Inc., of Charlotte, Michigan, and that a budget in the amount of \$1,570,000 be established for the project entitled: Brody Complex – Replace Electrical Substations – Residence Halls.
- 2) It was recommended that a contract in the amount of \$462,000 be awarded to Gunthorpe Plumbing and Heating, Inc., of East Lansing, Michigan, and that a budget in the amount of \$740,000 be established for the project entitled: Clinical Center and Life Science – Coil Replacement Phase I.

On the motion of Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to approve** the recommendations.

Mr. Porteous pointed out that both recommendations are for the low bids for the projects.

B. Architect/Engineer Appointments:

- 1) It was recommended that Einhorn Yaffee Prescott Architectural & Engineering, P.C. (EYP) of Albany,

New York, with Neumann/Smith & Associates of Southfield, Michigan, be appointed as the architect-engineer for the project entitled: Snyder/Phillips Hall Renovations.

- 2) It was recommended Duce Simmons Associates, LLC, of Troy, Michigan, be appointed as the architect/engineer for the project entitled: Veterinary Medical Center – Matilda R. Wilson – Pegasus Critical Care Center.

On the motion of Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to approve** the recommendations.

Mr. Porteous said the selection of the architects for the Snyder/Phillips Hall renovations project continues the strong commitment of this Board to restoring residence halls from years gone by that are beautiful and a strong symbol of our University.

- 3) Funds Functioning as Endowments
 - A) It was recommended to establish a fund functioning as an endowment entitled: Broad Executive Forum Scholarship Endowment.
 - B) It was recommended to establish a fund functioning as an endowment entitled: John R. Shaver PhD Graduate Student Fund in Zoology.
 - C) It was recommended to establish a fund functioning as an endowment entitled: Teacher Preparation Scholarship Fund.

On the motion of Mr. Nugent, supported by Mr. Porteous, **THE BOARD VOTED to approve** the recommendations.

E. 2004-05 Appropriation Request Guidelines

It was recommended that the Board adopt the Guidelines for the Appropriation Request, including requests for the University General Fund, the Michigan Agricultural

Experiment Station, Michigan State University Extension and capital outlay requirements. (Attachment A)

On the motion of Mr. Nugent, supported by Mr. Porteous, **THE BOARD VOTED to approve** the recommendation. Ms. McNamara voted no.

Ms. McNamara said she thought it was inappropriate to seek funds for new construction in the Appropriation Request this year. Times are such that construction of a new music building might not be seen by legislators as a critical expense in the State budget. The Board recognizes the importance of constructing a new music building and the importance of the music program to Michigan State University. However, for a music building to be the top priority for capital outlay reflects badly on MSU when other very critical issues relating to support by the State are being discussed.

Mr. Nugent indicated that the music program has grown dramatically, and that the University needs the new building desperately. The guidelines will first address renovation needs, and then proceed to new construction. It is imperative that the Board continue to advise legislators of the needs of the University, and a new music building is needed. It took several years to get the new science building. It is important to keep the request before the legislators.

Ms. McNamara clarified her position. She stated that she does not feel the music building is unimportant, but fears the message it sends at this time reflects poorly on the University's priorities. Ms. Cook said she understands that Ms. McNamara recognizes the value of the project, but the Board must continue to move this project forward in the expectation that in the future it will be recognized by the State as MSU's first academic priority for new construction. It takes a long time for such projects to proceed through the legislative process; this statement indicates that when a capital outlay project is available, the music building is the number one priority as established by the Board. The Board used the same method to get funding for the science building and for other capital outlay projects – they were presented to the legislature and put on record as to the University's priority for academic buildings. The order in

which priorities are listed in the capital outlay request is correct. The first priority must be renovation of facilities.

Assistant Vice President for Planning and Budgets David Byelich indicated that there is a set of protocols that the University moves through each year, at the request of the State Budget Director. The University submits an operating request as well as a capital request for review. A five-year plan was established by the Board as part of the State's request for information. That five-year plan is updated each year, at the explicit request of the Budget Director.

President McPherson noted two considerations: 1) If there is an opportunity for some additional funds to be earmarked for construction in the coming year, it is likely the funds will be used for maintenance and renovation. The document needs to be clear that is what we are strongly urging. 2) The Board wants to make clear to the State Budget Director and legislators that when there is a capital outlay program for new facilities, the music building is the top academic priority for new construction. Mr. McPherson feels he can capture both of those points in a cover letter that will accompany the Guidelines.

E. Bond Authorization Resolution

It is recommended the Board adopt the attached resolution amending its September 12, 2003, resolution authorizing a general revenue bond financing and refunding of outstanding University bonds. (Attachment B) This amendment increases the total authorized project amount from \$126 million to \$176 million and adds potential projects, such as the Power Plant addition, Clinical Center improvements, new Brody complex building, and the Veterinary and Oncology Center to the list. The amendment also includes an authorization for a public hearing required by the U.S. Internal Revenue Code of 1986, because of the proposed use of space in Spartan Stadium by the MSU Foundation and the 4-H Foundation.

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

8. Policy Committee

The Trustee Policy Committee report and recommendations were presented by Committee Chairperson McNamara.

A. Notice of Intent to Negotiate Contracts

Pursuant to state law, the Chair of the Policy Committee gave public notice to the full Board during the Committee's report of the University's intention to negotiate agreements regarding technology licensing, research and related matters with four companies:

- 1) AFID Therapeutics, Inc., a Michigan firm based in East Lansing. Dr. Rawle Hollingsworth, a Professor in the Department of Biochemistry and Molecular Biology, and his immediate family own or have options to buy an equity interest of more than 5% of the company.
- 2) Biophontonic Solutions, Inc., a Michigan firm based in Okemos. Dr. Marcos Dantus, a Professor in the Department of Chemistry, and his immediate family own or have options to buy an equity interest of more than 5% of the company. Dr. Dantus is also an officer of Biophontonic Solutions, Inc.
- 3) Biopolymer Innovations, a Michigan firm based in Kalamazoo. Dr. Ramani Narayan, a Professor in the Department of Chemical Engineering, and his immediate family own or have options to buy an equity interest of more than 5% of the company. Dr. Narayan is also an officer of Biopolymer Innovations.
- 4) GeoPathway, LLC, a Michigan firm based in Lansing. Mr. William Enslin, a Senior Specialist in the Department of Geography, and his immediate family own or have options to buy an equity interest of more than 5% of the company. Mr. Enslin is also an officer of GeoPathway, LLC.

B. Approval of Contract Terms and Conflict of Interest Management Procedures

It was recommended that the Board approve the administration's recommendation for execution of a license agreement with Bio Plastic Polymers and Composites, LLC, consistent with earlier public notice given at the April 3, 2002, Board meeting and the applicable "License Term Sheet"

presented to the Board for inclusion in its minutes. (Attachment C)

On a motion by Ms. McNamara, supported by Ms. Gonzales, **THE BOARD VOTED to adopt** the recommendation.

C. Process for Construction Project Costs – Unforeseen Exigent Circumstances.

It was recommended the Board approve the process for responding to unforeseen exigent circumstances that cause the Board-approved budget for a construction project to be exceeded. (Attachment D)

On a motion by Ms. McNamara, supported by Ms. Gonzales, **THE BOARD VOTED to adopt** the resolution.

Ms. McNamara advised that both the Finance Committee and the Policy Committee have reviewed the policy.

9. Chairman's Report

Trustee Porteous welcomed President McPherson back to MSU.

President McPherson expressed his appreciation for the excellent work by Provost Simon in her role as Interim President and by University administrators during his absence. They did a superb job.

Trustee Porteous said the President could take great pride in the administrative team which, in his absence, did a superb job and dealt with a lot of tough issues. More difficult budget issues await the University.

Trustee Cook and her husband Byron were honored during homecoming festivities. Mr. Porteous thanked everyone who worked long and hard on homecoming celebrations. The homecoming grand marshal's remarks during the brunch reinforced the stewardship of this great institution, and how the University touches so many people in so many special ways. Clearly, MSU was a big part of his life, and he credited MSU for much of his success.

10. Trustees' Comments

- A) Trustee Cook welcomed President McPherson back. She also recognized Dean Carole Ames of the College of Education who made a presentation about the Carnegie Grant to the annual meeting of the President's Cabinet. Dean Ames reported on the work done in her College and by her faculty. Dean Ames spoke articulately about the future of the University, the programs of the College of Education and the selection process for the Carnegie Grant. She demonstrated that Michigan State has an outstanding College of Education and initiative to train teachers. Dean Ames and her faculty are to be commended for their good work and the recognition they are receiving.
- B) Trustee Gonzales welcomed the President back and said he did a great job. Also, Interim President Simon did a wonderful job. Ms. Gonzales indicated she had read an article in *Trusteeship* that she would like the Board to discuss at its next meeting.
- C) Trustee McNamara passed.
- D) Trustee Nugent said that one of the ways to tell a great leader is by the team he puts around himself and whether operation can continue without him. Work at MSU continued well. The President is a good leader. He welcomed Mr. McPherson home.

Mr. Nugent pointed out that dedication of the Food Safety and Toxicology Laboratory occurred five years ago. Michigan State's stature has been heightened and the University has been made more visible because food safety has become an increasingly important issue.

Trustee Nugent commented that he serves on a criminal justice advisory board on identification theft. A new online criminal tracking system is now in place. It was developed by Michigan State's Criminal Justice and Computer Science departments. It is a system more advanced than that of the FBI. Both of those departments must be commended.

- E) Trustee Pittman welcomed President McPherson back.

11. Public Participation on Issues Not Germane to the Agenda

- A) Dorothy Jones indicated that members of MSU's Women's Crew team are not complying with terms of a lease between the University and the City of Lansing. The Crew Team requested permission to build a boathouse at Grand River Park. The Park Board approved the request with the stipulation that the Crew Team extend outreach to young people in the City of Lansing – namely, make rowing experience available to the youth of Lansing. The lease was signed in November, 2001. The lease specified that the Crew Team would perform five rowing experience events per summer for the duration of the ten-year lease. She said the clause is not being honored by the University.
- B) Brian Smith spoke about the same issue. A License Agreement was entered into by Michigan State University and the City of Lansing on November 29, 2001. In accordance with this agreement, MSU was allowed to build two pole barns in Grand River Park. Michigan State University was to provide, "significant community outreach programming for the benefit of Lansing residents." It was the understanding of the Parks Board that special emphasis would be placed on the youth of the City of Lansing. He said an attempt was made by MSU to buy out of the community outreach provision with a one-time \$5,000 payment. He said there is clear noncompliance with the terms of the lease.

12. An Executive Session was not requested.

13. On a motion by Mr. Nugent, supported by Ms. Gonzales, **THE BOARD VOTED to adjourn** at 3:05 P.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees

MICHIGAN STATE
UNIVERSITY

October 2, 2003

MEMORANDUM

TO: Trustee Finance Committee

FROM: Lou Anna K. Simon
Fred Poston

SUBJECT: 2004-05 Appropriation Request Guidelines

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees adoption of the Guidelines for the Appropriation Request, including needs for the University General Fund, the Michigan Agricultural Experiment Station, Michigan State University Extension, and capital outlay requirements.



OFFICE OF THE
PROVOST

OFFICE OF THE
**VICE PRESIDENT
FOR FINANCE
AND OPERATIONS
AND TREASURER**

BACKGROUND:

The 2004-05 Appropriation Request Guidelines provide the administration with parameters for development of request materials as they are called for by state government over the course of the appropriation process.

The parameters highlight the need for:

- Sustainable approach to funding higher education, based on policy;
- Equitable per-student support by institutional mission; and
- Recognition of floor per student appropriation support for research-intensive universities with medical programs.

The guidelines also address funding needs of the Michigan Agricultural Experiment Station and Michigan State University Extension. Finally, the university's capital outlay list is included as established in the previous year.

/shared/BOT_Oct/Appropriation Request Resolution 2005.doc

MICHIGAN STATE UNIVERSITY 2004-05 APPROPRIATION REQUEST GUIDELINES

Michigan State University calls for the state to adopt a sustainable approach for allocating scarce resources across institutions, to narrow the gap in per-student appropriation support based on mission, to fund Michigan Agricultural Experiment Station and MSU Extension key focus areas, and to address capital outlay priorities.

MSU is a fiscally responsible steward of our publicly entrusted resources. We have reinvested in the academic core of the university, used technology for greater effectiveness in instruction and administration, emphasized additional cost-savings measures, and managed our physical plant wisely.

In the last year, we entered into the ninth year of internal investment through the Technology/Teaching and Learning Fund; expanded the international study experience; and followed through on the Technology Guarantee, which ensures access to knowledge through the use of advanced technologies now and in the future. MSU continues to seek out and serve serious students, and we believe this objective can best be achieved in a rigorous, yet encouraging, academic environment.

Sustainable Approach to Allocating Scarce Resources

In light of the growing pattern of public divestment in public higher education, it is imperative that the state develops and implements a sustainable approach for allocating scarce resources for higher education. The economic impact of Michigan's state universities is significant. The most recent report of the impact of higher education on the state's economy indicates a conservative estimate of \$33 billion, or \$26 in economic impact for every \$1 the state provided for support. The "educational premium" of a literate and technologically sophisticated population is incalculable.

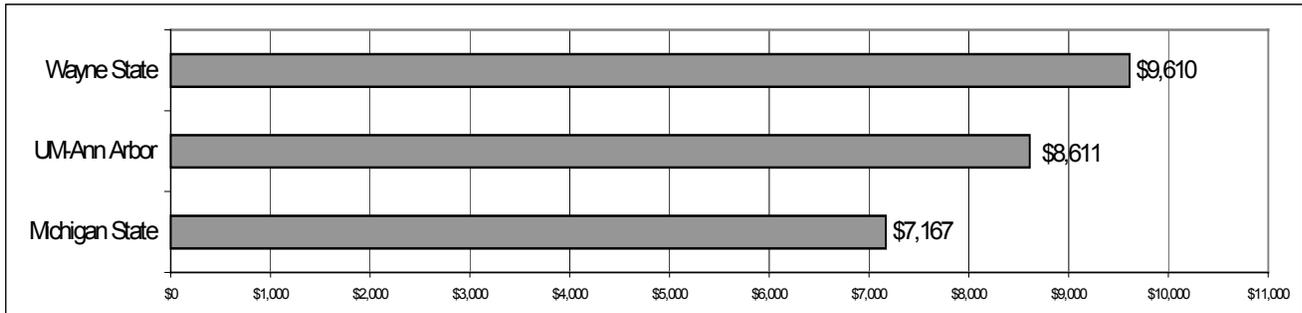
MSU provides high-quality academic programs and is accessible to the students of this state. We continue to work hard to constrain costs in our operations and to our students. Students pay approximately \$1,200 less per year than they would if we had raised rates at the average of Michigan public institutions over the past nine years, and \$1,600 less than if we had increased tuition at the average rate of the Big Ten public institutions over the same period.

Student enrollments have increased by over 12 percent since 1993-94. MSU chose not to further increase enrollments at this time, foregoing marginal tuition revenue in order to maintain program quality. However, MSU is prepared to work with the state of Michigan to increase targeted academic majors in state of Michigan priority areas such as manufacturing, life sciences, and biotechnology. We are working with other research-intensive universities in programs targeted to enhance state economic development, and are prepared to increase these collaborations.

The costs for compensation, technology enhancements, and support for graduate students and the academic mission do not increase in line with traditional inflation, but rather more dramatically. In order to fund these needs in the current year, we had to impose significant reductions across the university--\$31 million in all--no unit escaped budget reductions. Our goal is to emerge from this period with our core intact and the university positioned to continue its pursuit of excellence.

Distinction Among Universities Based on Mission

The gap in student support between MSU and its peers must be closed. More than 90 percent of our undergraduates are Michigan residents, coming from all areas of the state and representing the state in population diversity. The graph below demonstrates the current disparity in funding among research-intensive institutions with medical programs.



2003-04 Appropriation Support per Student

Whether the research and education is focused on biosciences, life sciences, agriculture, natural resources, or urban renewal and land use, the presence of research-intensive universities in the state is an immeasurable asset.

Concept for Distribution of Increased Appropriation Support

In order to optimize limited state resources, universities need improved predictability and stability in the appropriations process. A simple, predictable state appropriations approach is needed. This funding approach should combine three polices, as follows:

- 1) Every university should receive the same percentage appropriation increase, each year, to better mitigate the effects of inflation.
- 2) A minimum appropriation-per-student funding level for all universities should be maintained, in a second funding category.

- 3) In a third funding category, an annual adjustment should be made to eliminate wide disparities in appropriation-per-student funding levels among the research-intensive universities with medicine.

In combination, this approach will add predictability to the annual appropriations process while recognizing Michigan higher education as the critical resource it is for the state.

MSU – Investment in Michigan

Our student enrollment continues to capture the best and brightest of the state's students. The entering class of Fall 2003 had an average GPA that exceeded the prior year. This speaks firmly to the understanding that students will receive one of the best possible undergraduate or graduate educations in the nation. Moreover, Honors College membership continues to grow, reaching an all-time high this fall of just under 2,600 students. Outstanding interdisciplinary programs are being conducted across colleges. Research and grant funding increased by over 60 percent over the last five years, with a significant increase in the number of grants submitted and funded. As an agent for education and economic development in Michigan, MSU will continue efforts to expand the use of technology in teaching and learning across the state in urban and rural communities.

MICHIGAN AGRICULTURAL EXPERIMENT STATION AND MSU EXTENSION

Safe, healthy families; viable, dynamic communities; and the long-term sustainability of Michigan agricultural and natural resource foundations are the core issues upon which the research and outreach efforts of the Michigan Agricultural Experiment Station (MAES) and Michigan State University Extension (MSUE) are based.

The future focus of these programs will be in the following key areas:

- Enhancing responsible environmental stewardship and land use;
- Responding to emerging and infectious disease of plants and animals;
- Addressing issue of food and health, including food safety, nutrition, and obesity;
- Increasing profitability in agriculture and natural resource industries; and
- Strengthening Michigan families and communities.

Every dollar invested in these programs brings in a significant return to Michigan citizens. MAES and MSUE request \$4 million each to restore essential programs and accelerate partnerships with state agencies and commodity groups. Key initiatives include strengthening Michigan youth, families, and communities, and increasing profitability and sustainability in agriculture and natural resources industries.

CAPITAL OUTLAY

Inasmuch as capital funds were not available during FY04, this year's request carries forward projects submitted last year, but updates the cost estimates, reprioritizes the Psychology Research Building on the building renovations list to reflect updated programmatic needs, and removes the Baker Hall chiller replacement project that will be funded from other sources.

A comprehensive assessment of the campus infrastructure has resulted in the identification of needs for renovation, maintenance of major systems, and new construction. In order to develop a more accurate prediction of facility needs, this assessment takes into account the age of major building components, adjusted to account for the component's maintenance history and current condition, based on actual field observations. The resulting list of items is referred to as "Just-in-Time" maintenance needs. This information is then coupled with programmatic alteration needs that are reviewed during the university's annual program planning and review process. Over the next ten years, current forecasts anticipate facility and infrastructure requirements slightly in excess of \$500 million, of which approximately one-half relates to general fund facilities and infrastructure. These renovation and maintenance needs are the most critical for the university.

The combined facility assessment approach noted above also provides a more complete picture of building renovations needs. Requests for renovation support address major maintenance and programmatic improvements required by buildings previously funded by the state. Improvements may be needed for particular aspects of a building's infrastructure, such as roofing and windows, plumbing and electrical systems, ventilation systems, communications and internet systems, barrier-free access, or the configuration of space to support a specific program. In other cases, due to program requirements, condition, age, and long-term value, an entire renovation of a building is warranted. The needs can then be described in three categories: buildings that require a comprehensive renovation, buildings that would benefit from a more selected approach, and needs for individual building systems maintenance.

Renovations

Buildings needing selected renovations include the University Research Containment Facility, Giltner Hall, Baker Hall, the Psychology Research Building, the Plant Biology Building, and Plant Science Greenhouses. Facilities with more comprehensive renovation needs include Chittenden Hall, the Shaw Lane Power Plant, the Natural Science Building, and Music and Music Practice buildings.

Individual Building Systems Maintenance

The university also seeks restoration of special maintenance funding for more targeted and specific major systems maintenance. Needs that would be addressed through this special maintenance funding include restoration of deteriorated chillers and cooling towers, installation of fire suppression systems and security systems, upgrading older fire alarm systems, and improving instructional space to maintain flexibility and provide technological

sophistication. The university operates over 340 general-purpose classrooms and another 500 specially equipped teaching laboratories, with needs ranging from replacing flooring and ceilings, to upgrading utilities that support a teaching lab to creating more flexible learning environments with adjustable lighting and moveable classroom furnishings.

New Construction

New construction is needed to support high-priority programs in the School of Music, Department of Chemistry, and the area of plant sciences. The institution's highest priority in new construction is to support the School of Music, currently located in facilities that no longer adequately support the high quality of the programs that are increasing in national rankings and reputation, such as music education; jazz studies; performance; choral, wind, and orchestral conducting; and music therapy. Current music buildings are outdated; lack specialized acoustical needs, appropriate space for teaching and practice studios; and cannot be adequately renovated to address these issues. Enrollments at both the undergraduate and graduate levels have increased by approximately 85 percent over ten years, and the number of ranked faculty has also grown significantly in support of programs.

Similarly, an addition to the Chemistry Building and additional greenhouse space are requested to support programs in chemistry and plant sciences. These programs have strong national reputations as well as expanding research bases, and additional capacity for research is critical and consistent with the university's master plan.

CONCLUSION

Michigan State University will continue to provide high-quality educational programs that are accessible to Michigan citizens as well as research and development that benefits Michigan first. Alternatively, it is important that the state recognize the quality of our programs, our sound management, and commitment to Michigan's success through research and development efforts. This calls for adoption of a sustainable policy for allocating state resources to higher education, narrowing the gap in per-student funding based on mission as a research-intensive university with medical programs, and addressing capital outlay priorities.

MICHIGAN STATE
UNIVERSITY

October 10, 2003

MEMORANDUM

To: Trustee Finance Committee
From: Fred Poston
Subject: Amendment to Bond Resolution: Series 2003

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the adoption of the attached resolution amending its September 12, 2003 resolution authorizing a general revenue bond financing and refunding of outstanding University bonds.



BACKGROUND:

During its September 12, 2003 meeting, the Trustee Finance Committee and the administration discussed the projects that might be financed by a proposed 2003 bond issue. Although a final administration recommendation was not then available for all of the projects being considered for bond financing, the administration advised that promptly commencing work on the proposed bond issue would enhance the potential for advantageous timing of the bond issuance. To allow the administration to proceed with such work, the Trustee Finance Committee recommended, and the Board of Trustees adopted, a resolution authorizing a general revenue bond financing and refunding, with the understanding that amendment of the resolution might later be necessary to increase the total authorized project amount and add to the potential projects list. The attached resolution accomplishes that amendment, by including the Power Plant Addition, Clinical Facility, Brody Complex, and Veterinary Oncology Center projects in the Exhibit A list for potential bond financing and by changing the total bond issue amount to be used for projects from \$126 million to \$176 million.

In its September 12, 2003 resolution concerning commencement of the Spartan Stadium renovation and new construction, one of the projects to be financed by

OFFICE OF THE
**VICE PRESIDENT
FOR FINANCE
AND OPERATIONS
AND TREASURER**

Fred L. Poston
Vice President

Michigan State University
420 Administration Building
East Lansing, MI
48824-1046

517/355-5014
FAX: 517/353-6772

the 2003 bonds, the Board contemplated MSU Development and MSU Alumni Association use of a portion of the project space. Because of the possibility that the MSU Foundation and the 4-H Foundation, each a separate Michigan non-profit corporation, also may share the new project space, the attached resolution includes authorization for the public hearing required by the United States Internal Revenue Code when tax exempt bonds will be used by Section 501(c)(3) entities other than the issuer.

cc: P. McPherson
L. A. K. Simon
S. Carter
K. Lindahl
David Brower
Glen Klein
Nancy Carter
Policy Committee

CERTIFICATION

I hereby certify that the attached is a true and complete copy of a resolution adopted by the Board of Trustees of Michigan State University on October 10, 2003, in accordance with applicable law, and that the minutes of the meeting at which the resolution was adopted were kept and will be or have been made available at the Office of the Secretary of the Board of Trustees of Michigan State University.

I further certify as follows:

1. Present at the meeting were the following Board members:

Absent from the meeting were the following Board members:

2. The following members of the Board voted for the adoption of the Resolution:

The following members of the Board voted against adoption of the Resolution:

RESOLUTION DECLARED ADOPTED.

L. Susan Carter
Secretary, Board of Trustees of
Michigan State University

RESOLUTION OF THE BOARD OF TRUSTEES
OF MICHIGAN STATE UNIVERSITY
AMENDING ITS SEPTEMBER 12, 2003 RESOLUTION
AUTHORIZING THE ISSUANCE AND DELIVERY OF
GENERAL REVENUE BONDS AND PROVIDING FOR
OTHER MATTERS RELATING THERETO

WHEREAS, on September 12, 2003, the Board of Trustees of Michigan State University (the "Board") adopted a Resolution entitled "Resolution Authorizing the Issuance and Delivery of General Revenue Bonds and Providing for Other Matters Relating Thereto" (the "Bond Authorizing Resolution"); and

WHEREAS, the Board has determined that it is appropriate and in the best interests of Michigan State University (the "University") to make changes in the description of the capital expenditures to be financed by the Bonds authorized by the Bond Authorizing Resolution (the "Bonds"), as described on Exhibit A attached to the Bond Authorizing Resolution (collectively, the "Projects"); and

WHEREAS, because the Board anticipates that one of the Projects will be used in part by the MSU Foundation and the 4-H Foundation, each a private non-profit corporation, it is necessary under the Internal Revenue Code of 1986, as amended, that a public hearing be held with respect to the issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF MICHIGAN STATE UNIVERSITY, AS FOLLOWS:

1. The Board hereby approves, authorizes, and directs the substitution of Exhibit A attached hereto for the Exhibit A attached to the Bond Authorizing Resolution, to be effective for all purposes as Exhibit A to the Bond Authorizing Resolution.

2. The Board hereby amends the Bond Authorizing Resolution by deleting from the fifth line of paragraph 2 thereof the phrase "One Hundred and Twenty-Six Million Dollars (\$126,000,000)" and substituting in its place the phrase "One Hundred and Seventy-Six Million Dollars (\$176,000,000).

3. Either Authorized Officer (as defined in the Bond Authorizing Resolution) is authorized to publish notice of and conduct a public hearing with respect to the issuance of the Bonds and to report the results thereof to appropriate officials prior to the final issuance of the Bonds, all in accordance with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

4. Any resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed insofar as such conflict exists. The Bond Authorizing Resolution, except as specifically modified by this Resolution, remains in full force and effect.

EXHIBIT A

PROJECTS

The Projects, as that term is used in the Resolution to which this Exhibit A is attached, are defined as follows:

Category I

<u>Project Description</u>	<u>Currently Estimated Cost To Be Funded From Bond Proceeds (exclusive of bond issuance expense) (millions)</u>
Spartan Stadium Expansion and Renovation, plus Buildout	\$63.7
Power Plant Addition	30.0
Science Facilities Ventilation Systems	29.2
Clinical Center Improvements	20.0
Snyder Phillips Residence Hall Renovations	17.5
Brody Complex - New Housing	7.5
Veterinary Oncology Center	7.5
Total	\$175.4

Category II

All projects heretofore or hereafter approved by the Board with an identified total or partial funding source as the proceeds of bonds or other debt obligations issued by the Board.

Category III

Miscellaneous building, renovation, remodeling, site improvement, equipment, utility, information system and similar capital projects of the University, each with an estimated cost of \$5,000,000 or less, including but not limited to, roof repairs and replacements; electrical, mechanical, chiller, refrigeration and steam system renovations, repairs, replacements and improvements; heating, cooling and air conditioning system renovations, repairs, replacements and improvements; structural repairs and improvements; utility distribution repairs and improvements; road and sidewalk repairs and improvements; building and building addition construction, renovation, furnishing and equipping; information and computing system acquisitions and improvements (including wiring and cabling); elevator repairs and improvements; miscellaneous landscaping and site work; and miscellaneous equipment acquisitions.

MICHIGAN STATE
UNIVERSITY

October 8, 2003

MEMORANDUM

To: Trustee Policy Committee

From: Fred Poston

Subject: Process for Construction Project Costs-Unforeseen Exigent Circumstances

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees that it approve the following process for responding to unforeseen exigent circumstances that cause the Board-approved budget for a construction project to be exceeded.

BACKGROUND:

For each construction project requiring its approval, the Board of Trustees (Board) approves a budget at the time of the construction contract award. The Office of the Vice President for Finance and Operations (VPFO) manages construction projects to total project budgets, including any contingency funds.

At times, an unforeseen exigent condition or occurrence may affect a construction project and require immediate action likely to result in additional costs, exceeding the total project budget. Critical completion deadlines or the emergency nature of the circumstance may necessitate an immediate decision on further action, for example. The administration will apply the following process in these circumstances.

PROCESS:

When an unforeseen exigent condition or occurrence is identified which requires immediate action, and which may result in additional construction project expenses exceeding the approved budget, the VPFO will notify the Chair of the Trustee Finance Committee as soon as possible of the situation, provide information on the original Board-approved budget, identify the additional project costs (if known at the time), and identify the planned source of funding for the additional costs. Unless the Finance Committee Chair requests earlier notification, the VPFO will notify the full Finance Committee of the circumstances at its next scheduled meeting and give the Finance Committee an update of the information previously provided to the Chair. Absent any contrary direction from the Finance Committee Chair, the VPFO will undertake and continue to implement measures to resolve or remediate the unforeseen exigent circumstances and to approve work necessary in light



OFFICE OF THE
**VICE PRESIDENT
FOR FINANCE
AND OPERATIONS
AND TREASURER**

Fred L. Poston
Vice President

Michigan State University
420 Administration Building
East Lansing, MI
48824-1046

517/355-5014
FAX: 517/353-6772

Trustee Finance Committee – Process for Construction Costs–
Unforeseen Exigent Circumstances

Page 2

October 8, 2003

of the circumstances.

The VPFO will prepare a written memorandum to the file that will include his/her approval of the additional expenditures, the information discussed with the Finance Committee Chair and a description of the circumstances precipitating the additional costs. The Board shall receive a copy of the memorandum to the file. Once the final costs are determined, an amended project budget will be presented to the Finance Committee and the Board for approval.

c: S. Carter
S. Harwood
R. Flinn
J. Kacos
K. Lindahl
J. Mumma
R. Nestle
L. Simon

Attachment C

LICENSE TERM SHEET

- Party:** Bio Plastic Polymers and Composites, LLC
- License:** License to use technologies described below for commercial purposes.
- Term:** Extending to the expiration of the last to expire of the patents.
- Technology:** Technology and/or patent rights as described in MSU Invention Disclosure No. 95002 "Reactive Extrusion Polymerization and Grafting of E-Caprolactone in the Presence of Starch" (non-exclusive grant); MSU Invention Disclosure No. 94080 "Biodegradable Compositions Based on Reactive Blends of Starch and Aliphatic Polyesters" (exclusive grant); MSU Invention Disclosure No. 04014 "Vegetable Oil Based Esters Using Ozone Mediated Chemistry" (exclusive); U.S. Patents 5,906,783 (non-exclusive) and 5,969,089 (non-exclusive); and any improvements to the foregoing technologies. Also included are the technology and patent rights as defined by the Donation Agreement between MSU and Shell Oil Company dated December 22, 1999, and active as of the effective date of the license.
- Technology's Potential Commercial Utilization:**
Environmentally friendly polymers.
- Payment Terms:** One Thousand Dollars (\$1,000) upfront payment with one percent (1%) running royalty on sales, 25% on all sublicensing revenues, and legal reimbursements for the term of the agreement. Minimum payments of \$50,000 annually begin in calendar year 2008.
- Services Provided:** By MSU to Bio Plastic: None under contemplated agreement.
By Bio Plastic to MSU: None under contemplated agreement.
- Use of University Facilities/Personnel:**
No use of MSU facilities/personnel by Bio Plastic under the contemplated agreement.
- Organization Type:** Michigan-based small business.
- Personnel Interest:** Dr. Ramani Narayan, a Professor in the Department of Chemical Engineering, and his immediate family cumulatively own or have options to buy an equity interest of more than 5% of the company. Dr. Narayan is also an officer of *Bio Plastic Polymers and Composites, LLC*.