

MINUTES OF THE MEETING
of the
MICHIGAN STATE UNIVERSITY
FINANCE COMMITTEE
January 9, 1973

President Wharton called the Finance Committee meeting to order at 7:15 p.m. in the Heritage Room, Kellogg Center.

The following members were present: Trustees Carrigan, Huff, Martin, Merriman, Radcliffe, Stack, Stevens, and Thompson; President Wharton, Executive Vice President and Secretary Breslin, Vice Presidents Wilkinson and Scott, Provost Cantlon, Assistant to the President Ballard, Attorney Carr.

Absent: No one.

1. President Wharton and Vice President Wilkinson reviewed for the Trustees the previous work of the Audit Committee. President Wharton indicated that Trustee Thompson and Trustee Martin were current members of the Audit Committee and could be reappointed should the Board so desire.

Trustees Martin and Thompson reappointed to Audit Committee

Motion was made by Trustee Stevens, seconded by Trustee Merriman, to reappoint Trustees Thompson and Martin to the Trustee Audit Committee. Unanimously approved.

Trustees Stevens and Merriman pointed out that there were no other active committees of the Board, all other Board committees having been disbanded.

2. President Wharton indicated that it would be necessary for the Board of Trustees to choose four of its members to serve on the MSU Foundation Board of Directors. Trustees Carrigan, Huff, Stack, and Thompson were selected. It was also agreed that a rotation system would be worked out so that all of the Trustees would have an opportunity to serve on this Board.

Trustees Carrigan, Huff, Stack, Thompson appointed to MSU Found. Board of Dir.; rotation system to be developed

On motion of Trustee Stevens, seconded by Trustee Radcliffe, the appointment of the above Trustees to the Foundation's Board of Directors was approved, along with the establishment of a rotation system whereby all will have an opportunity to serve on the Board before the end of their terms as Trustees.

3. President Wharton reviewed the reason for the establishment of the annual Trustees' Distinguished Citizen Awards. He indicated these awards were designed for people who would not normally be awarded honorary degrees by the University and would primarily be awarded to Michigan citizens who had contributed long and distinguished public service within the state. After discussion, it was suggested that a two-person committee be established to review possible candidates for the Trustees' Awards. It was suggested that the committee come in with three names from which the Board would select two. It was further agreed that the administration would furnish background information on all possible candidates.

Trustees Stevens and Thompson appointed to identify candidates for Trustees Distinguished Citizens Awards

On motion by Trustee Huff, seconded by Trustee Merriman, the committee of Trustees Stevens and Thompson, as well as the selection procedure, were approved.

4. It was recommended that the Trustees approve an additional \$21,000 to be paid to Robert H. Hayes and Associates, Inc., of Chicago, to cover the cost of the complete A-P study. This recommendation was made because the scope of the study is greater than originally anticipated.

Approval additional \$21,000 appropriation to complete A-P Study

RESOLVED that an additional \$21,000 be paid to Robert H. Hayes and Associates, Inc., to cover the cost of the complete A-P study.

Unanimously approved. Motion by Trustee Thompson, seconded by Trustee Stevens.

5. It was recommended that Michigan State University sell to the Michigan State Department of Highways a narrow strip of land along Michigan Avenue from the Beal Street entrance to Harrison Road. The Highway Department needs this land so as to provide a bus lane for the University buses as requested by us, as well as to provide space for the sidewalk on the south side of the east-bound lane. This amounts to 2.1 acres of land and the Highway Department will pay the University \$100.

Approval sale of strip of land along Mich. Ave. to State Highway Dept.

RESOLVED that the Board of Trustees approves the sale of the strip of land as described above to the Michigan State Department of Highways for the sum of \$100.

Unanimously approved. Motion by Trustee Thompson, seconded by Trustee Merriman.

7. Board Memberships for President Wharton, continued

Board member-
ships for
Pres. Wharton,
cont.

The MSU Board has established general University policy under which no more than two days a month can be spent by a faculty member on consulting or other personal business activities. It was recognized, however, that some members of the Board of Trustees have expressed concern over extensive outside activities with corporations. It was felt that the amounts of directors' fees paid by corporations, which may be proportionately large in relation to University salaries, could give a possible appearance of conflict between an individual's responsibilities to the University and his duties to the corporation.

This matter has been considered by the University Attorney, Mr. Leland W. Carr, Jr., who has advised that under the power vested in the Board of Trustees by the Michigan Statutes, it would be within the direction of the Board of Trustees to impose, as a condition upon President Wharton's acceptance of the directorships with Ford Motor Company and with Burroughs, he not receive any director's fees or other compensation from the company for services as a director. Counsel further advised that the imposition of such a condition would protect the interests of the University against any possible appearance of a conflict of interest, and at the same time would preserve to the University the advantages of having its President serve as a director of these companies -- from the standpoint of the benefit to be gained in keeping abreast of affairs in the business community and serving the general public. In fact, serving without receiving personal gain from such fees would enhance President Wharton's ability to genuinely serve the public interest.

University Attorney Carr has further advised that service on such boards would not constitute a conflict of interest under Act 318, Public Acts 1968. This act stipulates that there is a conflict of interest when a state officer has personal interest of such substance as to induce action promoting the contract.

In the present instance of relationships between the University and the two corporations, and the precise conditions of President Wharton's proposed relationship to these boards, in Attorney Carr's opinion there is no substantial interest as would establish a conflict of interest.

Therefore, it was the consensus of the Board of Trustees that the Board should approve President Wharton's acceptance of the directorships of Ford Motor Company and the Burroughs Corporation, and that the MSU Board of Trustees should stipulate as a condition in President Wharton's agreement with the University that he shall have no right to receive any director's fees or other compensation whatever from these companies for his services.

In so doing, the Trustees also expressed the view that in order to compensate the University for the time devoted by the President in carrying out his duties as a director of these companies, the University should enter into an arrangement with the Ford Motor Company and with the Burroughs Corporation under which these companies would pay directly to the University, for its unrestricted use, an amount equivalent to any director's fees which, in the absence of the imposition of the above condition, would have been paid by the company to the President as a director.

Finally, President Wharton reported that he had received an inquiry from his old organization, the Agricultural Development Council, to join their board. For obvious sentimental reasons, he would like to accept and would do so again with the appropriate substitutions. The Board concurred.

Whereupon Trustee Thompson moved and Trustee Stevens seconded the following resolution:

Whereas, the President of the University, Dr. Clifton R. Wharton, Jr., has requested the Board of Trustees to consider the question of his acceptance of a position as a member of the Board of Directors of Ford Motor Company, Dearborn, and of the Board of Directors of Burroughs Corporation, Detroit, Michigan, while he continues to serve as President of the University, and

Whereas, in order to avoid any possible appearance of conflict between Dr. Wharton's responsibilities to the University and his duties to Ford Motor Company and to the Burroughs Corporation, as a director of those corporations, the Board of Trustees, under powers invested in it pursuant to Statutes of the State of Michigan for the government of Michigan State University, desires to impose certain conditions upon Dr. Wharton's acceptance of the directorships at Ford Motor Company and at Burroughs Corporation.

RESOLVED, that the Board of Trustees hereby approves the acceptance by Dr. Wharton, President of the University, of a position as a member of the Board of Directors of Ford Motor Company and of the Board of Directors of the Burroughs Corporation, subject, however, to the condition in his agreement with the University that Dr. Wharton shall have no right to receive any director's fees or other compensation whatever from Ford Motor Company or from the Burroughs Corporation in consideration for his services as such a director, other than reimbursement of actual expenses connected with his attendance of company meetings, so long as he remains in the employment of the University and this resolution remains in effect, and

Board member-
ships for
Pres. Wharton,
cont.

7. Board Memberships for President Wharton, continued

FURTHER RESOLVED, that the University shall enter into appropriate arrangements with Ford Motor Company and the Burroughs Corporation under which the companies shall pay directly to the University an amount equivalent to all directors' fees and any other compensation which would, in the absence of the conditions imposed by these resolutions, have been payable by these companies to Dr. Wharton as such director, and

FURTHER RESOLVED, that the appropriate officers of Michigan State University, and Mr. Leland W. Carr, Jr., University Attorney, shall be and they hereby are authorized and directed to implement and carry out all of the provisions of the foregoing resolutions, including the negotiation and execution of any contracts, agreements, and other instruments that may be appropriate or desirable for this purpose.

Finally, that the Board approves the acceptance by Dr. Wharton of a position as a member of the Board of Directors of the Agricultural Development Council.

Passed unanimously.

8. President Wharton reviewed the grievance filed by Professor Bob F. Repas. The President indicated that he could not be involved in this grievance because the grievance would finally come to him for action under Section 5.

Clarification
of President
Wharton's
position re
grievance filed
by Prof. Bob F.
Repas

After discussion, on motion by Trustee Huff, seconded by Trustee Carrigan, it was unanimously voted to approve the following letter which President Wharton was authorized to send to Professor David J. Kallen clarifying the President's position relative to this grievance.

Dear Professor Kallen:

I have received your letters of January 2 and January 8 which report that Professor Repas has sought to name me as a party to his grievance concerning the selection of the Faculty Grievance Officer. These letters have been reviewed with the MSU Board of Trustees to clarify their intent in adopting these procedures. Their review established that, without judging the merits of his grievance, my involvement at this level of the grievance procedure is not appropriate for the following reasons. First, since the Faculty Affairs and Faculty Compensation Committee advises the Provost on appropriate academic matters and he in turn takes the initial administrative action before submission to me, it appears that his availability at this stage is all that is necessary. Further, since the final resolution of all grievances under the Interim Faculty Grievance Procedure rests with the President (see 5.), any premature entry into the procedure would jeopardize due process as intended.

I have, therefore, requested the Provost or his designee to be available for the hearing on this grievance.

Sincerely,

Signed: Clifton R. Wharton, Jr.

Univ. attorney
asked to submit
review of Univ.
grievance
procedures

9. The Board of Trustees indicated great concern over the current grievance procedures of the University because of much overlapping and duplication. The Board asked the University Attorney, Mr. Leland W. Carr, Jr., to submit to the Board a complete review of the University's grievance procedures.

The above action was unanimously authorized on motion by Trustee Merriman, seconded by Trustee Huff.

Meeting adjourned.


President


Secretary