

MINUTES OF THE SPECIAL MEETING
of the
FINANCE COMMITTEE
June 30, 1967

The Trustees met as a Finance Committee in the Kellogg Center beginning with a dinner at 6:15.

Present: Messrs. Harlan, Hartman, Merriman, Nisbet, Smith, Stevens, Thompson, and White;
President Hannah, Treasurer May, and Secretary Breslin.

Absent: No one.

1. Communication from Mr. May and Mr. Neville:

Discussion of
1967-68 Budget

At the May meeting of the Board, a report was made to the Trustees that the minimum budget for 1967-68 would require an additional \$6,231,000. The detail of the use of the additional funds as presented to the legislature and our Trustees is as follows:

Michigan State University
Proposed Increases in Budget
1967-68

1) New Academic Staff

Faculty	140	\$1,807,256	
A-P and Clerical, Librarians	40	313,771	
Graduate Assistants	48	121,734	
Summer School		<u>108,300</u>	\$2,351,061

2) Academic Supplies and Equipment 468,992

Of this amount, \$225,000 has been allocated to the two new colleges and the medical school. The balance would be used to meet the increased cost of supplies and equipment.

3) Salary and Wage Adjustments

Faculty		\$1,187,207	
Administrative-Professional		189,733	
Clerical		350,765	
Labor		<u>317,242</u>	2,044,947

4) Non-Academic

Administrative-Professional	17	\$ 144,500	
Clerical	28	125,000	
Supplies and Services		255,500	
Equipment		<u>61,000</u>	586,000

5) Physical Plant

Maintenance of new space		\$ 468,333	
Fire, insurance, grounds, sewer services		114,035	
Protective services		27,700	
Increased cost of supplies and services		<u>169,932</u>	780,000
			<u>\$6,231,000</u>

In the past few weeks the prospects for tax reform have diminished. The Senate has passed an appropriation bill for higher education which contains only \$37,896 of additional money for Michigan State University. The prospects for any substantial increase are so dim that it seems imperative that the University consider all of the alternatives for a budget which will result in the least possible long-range harm.

As you know, in the past half dozen years considerable progress has been made both in handling the large increase in numbers of students and in raising the quality of our undergraduate and graduate programs. The work has been done by a large number of faculty including several hundred of the brightest youngpeople who could be found in the country, and the prospects for the future look as bright as they have for many years. We would be less than responsible if we did not recommend a budget program to you which will maintain the momentum developed over these past few years and which would maintain the morale of all the faculty and staff of the University.

In developing a budget plan, it is assumed that the University will:

- 1) Meet existing commitments for new staff.
- 2) Provide reasonable salary and wage adjustments.
- 3) Maintain new space.
- 4) Make all possible economies to minimize the effects of the budget.
- 5) Develop a new fee schedule and student aid program to insure that fee increases do not price any Michigan student out of an education.
- 6) Develop a balanced budget.

June 30, 1967

Special Finance Committee Meeting Minutes, continuedDiscussion of
1967-68 Budget1. 1967-68 Budget, continued

Using the above basic guidelines, we will detail in a series of actions how we can meet the budget crisis created by the failure of the legislature to provide funds needed for a minimum increase in the 1967-68 budget of \$6,231,000. The actions suggested are in priority order.

Priority I

Make the following changes in the tentative budget as originally presented to the legislature:

- | | | |
|---|----------------|------------------------|
| 1) Reduce allocation of student fees for buildings | | \$ 400,000 |
| 2) Recovery to general budget of indirect expense on contracts: | | |
| Recovery | \$ 600,000 | |
| Less allocations to departments | <u>250,000</u> | 350,000 |
| 3) Recovery to general budget on fellowship program grants from federal government: | | |
| Expected grants | \$ 540,000 | |
| Less grant to colleges | \$ 270,000 | |
| to Provost reserve | <u>135,000</u> | <u>405,000</u> 135,000 |
| 4) Fees from additional students (increase in enrollment at current fees) | | 400,000 |
| 5) To general budget from charges to new dormitory for utilities | | 37,020 |
| 6) Increase in state appropriation (Senate Bill 72) | | <u>37,896</u> |
| | | \$1,359,916 |

Priority II

Increase the fee for non-residents from \$1,020 to \$1,200 per academic year. Estimated increase in fee revenue \$1,339,904

Priority III

Increase the fees for Michigan students as follows:

- | | | |
|---|--------------------|-----------|
| 1) Increase resident fee \$96 per academic year from \$354 to \$450 | \$2,939,367 | |
| 2) Increase fee for off-campus students from \$15 to \$17 per credit hour | 82,474 | |
| 3) Increase fee for graduate thesis credits from \$30 to \$40 per unit | <u>61,413</u> | |
| | <u>\$3,083,254</u> | |
| Less special reserve for student aid to be used as outlined in Exhibit A | <u>500,000</u> | 2,583,254 |

Priority IV

Defer allocation of funds for the following programs. These items are not eliminated, but are placed in a deferred category to be reinstated should funds become available.

Academic Areas

- | | | |
|--|---------------|------------|
| Postpone genetics program | \$ 75,000 | |
| Delay filling positions for which firm commitments to prospective employees have not been made | 200,000 | |
| Library (postpone book purchases) | 100,000 | |
| Mathematics (defer) | 25,000 | |
| Clinical medicine (postpone employing staff for clinical program) | 125,000 | |
| Eliminate funds for price increases in cost of supplies and equipment (requires departments to assume price increases within current budgets | <u>40,000</u> | \$ 565,000 |

Discussion fee
increases for
1967-68

June 30, 1967

Special Finance Committee Meeting Minutes, continued1. 1967-68 Budget, continuedDiscussion fee
increases for
1967-68Priority IV, continuedOther

Defer painting, repairs, and general maintenance	\$ 168,000		
Reduce budgets of Physical Plant, Cleaning, etc.	132,000		
Reduce allocations for all service and administrative functions	<u>150,000</u>	<u>\$ 450,000</u>	\$1,015,000

It should be understood that if our appropriation from the legislature is increased above the \$37,896 shown in Priority I that the increase will be first applied to Priority IV and, then, to III. For example, if the legislature should appropriate the funds recommended by the Governor, the \$3,049,133 of additional funds would first eliminate the need for budget deferments listed under Priority IV. Next, consideration could be given to reduce fee increases outlined in Priority III.

Finally, we would recommend that the Board not take specific action on student fees until the legislature has finalized an appropriation for the University.

We would suggest that the Trustees authorize the officers to develop a budget based on these recommendations and Exhibits A and B with the understanding that required fee increases will be approved at the July meeting of the Board of Trustees if such action is necessary.

Motion was made by Mr. Nisbet, seconded by Dr. Smith, to approve the principles outlined for the purpose of authorizing the officers of the University to prepare the budget for 1967-68 following the basic suggestions with reference to wages and salaries, possible deferments of certain expenditures, and an increase in the fee structure sufficient to produce a balanced budget, the specific fees to be dependent on the amount of the appropriation finally authorized by the legislature.

After substantial debate, the question was called for; and the vote was 4 yeas and 4 nays, with Messrs. Harlan, Hartman, Stevens, and White voting nay.

After further discussion, the President indicated that there seemed to be no other acceptable alternative but for the officers to prepare a proposed budget using the suggested outline for consideration at the July meeting, and he expressed the hope that a majority of the Trustees would approve it.

2. Communication from Mr. May:Allocations for
year-end
projects
approved

It has been customary for many years to take care of major repairs and renovation of roads, walks, grounds and building and utility items out of year-end balances. These non-recurring items are held until near the end of the fiscal year and are then reviewed and recommendation prepared for Board approval. Confirming our conversation, I recommend that the Trustees authorize the following projects and authorize allocations immediately from the General Fund:

a. Academic Department Projects:

1) Human Biology Laboratory	\$ 105,000	
2) Faculty offices, fourth floor Computer Center	23,500	
3) Faculty offices, Berkey Hall	7,170	
4) Chemistry storeroom, ventilation	15,000	
5) Chemistry laboratory, remodel	24,700	
6) Emergency lighting	10,000	
7) Home Economics, animal cave	2,500	
8) Booster pump, glass blowing	<u>3,000</u>	\$ 190,870

b. Physical Plant Utilities:

1) To complete North Campus electric vault	\$ 53,000
2) Water	
16" well main, Forest Road to Mt. Hope	35,000
New well, pump and house	50,000
Relocate reservoir controls to Power Plant '65	15,000
3) Heating	
Additional guides to main steam line	10,000
Manholes and campus security	8,500
Erickson Hall, control and ducts	5,000
4) Electric	
Portable 500kw generator	65,000
New lighting campus	10,000
South Kedzie, 132kw service	10,000

June 30, 1967

Special Finance Committee Meeting Minutes, continued2. Year-end balances, continued

b. Physical Plant Utilities, continued

5) Masonry Repairs		
Natural Science Building	\$ 14,500	
IM Building	22,000	
Eppley Building	12,500	
Student Services Building	4,000	
Wall Old Practice Field	2,000	
6) Buildings		
Agricultural Hall roof	32,000	
Giltner Hall, replace flashing	12,000	
Home Economics, suspended ceiling	11,000	
Jenison, replace water softener	8,500	\$ 380,000

c. Grounds and site work:

1) Road Repairs (items 1-5)	\$ 43,000	
2) Parking lot repairs (items 4, 6, 7)	36,000	
3) Bus stops	3,600	
4) Walks and bicycle routes	10,900	
5) Miscellaneous improvements (items 1-5)	19,550	113,050

d. General Improvements and Miscellaneous:

1) Olds Hall, remove shop and close building	\$ 52,000	
2) Wells Hall, utilities to building	50,000	
3) Kellogg Station	27,800	
4) Site work required about new Administration Buildings	50,000	
5) Tornado warning system	7,500	
6) Planetarium (to complete)	2,000	
7) Kresge Art Center (to complete)	7,348	
8) Farm Lane bridge (to complete)	18,350	
9) Veterinary Science Building (to complete)	1,132	
10) Geology cameras	800	
11) Scotch Highlanders	1,500	
12) Alaskan research (Miller)	700	
13) Beef cattle research	30,000	249,130

Mr. Merriman moved, seconded by Mr. Harlan, that this recommendation be approved with the understanding that item b-3 "Additional guides to main steam line, \$10,000" and item b-4 "Portable 500kw generator, \$65,000" be subject to approval after study by Mr. Harlan; and if he thinks either or both should be deferred, the sum of money hereby allocated for these items is to be made available and used for the purpose of purchasing needed library books on a non-recurring basis. Unanimously approved.

Pres. and VP
Bus. and Finan.
authorized to
make necessary
year-end
adjustments

3. Communication from Mr. May:

For many years it has been customary for the Trustees to authorize the President and Vice President for Business and Finance to make any necessary year-end adjustments when the books are closed.

I would again like to request the Trustees to give us this authority with the understanding that any adjustments are to be reported back at the completion of the audit by Ernst & Ernst.

On motion by Mr. Thompson, seconded by Dr. Smith, it was voted to approve Item 3.

Approval pur-
chase Pearl
Widman property

4. Communication from Mr. May:

We need Board approval for the purchase of the following two pieces of real estate:

- Pearl Widman property. Consists of 12.198 acres of land located at 4207 Aurelius Road which abuts the property on the west owned by Michigan State University and more commonly known as the Bear Lake property. The purchase price is \$21,956.40.
- Mr. and Mrs. Bernard F. Gaffney, Sr., property. Located at 3534 Forest Road. Property consists of a three-bedroom, ranch-style house built in 1954, and a lot 185' x 264'. The purchase price is \$28,500.

Approval pur-
chase Bernard
Gaffney, Sr.
property

On motion by Dr. Smith, seconded by Mr. Stevens, it was voted to approve Item 4.

Discussion of
bids for New
Graduate
Dormitory

5. On June 13 the following bids were received for the New Graduate Dormitory:

<u>General Work</u>	
Christman Company	\$5,535,000
Miller-Davis Company	6,043,000
<u>Mechanical Work</u>	
Spitzley Corporation	2,085,000
Robert Carter Corporation	2,273,000
John Green Plumbing & Heating	2,288,000
Shaw-Winkler, Inc.	2,324,000
Donald Miller Company	2,396,000
Stanley-Carter Company	2,499,000

June 30, 1967

Special Finance Committee Meeting Minutes, continued5. Bids for New Graduate Dormitory, continuedDiscussion of
bids for New
Graduate
DormitoryElectrical Work

Central Electric Motor & Construction Company	\$ 687,251
Hatzel & Buehler	742,800
Hall Electric Company	775,000
Barker-Fowler Company	785,200
Fox Electric, Inc.	820,000
Lansing Electric	918,692

Electric Elevators

Haughton Elevator	152,433
Otis Elevator Company	159,870
Westinghouse Electric Corporation	160,438

Food Service Equipment

Great Lakes Hotel Supply	\$ 294,494
Canton China & Equipment Company	311,764

Finish Hardware

Knoblock Hardware Company, Inc.	\$ 100,985
Sterling Doorware Company	103,900
Grand Rapids Screen Company	108,000

The combination of the low bids would result in a project budget as detailed below:

Construction	\$8,855,163	
Engineering Inspection	<u>88,551</u>	\$8,943,714
Architect		445,000
Utilities		581,700
Site		55,000
Furnishings		600,000
Contingency		<u>74,586</u>
		\$10,700,000

Since receipt of the bids, the architects and our staff have been analyzing the bids to determine the cause of the project coming in far over the budget. It should be noted that the mechanical and electrical work was bid for less than our estimate, but that the architectural work far exceeded our estimate.

From the start it was recognized that a completion date of August 15, 1968, was a very tight schedule for the contractors. Further, if there are strikes in the building trade in the spring of 1968, as appears likely, the project would not be ready for use when the 1968 fall term opens. The Christman Company qualified its bid that its price was based on a normal 40-hour week. In post-bidding conferences, the firm indicated that it could not possibly complete the project in the time specified. The Miller-Davis firm, which submitted the high bid, indicated that it had made provision in its bid for additional framing lumber, equipment, temporary roofs, etc., to deliver the project at the specified time, but that any completion was contingent on a no-strike labor market.

From the studies which have been made to date, it appears most unlikely that the dormitory would be ready for use in the fall of 1968 and that the tight bidding schedule unnecessarily inflated the bids and probably prevented some contractors from submitting a bid. It is, therefore, our recommendation that the Trustees:

- Reject all general architectural bids.
- Authorize the University's architect to make any revisions in plans which could result in substantial price reductions.
- Establish a new completion date for the spring of 1969.
- Rebid the project prior to the September meeting of the Trustees.

Since the electrical contractor with the low bid has indicated it will hold its bid for 90 days, I would recommend the electrical work not be rebid. The mechanical contractor was \$187,000 under the second low bid and because this change in starting date and completion date would result in much higher labor costs, he has asked for an adjustment of \$78,500 in his bid. This seems reasonable, but I would want to study the request for a price adjustment further before reaching a conclusion on whether this part of the work should be rebid. We have not yet contacted the other bidders to see whether they would extend their contracts for 90 days.

On motion by Mr. Merriman, seconded by Mr. White, it was voted to approve this recommendation. Mr. Harlan abstained.

- At the June meeting it was understood that Dr. Fuzak would be granted a leave for rest, and the action was so worded as to make the compensation during the leave at the reduced rate after transfer to the College of Education. It is recommended that this action be corrected so that he will receive compensation at the present rate until September 15 and at the new rate effective September 15, 1967.

Approval of
compensation
rate for leave
for Dr. Fuzak

On motion by Mr. Harlan, seconded by Mr. Hartman, it was voted to approve the above recommendation.

June 30, 1967

Special Finance Committee Meeting Minutes, continued

Discussion regarding negotiations with labor union

7. Mr. Breslin raised a question as to how he was to proceed with negotiations with the labor union on wages and economic issues since our union contract expires this evening at midnight and has been temporarily extended for only 21 days.

By consensus, it was agreed that Mr. Breslin should negotiate within a 6 percent pay increase including all fringes, the contract to be subject to final Trustee approval.

Mr. May authorized to meet payrolls

8. Mr. May asked for authority to meet the payrolls that occur between now and July 21 at the current pay rates.

On motion by Mr. Nisbet, seconded by Mr. Stevens, it was voted that this authorization be approved.

Oakland Univ. Authorization to proceed with new parking lots

9. Bids for the new parking lots at Oakland University were opened on June 28 and the following contract prices were quoted (in a communication from Mr. Varner):

E. T. Cook, Inc.	\$185,000
Sterling Garrett, Inc.	195,000
Gordon Selway, Inc.	Bid rejected because it did not meet specifications

Giffel and Webster, Inc., our consulting engineers, have reviewed the bids and recommend that the bid of E. T. Cook, Inc., be accepted.

The budget for this project is:

Construction	\$185,000
Engineering Fees	9,250
Contingency	5,750
	<u>\$200,000</u>

The financing of this construction has been discussed with Mr. Philip May. It is our plan to bring to the July 20 Board meeting a total financing package, but in the meantime we would appreciate authorization from the Board of Trustees to proceed so that we can start construction immediately in order to have the parking lots ready for the fall semester.

On motion by Mr. Nisbet, seconded by Mr. Thompson, it was voted to approve this recommendation.

Location of July Board meeting changed to Kellogg Center

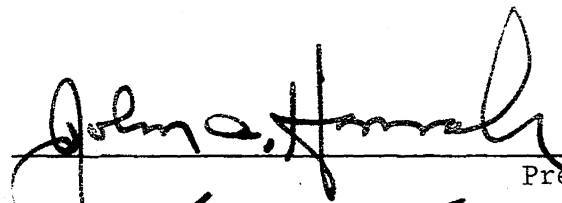
10. Discussion of date and location for the next Trustees' meeting.

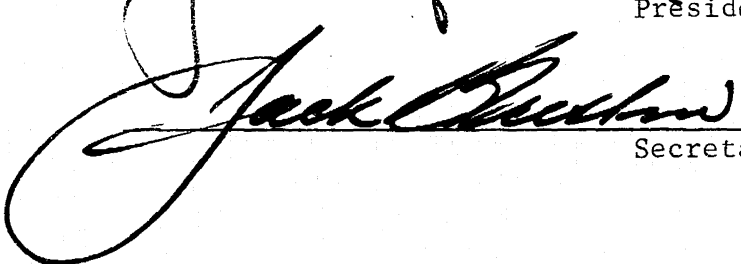
After suggestions in favor of holding the meeting at Oakland University as originally scheduled, and others favoring the meeting at Michigan State University, it was agreed that the meeting should be held at Oakland on the morning of Friday, July 21, with the Trustees being invited to come to Oakland to attend the symphony concert on the previous evening of Thursday, the 20th.

After the meeting had adjourned and a discussion involving President Hannah and Chancellor Varner, it was agreed that it would be better all around if this meeting is held at Michigan State University rather than at Oakland. All of the books, records, and information that may be desired by the Trustees in connection with the budget discussion are in East Lansing.

It is therefore suggested that the July 21 meeting be in the Kellogg Center either following the usual format with the dinner the evening of the 20th, or if it is desired by the Trustees it could be a one-day meeting beginning with a breakfast on the morning of July 21.

Adjourned.


President


Secretary