

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

February 12, 2003

The Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 9:00 a.m. on Wednesday, February 12, 2003. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

President McPherson called the meeting of the Board of Trustees to order at 9:30 a.m. in the Board Room.

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

University officers present: President McPherson, Provost Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, Huggett, June and Webb, Executive Director Williams and Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Jonathan Hall, Linda Lou Smith, Steven Spees, Brian Teppen, and Jan Eberly substituting for James Potchen. Student Liaisons present: Jim Ciszewski, Matthew Clayson, Misty Staunton and Matt Weingarden.

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

1. On a motion by Mr. Ferguson, supported by Mr. Nugent, **THE BOARD VOTED to approve** the agenda.
2. On a motion by Mr. Romney, supported by Ms. Cook, **THE BOARD VOTED to approve** the minutes of December 6, 2002, December 23, 2002, and January 10, 2003.
3. President's Report
 - A. President McPherson expressed his deep appreciation for all those who are participating campus-wide in the budget reduction discussions. He noted that a cross-campus participation, rather than centralized administrative participation, is the best way to get an overall perspective.

- B. President McPherson mentioned that on the evening of February 13, 2003, there would be a President's Forum on Iraq. He said there is no timelier topic, other than the budget, than discussion on Iraq. There will be faculty participation, offering "both sides" of the issue and it is expected that a range of views will be presented by the audience.
- C. President McPherson noted that the Alumni Distinguished Scholarship group, consisting of hundreds of students who take the examination in an effort to earn full-time scholarships, was recently on campus.

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 actions:

- 1) Dietz, Thomas M., Departments of Sociology; Crop and Soil Sciences, \$150,000, with Tenure, effective January 1, 2003.
- 2) Kalof, Linda E., Departments of Sociology; Resource Development, \$82,000, with Tenure, effective January 1, 2003.

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

Regarding the appointment of Thomas M. Dietz, Provost Simon said he will lead the Environmental Science and Public Policy initiative. He was originally invited to Michigan State to be a visiting faculty member for this semester; he is one of the leading experts on environmental science and policy and has the capacity to provide administrative leadership. Vice President Huggett added that Professor Dietz is an extraordinary scientist and a great leader; he is internationally known as an expert in the area of risk assessment. He has already made great strides in bringing together a very diverse group of faculty members. Bringing this group together will make the University the strongest group in the United States, if not the world.

Regarding the appointment of Dr. Kalof, Provost Simon indicated that she, too, works in the area of environmental science and policy

and has a distinguished research record. She won a University Teaching Excellence Award in 2001 from George Mason.

6. Gift, Grant and Contract Report

Vice President Huggett presented the Gift, Grant and Contract Report for the period of November 22, 2002, through January 27, 2003, with a total value of \$34,669,683.21.

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

Ms. Cook inquired of Vice President Huggett whether he had noticed any downturn in gift and grant activity. Vice President Huggett indicated he had noticed a dramatic downturn – a total of \$29,000,000 in research and education and approximately \$47,000,000 in research – only part of that is expected to be recovered. For example, we have yet to secure the annual operating allocation (approximately 15M) from NSF because NSF has yet to increase its '03 budget allocation. A number of items were presented to the Board at the end of the last fiscal year to carry over into this year, resulting in some accounting differences. Plus, last year we received approximately \$12,000,000 - \$14,000,000 more in the Life Science Corridor than this year. There was \$100,000,000 that was divided, representing two years of money, and this year there was only \$45,000,000 to be divided. Our research expenditures are up about 12% this year, which is a very positive sign. President McPherson pointed out that the continuing resolution is having a ripple effect throughout the country. Vice President Huggett mentioned that in addition to the creation of the Department of Homeland Security, various parts of agencies and budgets are being shifted, and contracts are being slowed down.

7. Committee Chairperson Pittman presented the Trustee Finance Committee report and recommendations.

A. Bids and Contract Awards

- 1) It was recommended that a contract in the amount of \$1,522,000 be awarded to Northern Boiler Mechanical Contractors, of Lansing, Michigan, and that a budget in the amount of \$2,100,000 be established for the project entitled: Regional Chilled Water Plant No. 1 – Replace Chillers 1 & 2.

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

In the Finance Committee meeting, Mr. Porteous suggested that it is becoming more common to receive several very competitive bids on projects. That is an indication of how soft the economy is, and we are getting some benefit from that.

- 2) It was recommended that a contract in the amount of \$250,181 be awarded to Churchill Communications, LLC, of Muskegon Michigan, and that a budget in the amount of \$430,000 be established for the project entitled: University Village Apartments – Data Access Service.

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

As to the University Village Apartments – Data Access Service bid, Ms. McNamara asked why there was such a large disparity between the bids from Kares Construction Co. and Churchill. Mr. Pittman explained that Churchill will use communication workers to install the conduit; Kares planned to use electricians. Their rates of pay differ widely.

- 3) It was recommended that a contract in the amount of \$767,000 be awarded to Irish Construction Company, Inc., of Howell, Michigan, and that a budget in the amount of \$1,150,000 be established for the project entitled: Campus Steam Tunnel Vault 188 to Farrall Hall.

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

Ms. Gonzales asked for a description the Campus Steam Tunnel Vault 188 to Farrall Hall. Mr. Pittman explained that the steam tunnel vaults provide steam to buildings. Vice President Poston offered that it is the vault that the pipes run through; when they deteriorate, they need to be replaced. President McPherson explained that MSU has co-generation that benefits the University by getting double use of our fuel.

B. Architect/Engineer Selection

It was recommended that the Board of Trustees appoint Lord, Aeck & Sargent, Inc., of Ann Arbor, Michigan, as the architect/engineer for the project entitled: Marshall-Adams Hall Renovations.

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to approve** the Architect/Engineer selection.

Ms. McNamara asked if there is a budget in place for the Marshall-Adams Hall Renovation project and how much the architectural firm would be paid. Vice President Poston offered that there is a very rough estimate of \$6,000,000. It is estimated the architectural fee will be 6% - 7% of the cost of the project – roughly \$350,000. President McPherson pointed out that this project needs an architect who is experienced in historical renovations. President McPherson and Mr. Pittman expressed optimism that this project will turn out as well as the Eustace-Cole building renovation; that a benefit of renovation is being able to utilize existing buildings. Mr. Porteous mentioned that the architect and Mr. Pittman both being from Ann Arbor is pure coincidence. Dick Frank, a renowned historical preservation architect, trained the key architect on this project.

C. Construction Manager Appointment

It was recommended that the Board of Trustees appoint Barton Malow/Clark Construction Company in a joint venture as the construction manager for the project entitled: Spartan Stadium – Expansion. The immediate function of the manager is to work with the architect to make cost estimates on the project. A decision to construct or not construct will be made at a later date.

On a motion by Mr. Ferguson, supported by Mr. Porteous, **THE BOARD VOTED to approve** the Construction Manager Appointment.

President McPherson pointed out that the University, the Board and the Administration are deeply committed to the concept that before construction is commenced we ascertain that we will have sufficient cash flow from sales to cover debt, service and operation of this facility. Mr. Romney offered that this will enhance revenue and improve the overall profitability of our athletic department. Mr. Porteous pointed out that one of the important aspects of a construction manager is to develop very accurate and credible estimates on the cost of the project so that financial modeling ensures resources will come solely from the athletic department.

D. Investment Restructuring

It was recommended that the Board of Trustees terminate Marathon Asset Management and Lazard Freres, which in total

manage approximately 10% of the Common Investment Fund's assets, and hire Silchester International with a target allocation of 4.5%, Axiom International with a target allocation of 3.5% and Boston Company Emerging Markets with a target allocation of 2.0%, contingent upon the approval of the Chairperson of the Trustee Finance Committee after consultation with the Trustee Finance Committee.

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

8. Committee Chairperson McNamara presented the Trustee Policy Committee report and recommendations.

- A. Restructuring of Department of Romance & Classical Languages

It was recommended that the Board of Trustees approve restructuring of the Department of Romance and Classical Languages to create a Department of Spanish and Portuguese and a Department of French, Classics and Italian, effective July 1, 2003.

On a motion by Mr. Romney, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the restructuring, with a dissenting vote from Mr. Nugent.

Mr. Nugent offered that although he appreciates the need for emphasis on the Spanish language, he does not accept the concept that two departments can operate as cheaply as one. He explained that the Spanish Department is growing very rapidly, as well as other programs in other colleges, and we are cutting highly-ranked departments very significantly. Mr. Nugent thinks restructuring should be delayed for a year, and he cannot support it at this time.

- B. 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. There are three companies on which the Chair gave notice:

- 1) David S. Grummon, LLC. As indicated in documentation provided to the Committee, Dr. David Grummon, a professor in the Department of Chemical Engineering and Materials Science, and his immediate family cumulatively own or have

options to buy an equity interest of more than 5% of the company. Dr. Grummon is also the sole proprietor of the company.

- 2) Digital Flow Technologies, Inc. As indicated in documentation provided to the Committee, Dr. John F. Foss, a professor in the Department of Mechanical Engineering, and his immediate family cumulatively own or have options to buy an equity interest of more than 5% of the company. Dr. Foss is also an officer of the company.
- 3) Mid Michigan Research. As indicated in documentation provided to the Committee, Dr. Harold J. Schock, a professor in the Department of Mechanical Engineering, and his immediately family cumulatively own or have options to buy an equity interest of more than 5% of the company. Dr. Schock is also the sole proprietor of Mid Michigan Research.

C. Approval of Contract Terms and Conflict Management Procedures

- 1) It was recommended that the Board of Trustees approve the administration's recommendation for execution of a contract with Synthon Chiragenics, consistent with earlier public notice given on September 13, 2002, and an applicable amendment term sheet, a copy of which is attached to these minutes. (See Attachment 1.)
- 2) It was recommended that the Board of Trustees approve the administration's recommendation for execution of a contract with Advanced Cell Technology, consistent with earlier public notice given on December 6, 2002, and an applicable term sheet, a copy of which is attached to these minutes. (See Attachment 2.)

On a motion by Mr. Romney, supported by Ms. Cook, **THE BOARD VOTED to approve** the Contract Terms and Conflict Management Procedures.

9. Trustees' Comments

- A. Trustee Porteous submitted a Resolution honoring Josephine Ferguson-Wharton, the mother of Mr. Ferguson, who recently died. Mr. Ferguson expressed his thanks for the resolution and for the love it reflected toward his mother.

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

- B. Trustee Cook expressed her pleasure in knowing Mr. Ferguson's mother, stating that she was charming and full of wisdom.
- C. Trustee Gonzales indicated she thought that Mr. Ferguson's mother was a wonderful, sweet lady, whom we are all going to miss.
- D. Trustee McNamara said that she sat next to Mrs. Ferguson-Wharton during many football games and heard many of her opinions; she was an elegant, lovely woman and will be missed by a lot of people.
- E. Trustee Nugent expressed his great appreciation that he had an opportunity to know Mrs. Ferguson-Wharton. He stated she was the kind of personality that would be part of the Michigan State family.
- F. Trustee Romney indicated that he didn't know Mrs. Ferguson-Wharton personally, but appreciated talking with Mr. Ferguson about her and learning of her tremendous influence, inspiration and great example she set for him.

Trustee Romney mentioned that in this time of budget constraints, at the insistence of the Chairman, the members of the Board reviewed their expenses for meals, lodging, etc. Although the amount is not large, they decided to do some things to save some money, thereby setting an example for all levels of the University; he expressed the importance of saving and conserving in order to maintain and improve what we have.

Mr. Romney said the Founder's Day speech and Distinguished Faculty Awards ceremony yesterday exemplify improving what we have. He would have loved to spend time with each award recipient to learn how they teach and how they conduct their classes.

- G. Trustee Pittman said he didn't know Mr. Ferguson's mother, but feels that a significant part of what he does is a reflection of his mother. Trustee Ferguson honored his mother by visiting her nearly every day. Her love for Michigan State University will continue through him and through his children.
- H. President McPherson offered that clearly Mr. Ferguson's mother was proud of her son, but additionally, during the ten years the

President has been at MSU, he saw how well she was taken care of by Trustee Ferguson – setting a good example throughout society.

10. Public Participation on Issues Not Germane to the Agenda

There was no public participation.

11. An Executive Session was not requested

12. On a motion by Ms. McNamara, supported by Ms. Cook, the Board voted to adjourn at 10:10 a.m.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees