

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

October 20, 2006

Trustee Finance and Audit Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 9:40 a.m. on Friday, October 20, 2006. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

President Simon called the meeting of the Board of Trustees to order at 9:42 a.m. in the Board Room.

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

University officers present: President Simon, Provost Wilcox, Vice President Poston, Secretary Barber, Vice President and General Counsel Noto, Vice Presidents Denbow, Gray, June, Webster and Webb and Acting Executive Director Beekman. Faculty liaisons present: John Dirkx, Catherine Ernst, Richard Weber, and Jim Potchen. Student liaisons present: Rachael Grear, Brad Love, Eric Hinojosa, and Roger Ludy.

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

1. On a motion by Trustee Cook, supported by Trustee McNamara, the **BOARD VOTED to approve** the agenda.
2. On a motion by Trustee Porteous, supported by Trustee Foster, the **BOARD VOTED to approve** the minutes of the Board meeting of September 15, 2006.
3. President's Report
 - A. Campaign for MSU

President Simon said that the Capital Campaign has reached its goal of \$1.2 billion. The focus will now be on completing the endowment goal. Trustee Cook had the opportunity to chair the

President's Campaign Cabinet meeting on October 13, 2006. President Simon asked Trustee Cook to comment on the event.

Trustee Cook said that it was a wonderful event and that she has received positive feedback from many people across campus. It is important to note that the overall goal for the Campaign has been reached, but that the endowment part of the campaign needs to be completed. MSU has received much support for the Capital Campaign from faculty, staff and donors.

B. Opening of China Office

President Simon asked Provost Wilcox to comment on his trip to China for the opening of the MSU office there.

Provost Wilcox said that it was an honor to represent MSU at the opening of the China office. The highlight of the afternoon was a performance by Richard Proctor from the MSU School of Music and his colleague from the Metropolitan Opera, who is from China, and two students. It was a truly wonderful cultural experience.

The office is in the building of the Sun Wah Education Foundation, which is Johnathon Choi's foundation. The building also houses a preschool operation that is staffed by five MSU graduates. The MSU presence is robust. The attendance of more than 200 people is a reflection of the depth of MSU's connections in China. Some alumni were there, but most of the attendees were people who have worked with MSU in some capacity over the past several years. It is a great opportunity for MSU.

C. MSU Nuclear Science Facility Funding

President Simon said the National Superconducting Cyclotron Lab's operating agreement has been renewed for five years. The National Science Foundation (NSF), after a major site visit, has agreed to continue funding the NSCL's operations through 2011 at a budget of more than \$100 million. To recognize the work of the laboratory, NSF Director Arden Bement Jr. will be visiting East Lansing on October 26, 2006. He will acknowledge the grant renewal, which will allow the NSCL to continue to increase knowledge about heavy isotopes, train the next generation of nuclear scientists and to attract undergraduate students.

D. University Relations—New Assistant Vice President

President Simon asked Terry Denbow, Vice President for University Relations, to introduce the new Assistant Vice President for University Relations, Heather Shupp.

Vice President Denbow said that Ms. Shupp had been at Ball State as the Associate Vice President for Marketing and Communication and worked in the Marketing Office at Indiana University prior to that. She is a graduate of the College of William and Mary and brings a national reputation in branding and institutional positioning.

4. There was no Public Participation on Issues Germane to the Agenda.
5. Personnel Actions

Provost Kim Wilcox presented the following personnel actions:

Appointments

Patterson, Eann, A., AN—Professor, Department of Mechanical Engineering, \$182,850, with Tenure, effective June 20, 2006.

Fair, Laura J., AY—Associate Professor, Department of History, \$78,000, with Tenure, effective August 16, 2006.

Trustee Romney **moved to approve** the recommendations, with support from Trustee Nugent.

Provost Wilcox said that Professor Patterson has been serving as Chair of his department since 2004. This request will make his status permanent.

Professor Fair has been an Associate Professor at the University of Oregon for the past 12 years. Her work is in 20th century Zanzibar popular culture and she has been teaching courses in pre-colonial and post-colonial Africa and in the social history of African women.

THE BOARD VOTED to approve the appointments.

Provost Wilcox presented the following Personnel Action:

Wurst, Karin, A. AY—Professor and Associate Chairperson, Department of Linguistics and Germanic, Slavic, Asian and African Languages, for a change in title to Dean, College of Arts and Letters and for a change from an academic year appointment to an annual year appointment with a salary change to \$180,000, effective October 16, 2006.

Trustee Porteous **moved to approve** the recommendation, with support from Trustee McNamara.

Provost Wilcox said that Dr. Wurst received a Ph.D. in German from Ohio State University. She has been at MSU since 1988. Dr. Wurst served as both Associate and Acting Chair of her department. She was the consensus recommendation of the faculty search committee for the dean's position.

THE BOARD VOTED to approve the appointment.

Provost Wilcox presented the final Personnel Action:

It is recommended that the Executive Management position titled Director of Risk Management and Insurance be established, effective November 1, 2006.

Further, it is recommended that approval for appointment and all other personnel actions related to this position be delegated to the Assistant Vice President, Chief Financial Officer (CFO) and Controller.

Trustee Cook **moved to approve** the recommendation, with support from Trustee Porteous.

President Simon asked Dr. Poston, Vice President for Finance and Operations and Treasurer, to comment on the recommendation.

Vice President Poston said that Patricia J. Fowler has filled this position for a number of years but is now retiring. As the responsibilities of this position were reviewed, it became clear that the duties are better suited to the executive management system.

THE BOARD VOTED to approve the recommendation.

6. Gifts, Grants, and Contracts

Vice President Gray said he had no official research report for the meeting, but he would give an update on the tour planned after the meeting. Dean Udpa has put together an agenda highlighting the growth areas in the College of Engineering. MSU was very successful in the recent 21st Century Jobs Fund competition, with the majority of the projects initiated within the College of Engineering. Dr. Bruce Dale, Professor of Chemical Engineering and Materials Science, will be present to demonstrate some projects that he has undertaken.

President Simon commented noted that each Trustee had been given a set of brochures. The brochures are part of the material that has been prepared to describe MSU's link in Africa. As many are aware, MSU has a strong research record in Africa and has very strong linkages. Now there is much Foundation interest in Africa. Part of matching the strengths and Foundation interests is having people understand what MSU does. Dr. Hudzik, Vice President for Global Engagement and Strategic Projects, has been actively involved along with Dr. Riedinger, Dean of International Studies and Programs, in preparing the materials.

Vice President Hudzik said that the brochures will be helpful in telling the MSU story. Seven or eight more brochures are in progress because MSU's involvement in Africa is so wide and deep that the story cannot be easily told in just a few pages. This is the first installment; the rest will be out in a month or so.

President Simon noted that the brochures provide a way of talking and thinking about this portion of the research portfolio. The brochures also position the University in a clear and straightforward way.

7. Finance and Audit Committee

A. New Investment Manager—Grantham, Mayo, Van Otterloo & Company

It was recommended that the Board of Trustees approve the selection of Grantham, Mayo, Van Otterloo & Company as a U.S. Equity manager.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Foster.

THE BOARD VOTED to approve the recommendation.

B. New Investment Manager—Frontier Capital Management

It was recommended that the Board of Trustees approve the selection of Frontier Capital Management as a U.S. Equity manager.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

THE BOARD VOTED to approve the recommendation.

C. Fund Functioning as an Endowment—Walter F. Patenge Chair of Osteopathic Medicine

It was recommended that the Board of Trustees establish a fund functioning as an endowment entitled Walter F. Patenge Chair of Osteopathic Medicine.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Porteous.

Vice President Poston said that this particular recommendation is a bit unusual. An endowment agreement exists but does not provide for the reinvestment of any part of the annual endowment allocation which remains unspent dollars. The University would like to reinvest those dollars for additional revenue.

President Simon added that Mr. Patenge has been a significant supporter of the College of Osteopathic Medicine. The endowment was set up before all of the procedures were in place for the spending policy as it relates to endowments.

THE BOARD VOTED to approve the recommendation.

D. Enterprise Business Systems Project

It was recommended that the Board of Trustees authorize the MSU Enterprise Business Systems Project. Based upon this authorization, the administration is directed to replace and upgrade existing electronic financial, research administration and human resource systems. The financial and human resource systems projects are to be completed by the conclusion of the 2010-11 fiscal year at a nonrecurring cost of approximately \$105 million (in current dollars).

Annual expenses are to be targeted to 80 percent of the stated budget. Quarterly briefings regarding the status of the project will be prepared by the project team for the Vice President for Finance and Operations and the Provost. Projected expenses above the 80 percent level will require the authorization of the Vice President for Finance and Operations. The Vice President and the Provost will, in turn, apprise the President of strategic issues and implementation parameters related to the project on a quarterly basis. The Trustee Finance and Audit Committee will be briefed twice annually regarding project status.

Over the five year period, recurring expenses will increase from \$2.2 million in the 2006-07 general fund budget to an estimated \$9.7 million annually by 2010-11. These recurring expenses will be funded through a combination of general fund support and an administrative overhead fee generally assessed to Auxiliary and Designated fund external revenues. The administrative overhead fee is expected to generate approximately \$4 million per year when fully implemented.

The administration is directed to include proposed annual project expenditures in the yearly MSU Budget Development Guidelines document, and append appropriate progress reports employing pre-established project timelines and benchmarks. Once the project is initiated, adjustments will be limited to incremental changes in resources committed, scope, or timing. An expert advisory committee will be formed to review the project periodically and provide strategic direction for it.

Trustee Nugent **moved to approve** the recommendation, supported by Trustee Foster.

Vice President Poston spoke of the time already invested in this project and asked that David Gift, Vice Provost, Libraries Computing and Technology, speak in more detail about it.

Vice Provost Gift explained that the longstanding tradition at MSU has been to focus technology investments on the student learning environment. Administrative systems, however, are one or two generations behind and need to be upgraded. There are numerous issues of fragility within the current systems. While these systems have served MSU remarkably well for nearly 40 years, they need to change to get into contemporary technologies.

The systems are all mainframe based and are not as interactive as they should be. The end-user decision support systems that are needed to operate the University at the level of individual business operations do not exist. These are multi-year projects and if they are not started now, serious problems may well occur.

President Simon asked for any Trustee comments.

Trustee Romney said that an enormous amount of work has gone into thinking through the program. In fact, it has been two or three years of discussing the problem and looking for alternative ways to accomplish this. After listening to the analysis that Vice Provost Gift and others involved have given, this is the soundest and most

economical way to go. Trustee Romney said this program will work wonderfully for MSU and wholeheartedly endorsed it.

President Simon commented that this project is very much like fixing a leaky roof. The University has many priorities, and some have been placed behind others in order to keep student learning and the research environment as competitive as possible. But, after so many patches you reach a point when you can no longer patch but must replace. It is essential that the University fulfill its corporate fiduciary responsibility and be able to account for people and money accurately.

Trustee Romney said that President Simon's analogy is very good because if this problem were a building and the building was falling down, it would be easy to recognize that a new one needed to be built. Because the project does not involve a physical structure, it is not as obvious. But, it is just as important as any physical structure because it is the highway on which all University information travels.

THE BOARD VOTED to approve the recommendation.

E. 2007-08 Appropriations Request

It was recommended that the Board of Trustees adopt the 2007-08 Appropriation Request, including needs for the University General Fund, the Michigan Agricultural Experiment Station and Michigan State University Extension.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Porteous.

THE BOARD VOTED to approve the recommendation.

F. Audited Financial Statements for the Year Ended June 30, 2006

It was recommended that the Board of Trustees accept the audited financial statements for the year ended June 30, 2006.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

Trustee Nugent commented that the Finance and Audit Committee received the report from the auditor. The University has an unqualified audit opinion again this year. Plante & Moran, PLLC, is the new auditor, and this was its first year working with MSU.

THE BOARD VOTED to approve the recommendation.

G. Authorization to Plan

It was recommended that the Board of Trustees authorize the administration to plan for modifications that will result in a material change to the campus footprint for the project entitled Campus Donor Recognition Landscape Feature.

It was recommended that the Board of Trustees authorize the administration to plan for modifications that will result in a material change to the campus footprint for the project entitled Physical Plant Storage Building No. 1—Addition.

It was recommended that the Board of Trustees authorize the administration to plan for the project entitled College of Human Medicine Medical Building—West Michigan Expansion.

It was recommended that the Board of Trustees authorize the administration to plan for the project entitled Hannah Administration Building—Alterations to 4th Floor.

Trustee Nugent **moved to approve** the recommendations as a group, with support from Trustee Romney.

President Simon noted that the purpose of the College of Human Medicine Medical Building—West Michigan Expansion resolution is to permit MSU to narrow the scope of the planning for a facility to be located along the Michigan Street corridor, placing it in close proximity to the Van Andel Research Institute. The facility was part of the stakeholders report for the expansion of the College of Human Medicine in West Michigan. MSU will be occupying research space in the Van Andel Institute's second building as part of the plan for the medical school expansion. A facility has to be built that would be the site of the Dean's office and the intellectual hub of the College of Human Medicine. This is an authorization to move ahead with that planning.

Trustee Porteous added that this is an important next step in the planning for the College of Human Medicine in West Michigan. As President Simon indicated, it helps to narrow the focus and allows MSU to take the next step. It does not eliminate other opportunities but allows MSU and the Grand Rapids community to further focus their efforts.

THE BOARD VOTED to approve the recommendations.

H. Authorizations to Proceed

It was recommended that the Board of Trustees authorize the administration to proceed with the project entitled Wilson Road Reconstruction—Phase II and approve a budget of \$3.6 million.

It was recommended that the Board of Trustees authorize the administration to proceed with the project entitled Spartan Village Elementary School & University Housing Office—Renovations and approve a budget of \$3.5 million for that project.

Trustee Nugent moved **to approve** the recommendations, with support from Trustee Foster.

THE BOARD VOTED to approve the recommendations.

I. Bid and Contract Award & Budget Adjustment—Natural Science—Replace Electrical Substation

It was recommended to the Board of Trustees that a contract in the amount of \$851,000 be awarded to Granger Construction Company, and that the budget be increased from \$1,300,000 to \$1,600,000, for the project entitled Natural Science—Replace Electrical Substation.

Trustee Nugent moved **to approve** the recommendation, with support from Trustee Ferguson.

THE BOARD VOTED to approve the recommendation.

8. Policy Committee

Trustee McNamara presented the Trustee Policy Committee Report and recommendations.

A. Naming Proposal: Football Operations Center

It was recommended to the Board of Trustees that the Football Operations Center, an expansion to the Duffy Daugherty Football Practice Building, be named the “Bob and Julie Skandalaris Football Operations Center,” and that the Football Hall of History, also part of the additions to and renovations of the Duffy Daugherty Football Building, be named the “Bob and Julie Skandalaris Football Hall of History.”

Trustee McNamara **moved to approve** the recommendation, with support from Trustee Porteous.

Dr. Webb, Vice President for University Development, said that Bob and Julie Skandalaris are truly outstanding individuals. Mr. Skandalaris is an alumnus of MSU having graduated in 1974. Mrs. Skandalaris has a distinguished career involving the American Red Cross and Detroit Country Day School. She has served on advisory boards with Duke and Washington University and has been involved in a variety of other community activities. Both Bob and Julie Skandalaris believe that a university has to have a strong intercollegiate athletics program. They also believe that football is one of the critical ingredients of an athletic program, and, therefore, wanted to donate \$5 million to the Operation Center and Hall of History that will carry their names.

THE BOARD VOTED to approve the recommendation.

B. Board Policy 01-01-09

It was recommended to the Board of Trustees that Board Policy 01-01-09—Board of Trustees Committee Structure be amended as indicated in Appendix A, effective January 1, 2007.

Trustee McNamara **moved to approve** the recommendation, with support from Trustee Porteous.

Trustee Nugent commented that this is a good resolution. It gives the Board a separate Audit Committee which is highly recommended by financial experts.

Trustee Porteous mentioned that there have been many articles in newspapers over the past several years about Sarbanes Oxley and publicly traded companies. While that law does not yet apply to non-profits or universities, this resolution is an indication that MSU is ahead of the curve in proactively looking at how to enhance corporate governance. Having a separate Audit Committee will allow the committee to focus even further on some of the emerging issues that touch the audit area.

Trustee Foster added that Cambridge Associates, MSU investment consultant, advocated that members be added to the Finance Committee who have investment advisory capacities. The University is taking Cambridge's best practices and adapting them to the Board's Committee Structure in this recommendation.

THE BOARD VOTED to approve the recommendation.

C. Enforcement of Emergency Directives and Executive Orders

It was recommended to the Board of Trustees that Ordinance 48.00 relating to Emergency Directives and Executive Orders, as presented in Appendix B, be approved and that subsequent ordinances be renumbered accordingly.

Trustee McNamara **moved to approve** the recommendation, with support from Trustee Gonzales.

Provost Wilcox asked Kristine Zayko, Associate General Counsel, to comment on the recommendation.

Associate General Counsel Zayko said that the proposed ordinance titled "Enforcement of Emergency Directives and Executive Orders" arises out of the authority the President has under the Board of Trustees Bylaws to take all actions necessary to promote, support and protect the interests of the University. This would include declaring and responding to an emergency situation on campus.

The Bylaws also recognize that the President may issue directives and executive orders that are not in contravention of any existing Board of Trustees policies. The President, therefore, has the authority both to declare a campus emergency and to issue any directives necessary to respond to that emergency. This ordinance provides an enforcement mechanism if there were a campus emergency and the President issued such orders.

THE BOARD VOTED to approve the recommendation.

9. Trustee Comments

Trustee Ferguson said that the Trustees are elected in a partisan way but that this Board functions very well in a non-partisan way. President Simon's leadership has made the Trustees even better. Trustee Ferguson stated that he is glad that MSU had a great year and that he is happy with the leadership of Chairman Porteous and the functioning of the Board as a whole.

Trustee Gonzales said that the gifts that MSU has received this year represent the belief that people have in MSU.

Trustee Foster noted that the Board has made significant strides in the past two years regarding transparency. This Board is open and available and dedicated to the success of MSU.

Trustee Nugent noted that the annual audit is not the most exciting thing at the University, but it is critical. The support shown by everyone across campus involved in the audit process was incredible. Trustee Nugent said that he wanted to compliment the financial staff on their efforts.

Trustee Romney said that he echoed what had already been said and agreed wholeheartedly. He thanked the faculty and students that participate with the Board and others in the governance and citizenship of the University.

Trustee Cook thanked President Simon for the effort that she has made to bring the Capital Campaign to a successful conclusion one year ahead of schedule. This would not have been possible without her leadership. The University Development staff also deserves thanks for this accomplishment. They have put the future in focus, as has President Simon.

Trustee Porteous said that one of the great qualities of exceptional and effective leaders is the ability to lead by example. President Simon's and Dr. Roy Simon's recent gift is a wonderful example of that. A donor group at MSU has been created in honor of former president Clifton Wharton that recognizes those individuals who give a cash gift between \$2.5 and \$5 million or a planned gift of \$3.75 million. These are extraordinary gifts by any measure. President Simon and Dr. Roy Simon entered that society based on their giving and their most recent commitment to the University. This sort of leadership has been essential in the successful movement of the Capital Campaign.

Trustee Porteous stated that the Board can feel good about the way it works together in a positive and collaborative way. He said that it was a pleasure to work, not only with such a great Board, but with a great Administration.

10. Public Participation on Other Issues

A. MSU Alternative Media Alliance

Matthew Liebler, Editor in Chief, *Spartan Weekly*, said that an exclusionary policy propagated by the *State News* is unfair and counterproductive to the goal of media on campus. Mr. Liebler explained that the MSU Alternative Media Alliance is made up of

four core media groups. The first is *Big Green*, an on-line publication that focuses on magazine style features. *Purpose* is the second member. It is a printed publication that focuses on minority and diversity issues. The third is *Spartan Edge*, which is an on-line publication featuring campus and local stories using state-of-the-art journalism techniques such as podcasting, blogging and video. The final publication is the *Spartan Weekly*, a satirical newspaper.

Mr. Liebler said that the *State News* has enacted a non-compete policy within the last year. The policy states that anyone working for the *State News* in any capacity, including writing, photography or editing, is barred from working for any other campus publication in any capacity. Mr. Liebler stated that the *Red Cedar Log* has given support to the MSU Alternative Alliance due to the issues that they have had with the policy of the *State News*. Student photographers contribute to the *Red Cedar Log* but the best photographers arguably work for the *State News*. The yearbook is not a publication that competes with that *State News* in any way. Mr. Liebler said that his group has urged the *State News* to reconsider its non-compete policy many times and has sent letters that have gone unanswered.

Alex Scott, Editor for *Spartan Edge*, said that the *State News* has special commitments to students as a MSU subsidized non-profit organization. The *State News* should treat other student publications as collaborators and not competitors. While the *State News* is an important part of MSU journalism, it cannot provide satirical or magazine writing, or writing on in-depth issues such as diversity, social diversity and justice, or multi-media and web news.

Ashley Symons, Editor in Chief of *Big Green*, noted that the non-compete clause affects current and future jobs and internships in the field of journalism. Journalism students that want experience in areas such as magazine writing, multi-media reporting or satirical writing have to choose between the *State News* and other forms of media since they cannot do both at the same time. Ms. Symons said that students who do not write for the *State News* may be questioned by future employers and viewed as less experienced or less qualified.

Cyrus McNeal, Editor of *Purpose*, said that the *State News* in no way competes with the other media on campus. Each publication has its own purpose. The *State News* has established itself on campus and should work toward advancing all journalism students.

11. Request to Adjourn

On a motion by Trustee Ferguson, supported by Trustee Cook, **THE BOARD VOTED to adjourn** at 11:46 a.m.

Respectfully submitted,

Alison E. Barber, Ph.D.
Secretary of the Board of Trustees