

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

January 16, 2004

The Trustee Finance Committee meeting was held in the Board Room of the Administration Building beginning at 2:05 p.m. on Friday, January 16, 2004. 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 2:16 p.m. in the Board Room.

Trustees present: Dolores M. Cook, Joel I. Ferguson, Dorothy V. Gonzales, Colleen M. McNamara, Donald Nugent, Randall L. Pittman, David L. Porteous and 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, Webb and Webster and Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Robert Maleczka, Michael Moch, 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. Porteous, supported by Mr. Romney, **THE BOARD VOTED to approve** the amended agenda.
2. On a motion by Mr. Romney, supported by Mr. Pittman, **THE BOARD VOTED to approve** the minutes of the meeting of December 5, 2003.
3. President's Report

President McPherson noted that:

-- The MSU Debate Team won two major tournaments during the winter break, both in California. The Debate Team consistently brings pride to the University by its excellent representation.

-- The MSU Young Spartan Program will be among the award recipients recognized at the City of Lansing's first annual Mayor's School Volunteer

Award Program on January 20th. This award recognizes organizations and programs that have undertaken a volunteer project in Lansing Schools. The Young Spartan Program has been in existence for ten years and will be honored for its longevity, quality of volunteers and programs.

-- Michigan State University's public television station celebrated its 50th anniversary yesterday. Trustee Cook appeared on one of the first WKAR television programs, "Campus Matinee," and was honored by being chosen to flip the switch into the digital age on January 15th, 2004, at exactly 11:07:25 A.M. That was the date, hour, minute and second that WKAR-TV first went on the air in 1954.

-- Associate Professor of Telecommunications, Pam Whitten, has been recognized by Congressman Mike Rogers as a "Local Legend" from Michigan. Local Legend is a joint project between the National Library of Medicine and the American Medical Women's Association. The honor is bestowed on women who demonstrate commitment, originality, innovation or creativity in the field of medicine.

4. Public Participation on Items Germane to the Agenda

There was no public participation germane to the agenda.

5. Personnel Action

Provost Simon presented the following personnel action:

Appointment

Loos, Alfred, AY- Professor, Department of Mechanical Engineering.
\$115,000, with Tenure, effective January 1, 2004.

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

Dr. Simon said that Dr. Loos comes to MSU from Virginia Tech, where he is currently serving as co-director of the Center for Composite Materials and Structures. He will be actively engaged in undergraduate and graduate teaching. He will also take a leadership role in translating research into cutting-edge technology for use in manufacturing, robotics, photo typing and rapid tooling. He has worked with the aerospace industry, as well as with other manufacturers.

6. Gift, Grant and Contract Report

There was no Gift, Grant and Contract Report.

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

- A. New Investment Manager – First Reserve Corporation

The Finance Committee recommended that the Board of Trustees select First Reserve Corporation as a private equity manager.

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

Mr. Pittman said that Cambridge Associates recommended that MSU make a \$3 million commitment to First Reserve Corporation. It is a fund of approximately \$2 billion. MSU would be one of the last to invest in the fund, as it is in the process of closing. First Reserve is very diverse in the energy sector and, based on its track record, would be an excellent candidate for investment by MSU.

Mr. Romney said that Cambridge Associates was instrumental in saving a space for the University to invest in this fund, in addition to recommending it.

Mr. Nugent said that several participants in First Reserve Corporation funds have over \$50 million invested.

- B. Construction Manager Appointment – Snyder/Phillips Hall Renovation

It was recommended that The Christman Company be appointed as the construction manager for the project entitled: Snyder/Phillips Hall Renovation.

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

Mr. Pittman pointed out that this project is part of the University's maintenance and reinvestment plan to preserve the quality of residence hall facilities. The funding comes from reserves that have been established over the years.

President McPherson noted that construction on this project would begin in May of 2005.

8. Chairman's Report

Trustee Porteous said that historically, during the summertime planning retreat, the Trustees review and evaluate the strategic plan of the University and performance of the President. During the retreat this past summer, there was very robust discussion as to the direction of the University and the tough challenges that will be faced. An evaluation of Interim President Simon was conducted but, because President McPherson was in Iraq at that time, it was not possible to have planning time with him or his evaluation. A planning discussion was held during the past two days that identified key issues for the University, particularly in the year 2004. The key initiatives were discussed with the President. They include:

- Capital Campaign. The importance of the Campaign's success is magnified by the very tough financial times the University now faces. It is key for the President to spend a significant amount of time on the Campaign to ensure its success.
- Budget Challenges. The budget challenges that have been so great for MSU during the past few years will continue. The State of Michigan is facing tremendous hardship. Because approximately half of the University's funding comes from the State, the impact of the State's financial difficulties will be felt at MSU.
- Rare Isotope Accelerator (RIA). A considerable amount of time has been spent on the RIA project, and 2004 will prove to be very crucial to its success.
- Medical School Expansion. It is very important for the President and his team to work through all aspects of possible relocation and expansion of the School of Human Medicine.

Numerous sub-issues will develop from these four points of interest.

As part of the goal-setting process and retrospective look at the past year, Trustee Porteous presented the following Resolution:

The Board of Trustees authorizes a three percent (3%) salary increase for President McPherson, effective October 1, 2003. This amount is consistent with the overall salary increase percent provided to MSU Faculty for the 2003-04 period. It establishes his salary and deferred compensation at \$293,600.

On a motion by Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to adopt** the Resolution.

Mr. Porteous pointed out that President McPherson declined to receive a raise a year ago, and has yet to receive a raise for the 2004 - 2005 year because of his leave of absence during the summer.

President McPherson said that he has been resistant to pay increases for a number of reasons, not the least of which is the very difficult financial situation in which the University finds itself at this time. Mr. McPherson expressed appreciation for the salary increase and affirmed the importance of the key initiatives described by Mr. Porteous. Mr. McPherson will return to the General Fund his salary increase.

President McPherson said that the approach being taken to evaluate the possible College of Human Medicine relocation is that it must be a win for Lansing and a win for Grand Rapids.

9. Trustees' Comments

A. Trustee Cook congratulated WKAR on its 50th Anniversary. WKAR's facility on campus has a profound impact on the people of Michigan. The original studio, in the early 1950s, was a quonset hut where the Breslin Center is now located. A lot of extraordinarily talented people worked at WKAR then and stayed at MSU and made their career in public television. Their service is a tribute to the University as well as a tribute to WKAR.

B. Trustee Gonzales thanked President McPherson for returning his salary increase to the General Fund.

Ms. Gonzales said the trip to San Antonio for the Alamo Bowl was great fun. At the reception, many people had very good things to say about the University and the direction in which it is headed.

C. Trustee McNamara passed.

D. Trustee Nugent said that Trustee Porteous sent a letter to the editor that was printed in the San Antonio newspaper. It was a very nice letter thanking the people of San Antonio for their hospitality. He thanked Mr. Porteous for taking that initiative.

Mr. Nugent said the farewell reception for Dean Jim Spaniolo was a very nice event. Dean Spaniolo expressed his belief that one of the

reasons he was offered the position of President of the University of Texas, Arlington, is that he was the only candidate from a major research university. Michigan State University is held in such high regard that it helped him be selected over candidates who held more traditional credentials for a presidency.

- E. Trustee Romney thanked the Athletics Department, University Development and the Alumni Association for arranging the many programs that were offered during the trip to the Alamo Bowl. It was a great tribute to the University to be invited to the Alamo Bowl.

Monday is Martin Luther King Day, and Mr. Romney wished everyone a good celebration of that holiday. Mr. Romney mentioned that when he was a student at MSU he met Dr. Martin Luther King, Jr. He described Dr. King as being a very humble and respectful person, but one who had great power.

- F. Trustee Pittman said that approximately half of the \$1.2 billion goal of the Capital Campaign is dedicated to faculty members and endowed chairs. The faculty has been loyal and has made Michigan State what it is today. The Capital Campaign isn't just about building buildings. Most importantly, it's about faculty. Asking alumni to donate to their alma mater contributes to the quality of Michigan State University and the quality of tomorrow's education. The Trustees all view the success of the Capital Campaign as a joint effort for them and President McPherson.

- G. Trustee Ferguson passed.

10. Public Participation on Issues Not Germane to the Agenda

There was no public participation on issues not germane to the agenda.

On a motion by Mr. Ferguson, supported by Ms. Gonzales, **THE BOARD VOTED to adjourn** at 2:44 P.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees