

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

September 12, 2003

The Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 2:00 p.m. on Friday, September 12, 2003. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

Interim President Lou Anna K. Simon called the meeting of the Board of Trustees to order at 2:13 p.m. in the Board Room.

Trustees present: Dolores M. Cook, Dorothy V. Gonzales, Colleen M. McNamara, Randall L. Pittman, Donald Nugent, David L. Porteous and G. Scott Romney.

Trustee absent: Joel I. Ferguson

University officers present: Interim President and Provost Simon, Interim Provost Banks, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, Huggett, June, Webb, and Webster, Executive Director Williams, and Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Arjun Sing 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 agenda.
2. On a motion by Mr. Porteous, supported by Mr. Romney, **THE BOARD VOTED to approve** the minutes of its meetings on June 5, 2003, June 27, 2003 and August 18, 2003.
3. President's Report

Dr. Simon deferred her remarks in order for Chairman Porteous to make special presentations.

Trustee Porteous said what a pleasure it is to present Board of Trustee Resolutions honoring Dr. James Tiedje and Dr. Michael Thomashow for their induction into The National Academy of Sciences and to Dr. Douglas Schemske for his election to the American Academy of Arts and Sciences. These three outstanding scientists have brought great credit and honor to Michigan State University and well-deserved acclaim to themselves. Trustee Porteous thanked them for their devotion to the University and to their work. They have made and will continue to make a positive impact on society.

Dr. Simon said that she is still very much a Provost at heart, and appreciated the opportunity to talk about great faculty and to speak to the importance of the opening of the academic year. The general vitality of the campus is heightened with the return of students. There will be a discussion of the opening of the academic year during the Policy Committee Report. Dr. Simon thanked everyone involved in opening the new academic year as the University dealt with power outages, a tornado alert, viruses and worms invading computers, etc. Everyone accepted each challenge undauntedly and moved forward to ensure that the programs for students were first rate. It is a great privilege to be part of an institution where everyone pitches in to help out during the unexpected.

4. Public Participation on Items Germane to the Agenda

Steve Erskine appeared on behalf of the Native American Indian Student Organization (NAISO) and spoke about the renovation and expansion of Spartan Stadium. He said that NAISO supports allocating nearly \$100 million for campus updates. But, for several years, NAISO has been asking the Board for a larger, preferably freestanding multicultural center. It seems odd to many on campus that Spartan Stadium is going to get luxury boxes and a lounge area, and NAISO is still begging for a multicultural center and still being told that there simply isn't money for it. NAISO supports the stadium project, but would ask that, if the Board is going to allocate such a large amount of money, some funds be incorporated for a larger multicultural center.

5. Personnel Actions

A. Appointments

- 1) Promislow, Keith S., AY –Associate Professor, Department of Mathematics, \$83,000, with Tenure, effective August 16, 2003
- 2) Gandal, Neil Scott, AY, Professor, Department of Economics, \$120,000, with Tenure, effective August 16, 2003.
- 3) Comley, Richard B., AN-Head Coach-Hockey, Intercollegiate Athletics, Subject to Contract, effective July 1, 2006, to June 30, 2007.
- 4) Izzo, Thomas M., AN-Head Coach-Basketball, Intercollegiate Athletics, Subject to Contract, effective July 1, 2009 to June 30, 2010.

Interim Provost Banks explained Keith Promislow is an applied mathematician, currently working in the strategic area of fuel cell modeling. He has held appointments at Penn State, the University of Paris and, most recently, Simon Fraser University.

Neal Gandal is a specialist in the field of industrial organization who has worked at Boston University and for approximately ten years at Tel-Aviv University as professor in the Department of Public Policy and Economics. For the last several years he has served as Chair of the Department. He comes as a full professor with tenure.

Dr. Poston noted that Hockey Coach Richard Comely and Men's Basketball Coach Tom Izzo have rolling contracts. Each year the reappointment decision extends their contracts for another year.

B. Other Personnel Actions

- 1) It is recommended that the Executive Management position titled "Director of the Computer Laboratory" be established, effective October 1, 2003.

Further, it is recommended that approval for appointment and all other personnel actions related to this position be delegated to the Vice Provost for Libraries, Computing and Technology.

- 2) It is recommended that the Executive Management position titled "Director of Auxiliary Services" be established, effective September 12, 2003.

Further, it is recommended that approval for appointment and all other personnel actions related to this position be delegated to the Vice President for Finance and Operations and Treasurer.

- 3) It is recommended that the Executive Management position titled "Director of Building Services" be established, effective September 12, 2003.

Further, it is recommended that approval for appointment and all other personnel actions related to this position be delegated to the Vice President for Finance and Operations and Treasurer.

On a motion by Ms. McNamara, supported by Mr. Romney, **THE BOARD VOTED to approve** the Personnel Actions.

Vice President Poston explained that the two Executive Management positions are not new, but, in fact, result from the reduction of management positions. The Director of Auxiliary Services is in the department of Housing and Food Services. The Director of Building Services is in the Physical Plant. The individual who holds this position will deal with all maintenance and custodial issues across campus.

Dr. Banks commented on the position titled "Director of the Computer Laboratory." This is not a new management position. There has been a Director of the Computer Laboratory for many years. Faculty from the Department of Computer Science have served as the director. Historically, it was the only center of all academic computing, but operations are now across campus. An Executive Management position as Director will facilitate a faculty member being recruited, as well as other qualified individuals.

It is a large unit with about 120 personnel and a budget of \$24 million.

Dr. Simon underscored that these are not personnel additions.

6. Gift, Grant and Contract Report

- A) Vice President Huggett presented the Gift, Grant and Contract Report for the period of June 18, 2003, through August 21, 2003. The report is a compilation of 542 Gifts, Grants and Contracts, 34 Consignment/Non-Cash Gifts and one Consignment/Non-Cash Loan with a total value of \$74,593,419.47.

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

Vice President Huggett explained that this value is 40 percent above the same period last year. Dr. Simon noted that, as mentioned at the last Board meeting, the total at that time was less than that for the same reporting period for the previous year. The increase reported at this time may reflect a smoothing of the grant awards process, in part, because of the continuing resolutions at the Federal level.

B) Acceptance of Patent Donation

Dr. Huggett presented the following resolution:

BE IT RESOLVED that the Board of Trustees gratefully accepts from E. I. Du Pont de Nemours and Company the donation of a set of patents dealing with attrition resistant zeolite catalysts, together with \$10,000 in legal expense support and \$10,000 in associated research support.

On the motion of Mr. Nugent, supported by Mr. Porteous, **THE BOARD VOTED to accept** the resolution.

Mr. Porteous said that it is an extraordinary gift. Dr. Simon said that the exact value of the gift will be determined by a third party and will be reported to the Board at a subsequent time.

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

- A. Review and Acceptance of Audited Financial Statements for the Year Ended June 30, 2003

The Trustee Finance Committee recommends to the Board of Trustees acceptance of the audited financial statements for the year ended June 30, 2003.

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

Mr. Pittman indicated that among the numerous duties and responsibilities of the Board of Trustees, one of the most significant is its fiduciary duty to oversee the financial resources and financial controls of the University. The external auditors are in attendance today.

Dr. Poston introduced the auditors; Mr. Sean Keenan of KPMG offered the following comments:

Mr. Keenan is an audit partner at the firm of KPMG. His associate, Mike Dingwall, accompanies him. Mr. Keenan and Mr. Dingwall met with the Finance Committee to summarize the audit report of Michigan State University's financial statements for the fiscal year ending June 30, 2003. In that report they explained the responsibilities of KPMG, under generally accepted auditing standards to express their opinion on the financial statements of the University. The report opines on the 2002-2003 fiscal year. The financial statements are presented in conformance with GASB statements numbered 34, 35, 37 and 38 that was a significant change last year in the way the University and all governmental units report. Consistent with the prior year, KPMG issued its unqualified opinion on the University's financial statements and, further, consistent with the prior year, KPMG issued its unqualified report on the University's compliance with laws and regulations and internal controls over financial reporting. Further, KPMG reports that MSU's accounting policies are consistent in their application and financial statements, and related disclosures are complete and presented clearly. There are no disagreements with management, and there are no significant audits adjustments proposed by KPMG.

It was a full-scope audit of the entire University. There were no consultations with other accountants as to auditing matters. Management cooperated fully with the auditors. KPMG's independence has been complete throughout the term of its engagement. The only services, other than audit services, provided are those of tax consultation. The only pending matter is the report on the NCAA agreed-upon procedures and the single audit. In summary, KPMG has issued its unqualified report on the University's financial statements.

Mr. Keenan explained that the accounting profession has gone through many changes recently. He said that, in fact, KPMG is not doing anything differently – rather, there is a different perception of what is expected of audit firms. Integrity of financial reporting is foremost with KPMG. He assures the Board that they are very much up to top professional standards, and the management team is very focused on ensuring the system of internal control so that the Board can rely on the financial integrity of this complex University.

Trustee Pittman pointed out that the University has an internal audit function. The review included the University's internal audit function. He asked whether there were any recommendations for improvement or if there was an assessment of how well it functions.

Mr. Keenan explained that KPMG not only reviewed and assessed MSU's internal auditors, but also relied on their work in inventory management and in the Student Financial Aid program. One of the most important things that has been learned is the need for every organization – whether a public company or a university – to have a strong internal audit function. The external auditors focus on making certain that financial statements are correct from a financial point of view. Internal audit has a very different focus that is an important part of the control and assessment.

Mr. Pittman explained that the Finance Committee was involved with setting the plan for the audit; it has been involved with the review of the audit; and it has had an opportunity for discussion with the University's external auditors. Based on all of those activities, it is Trustee Pittman's belief that the financial statements are not only in accordance with external standards, but also exceed them in terms of the spirit in which they are prepared. Therefore, he submits that the audited financial

statements be approved and accepted for the fiscal year ending June 30, 2003.

Trustee Porteous said, as Chairman of the Board, based on his four years of service on the Board of Trustees as well as his review of the minutes of previous years, the financial integrity in the selection of the external auditors and their audits and review and reporting to the Board is a matter that this Board takes seriously. The Board is very engaged in reviewing the external auditor's report and engaging in discussions with the external auditors; the University can take great comfort in that. The strength, the expertise and the experience of the University's internal auditors has been corroborated by the external auditors. That is a reflection of the overall strength of Michigan State University.

Trustee Pittman commended Vice President Poston for his exceptional leadership in protecting the financial integrity of the University. Dr. Poston recognized CFO and Controller David Brower for his leadership.

B. Investment Restructuring

The Trustee Finance Committee recommended to the Board of Trustees the investment of funds resulting from the liquidation of the current investment in the Commonfund's Multi-Strategy Bond Fund (approximately \$120 million as of June 30, 2003) in Wells Capital Management's Montgomery U.S. Core Fixed Income Fund.

On the motion of Mr. Nugent, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the recommendation.

Trustee Porteous indicated that the presentation by Wells was very impressive and the selection of this manager continues the philosophy of the Board of ensuring diversification and balance within the University's portfolio to help to minimize risk.

Trustee Pittman said that Wells Capital Management has a long-term track record in the top quartile in terms of investment returns. It has a strong focus on managing risk as well as return. That is an exceptional strength of Wells Capital Management.

C. Bid and Contract Award

The Trustee Finance Committee recommended to the Board of Trustees that a contract in the amount of \$785,916.55 be awarded to URG, Inc., of WestLake, Ohio, and that a budget in the amount of \$1,030,000 be established for the project entitled: Campus Convert Lighting from T12 to T8 – Phase II.

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

D. Architect/Engineer Appointments:

1) Baker Hall – Replace Chiller

The Trustee Finance Committee recommended to the Board of Trustees that DiClemente Siegel Design, Inc., of Southfield, Michigan, be appointed as the architect/engineer for the project entitled: Baker Hall – Replace Chiller

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

2) IM West Fitness Center – Courtyard Renovation

The Trustee Finance Committee recommended to the Board of Trustees that TMP Associates, Inc., of Bloomfield Hills, Michigan, be appointed as the architect/engineer for the project entitled: IM West Fitness Center – Courtyard Renovation.

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

E. Stadium Project

The Trustee Finance Committee recommended to the Board of Trustees of Michigan State University (“Board”) that it adopt the following Resolution:

BE IT RESOLVED, that in furtherance of its earlier resolutions concerning the Spartan Stadium Expansion

project, the Board confirms its support for the commencement of construction on the Spartan Stadium Expansion project, including additional space to house University Development and the Alumni Association, and

BE IT FURTHER RESOLVED, that the funding for the Department of Intercollegiate Athletics portion of the project will be from Department auxiliary revenue and that the funding for the University Development and the Alumni Association portion will be from the funds currently used to lease off-campus space for University Development.

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

Dr. Simon said that one of the pluses of a Provost's perspective is that building excellence across various programs is possible without a sense of competition among the units of the University. Expectations are that the result will be better and more competitive in the national and international environment. Resources control the rate at which that can be accomplished. Control of costs and increased revenue opportunities are being sought across the University. Intercollegiate Athletics' fan base offers an opportunity to increase revenue sources that are unavailable to support academic programs. The Board, in its decision in February to appoint a construction manager for this project, saw the value of the revenue stream to support the full range of programs in Intercollegiate Athletics and an extremely favorable construction climate with low interest rates. Planning authorized in February yields a recommendation before us to move forward. As with any project, there are always some risks. The assessment by the administration and the Board suggests that this is a very prudent risk. Revenue from the project should not only pay for the project, but produce additional revenue for Athletics.

Finally, the entire University will look to this project and wonder what the advantage is to the University. It is one that will allow moving University Development and the Alumni Association into new quarters. That move will promote additional efficiencies. Also, the Alumni Association is planning to replace Sparty in 2005. This design will incorporate a home for the old Sparty so it can be viewed and enjoyed as part of the University's history. The current rent being paid by University Development for off campus

space will provide the cash flow for this part of the project at no additional cost to the University.

This project, in helping Athletics, also provides an opportunity to help the University in total.

We must remember that, on the basis of a recommendation of one coach, we constructed boxes in the Munn Ice Arena. They are not considered to be luxury; they are spartan in their appearance, but they do provide an additional revenue stream for Athletics and an opportunity for more seating. The Spartan Stadium project fits in that same category.

Although no project is without risk, the Athletics Department, the Office of Planning and Budgets and others have done an exceptional job in terms of evaluating the business plan and the prospects for the success of this plan – there is a very high probability of success.

Athletic Director Ron Mason said this has been a long-planned project that has involved many staff members who have done an excellent job. There are 862 club seats in the indoor-outdoor club. There will be a new press box. There will be 24 boxes for sale; the President's and Development box will be at one end and the Board of Trustees box will be at the opposing end. The upper area will accommodate press and game management committees. This facility will be used year-round – rather than only during football Saturdays. It will be used by sport teams, can serve as banquet facilities, and any other event that is authorized, including University Development and Alumni Association functions that require a large space.

The estimated cost to the Athletics Department is approximately \$50 million. Those funds will be derived exclusively from the Athletics Department – there will be no general fund dollars spent on it. The Athletics Department feels comfortable that the financing is feasible and that there will be a profit to the bottom line the first year. Eleven million dollars will be devoted to construction of the portion for University Development, Alumni Association, MSU Foundation and the 4-H Foundation.

If this project is approved today, the construction manager will begin soliciting bids. In November of 2003, construction will begin; following the 2004 football season, the existing press box and ramps will be demolished and the new club

and upper concourse will be tied into the new building; by August of 2005 the structure will be completed; it is anticipated that University Development and the Alumni Association will move in to occupy their new quarters in 2006.

Dr. Webb explained that for the past eight years, University Development has been housed off-campus. It has been looking forward to a time when there would be an opportunity to move back to central campus. This project provides that opportunity. First, there is better visibility for University Development. The stature, quality and image of the proposed building will be very important to Development. Second, it will provide improved accessibility. By being located on central campus, Development will be better able to interface with the colleges, academic units and Intercollegiate Athletics on a daily basis. Third, there is the issue of stewardship of University resources. The amount currently being paid to an outside source to rent space for University Development will provide a much more desirable space, and the dollars will stay within the University community.

Director Williams noted that MSU is the only university without an alumni center. The Alumni Board has been very involved in researching the possibility of an alumni center, but didn't expect that it would come to fruition for some time. The opportunity to move into a new structure is very exciting and comes with the endorsement of the Alumni Board.

The Alumni Association is currently conducting a campaign to raise money to re-cast Sparty in bronze and to locate the new statue on Demonstration Field. It is expected that celebrations will occur during homecoming in the year 2005, MSU's sesquicentennial. The old Sparty will be housed – free from the ravages of Michigan winters and Michigan vandals – in the atrium of the new structure. Sparty will dominate the entrance, welcoming visitors, alumni and donors to the building and to the University.

Dr. Poston clarified that the amount currently spent to lease space from an outside source will be used to retire the debt to house Development, but also to house the Alumni Association in the new facility. There will be no additional expense to relocate the Alumni Association in the structure.

Trustee Nugent reinforced the statement of Athletic Director Mason that he expects this project to show a positive return the first year. That is very important in order to maintain the quality of the University's athletic programs, particularly for the non-revenue producing sports. Looking at the attributes of this proposed project, the University will be able to house both University Development and the Alumni Association in the new structure without spending any more money than is currently being paid to an outside source for rent for Development.

Trustee Pittman recalled studying the finances of the Athletics Department when he first joined the Board of Trustees. He was under the impression that the Athletics Department was financially solid. What he learned was that several years ago it was necessary to make cuts in significant numbers of sports. He worked with the Athletics Department, and it proposed a long-term financial plan, looking at reserves, anticipated revenues – ten years, twenty years, thirty years out. Additional cuts and measures to boost revenue were explored. The conclusion Mr. Pittman drew was that by implementing the plan for renovation and expansion, revenues would not be exhausted and programs would not need to be cut. It would put the Department on a sound financial base. There will be continual cost pressures that require not only managing the budget carefully, but also enhancing revenues. With interest rates at nearly an all-time low, vast sums can be saved on expense to service the debt. Plus, contractors are presenting very competitive bids at this time.

Aspects of this project are still in a state of flux. There are a number of things that are yet to be defined. Mr. Pittman would like to encourage the Board to continue to think creatively. As we are moving Alumni out of the Student Union, perhaps there might be space to expand the Multicultural Center.

Trustee Pittman said that he favors the project and feels it is appropriate and well thought out.

Trustee Cook acknowledged that she has lacked enthusiasm for this project for a couple of years – not because of the space or the need or the design, but because of the risk and servicing the debt. She was uncertain the project would be sold-out. However, when she learned from Dr. Poston about

the additional space that could be designed into this facility, eliminating rent payment to an outside source, the project began to look more favorable. Visibility is vital in developing additional resources for the University. As support for public education decreases, the University must generate outside dollars for the academic life of the institution. Relocation of the Alumni Association and Development, while spending no additional dollars, and the timeliness of the project, in a very favorable construction and interest rate climate, made the project seem much more prudent. Trustee Cook recognizes that in any project like this, there is a risk. The question is, "What is that risk and are we willing to take it?" Today is the day to vote, and this is, indeed, a very important project for Michigan State.

Trustee Porteous agreed with all the comments that have been made regarding the project. He extended the Board's thanks to Athletic Director Ron Mason and his team who have been working on this project for a number of years. It culminates today in a very well thought out and comprehensive proposal. In addition to low construction costs and low interest rates, the feasibility study looking at demand for boxes of this type indicates a significant demand, which helps to ensure the ultimate success of this project. The benefits to the University are very substantial.

F. Bond Authorization Resolution

The Trustee Finance Committee recommended to the Board of Trustees adoption of the attached resolution authorizing a general revenue bond financing and refunding of outstanding University bonds. (Attachment A)

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

Dr. Simon explained that this action begins the bond process, and there will be further action throughout the Fall semester.

G. Advanced Metropolitan Networking Report

Mr. Pittman advised the Board that the Finance Committee has received a report on activities related to discussions with private sector communication providers in regard to Advanced Metropolitan Networking in the Greater Lansing

region. Pursuant to Board action in December, staff from the Libraries, Computing and Technology and Physical Plant Telecommunications met twice over the spring and summer with an industry work group assembled with the assistance of the Michigan Chamber of Commerce, Telecommunications Association of Michigan and the Michigan Cable Telecommunications Association to discuss advanced networking specification and operational goals. The University staff continued technical work related to these discussions. The discussions have been positive and collaborative and have resulted in a plan for continued discussions, possibly with a broader set of industry representatives. The continued discussions may supplant the purpose of the RFI originally envisioned by Board action earlier this year. The University appreciates the time and active participation of all of the parties to these discussions.

8. Policy Committee

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

A) New Policy: Participation in Board Meetings by Telephone

The Trustee Policy Committee recommended the adoption of the following policy to the Board of Trustees:

Trustees may participate in any meeting of the Board by means of videoconference, conference telephone, or other similar communications equipment whereby all persons participating in the meeting, including any members of the general public in attendance, can see or hear each other. Participation as described in the preceding sentence is the same, for all purposes, as participation in person.

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

B) Naming Proposal: Veterinary Clinic Addition

Trustee McNamara presented the following resolution:

BE IT RESOLVED that the new critical care center for foals and horses and for food animals with infectious diseases, an addition to the Veterinary Clinical Center, be named by the

Board of Trustees “The Matilda R. Wilson ‘Pegasus’ Critical Care Center” in recognition of major gifts from the Matilda R. Wilson Fund.

On a motion by Ms. McNamara, supported by Mr. Romney, **THE BOARD VOTED to adopt** the Resolution.

Vice President Webb expressed University Development’s pleasure that the Matilda R. Wilson Fund has responded to its request. Part of the gift will be used for the physical facility and part will be used for an endowment for two residence positions that attach to the critical care facility. Not only will the University enjoy the new facility, it will also benefit from the endowments.

The history of this gift goes back a few years. Matilda Wilson was a member of the Board of Trustees from 1931 to 1937. She also received an honorary doctorate from MSU. She first gifted 1,600 acres and about \$2,000,000 – a total gift of about \$10,000,000 – for what now is Oakland University and at that time was part of Michigan State University. In 1987, the Foundation endowed a Chair and in 1999 a second Chair. This time, Dr. Simon, Dr. Lonnie King and others made the proposal and received a very positive response.

Dr. Simon noted that Dean King could not be at the Board meeting today because he is receiving a Distinguished Alumni award from Ohio State University as a part of its homecoming activities.

Tom Herdt, Chair of Large Animal Sciences, said the Center will be physically distinct from the hospital, but part of the hospital activity. The animals that will be housed in it will be clinical patients that are brought to MSU by members of the community. It is critical to have this type of facility to protect other patients, students and staff from infectious diseases.

Assistant Director of Planning and Budgets Bill Latta said the location will be near the corner of Bogue Street and Wilson Road and will be part of the veterinary complex. The new critical care facility will be separate from the veterinary hospital.

Bob Nestle, Chief University Engineer, explained that the project is in the preliminary planning stage. He will work with

the Department of Veterinary Medicine and a consultant to develop some conceptual plans and designs. This facility will be located just west of the equine facility that is south of the veterinary clinic. The architecture will emulate the equine facility – a metal-roofed building with cupolas on top and brick on the outside. It will be approximately 13,000 square feet.

Dr. Simon underscored that the College of Veterinary Medicine is using non-general fund dollars to pay for the building.

Mr. Latta noted that this project was anticipated as part of the 2020 Master Plan.

Trustee McNamara explained that Matilda Wilson's favorite harness pony was named Pegasus, and that is why the name is included.

D) Notice of Intent to Negotiate a Contract

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 with Total Power Incorporated, a California firm based in San Diego. Members of the immediate family of Dr. Marcos Dantus, a Professor in the Department of Chemistry, own or have options to buy an equity interest of more than 5% of the company.

E) Approval of Contract Terms and Conflict of Interest Management Procedures

The Trustee Policy Committee recommended to the Board of Trustees that it approve the administration's recommendation for execution of an agreement with Ledebuhr Industries, consistent with earlier public notice given on October 11, 2002, and an applicable "term Sheet" as now presented to the Board for inclusion in its minutes. (Attachment B)

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

E) Report: Preliminary Enrollment – Fall 2003

Dr. Simon presented the Preliminary Enrollment Report. (It is on file in the Office of the Secretary of the Board of Trustees). This is, in fact, a preliminary report, as the official count date is September 18th. Last year enrollment was approximately 700 students more than projected. As a result of that, and recognizing the potential reductions in faculty, graduate students and staff, enrollment for the University was planned to be reduced. The target was 44,700. Enrollment now numbers 44,500; it is anticipated that number will increase. Enrollment is above 2001 enrollment. Applications this year were, essentially, flat. The admit ratio was 71%, which produced an enrollment of about 6,845 – very close to the number of new undergraduates admitted last year.

A profile of the undergraduate class shows a continued increase in grade point average and test scores. The trend shows that the 25th quartile averages about a 3.4 grade point average. There is a very significant change in the bottom 5th% of the class, which has moved from 2.75 to 2.95 in grade point average and whose test scores have increased slightly. Again, that demonstrates the strength of the class from top to bottom.

The racial-ethnic profile of the entering class shows a bit of volatility, as people are being considered as individuals. The number of students from minority racial-ethnic groups is down slightly for the entering freshman class, from record highs for 2002. The University's pattern of transfer students from four year and two year institutions remains essentially the same as in prior years. The mix of graduate/undergraduate students is about the same, though the reduction in enrollment this year is primarily a function of graduate students. Out-of-state enrollment is about the same as last year – nine percent – which is relatively low for institutions of the size and national caliber of Michigan State. The total minority enrollment is slightly above last year's numbers, counting returning as well as new students. Enrollment by college remains essentially unchanged from last year with the Broad College and the College of Natural Science, down slightly.

For many universities the size of MSU, it is typical to see a softening of MBA enrollments and an increase in law school

enrollments. Because of its separate corporate structure, DCL's enrollment numbers are not reported. The law school had a significant increase in applications; its students' LSAT scores have been improving. The LSAT scores and grade point average put DCL solidly in the second tier of law schools. Work needs to be done in recognition and placement.

Enrollment in the Honors College is at a record high. The Academic Scholars program – a special program put in place three years ago – has also continued to grow. One of the objectives of the College Achievement Admissions Program was an enrollment of 500. It stands at 482, representing about seven percent of the student body.

Trustee Gonzales asked whether the economy has an impact on students returning to school. Dr. Simon said historically when there is an economic downturn; students find a safe harbor by continuing as undergraduates or move into masters programs. It is the preliminary assessment that the softness in graduate enrollment is the difference between the 44,700 we predicted and the 44,500 that we have now. There may be a fraction of a percent less enrollment due to the soft economy, although the Board's special financial aid for returning students did soften that blow considerably.

F) Report: Opening of Academic Year

The Vice President of Student Affairs, Dr. Lee June, reported that, overall, the opening of school went well. The main negative issue relates to underage drinking – mostly off-campus, but some on-campus. That is an issue Student Affairs will continue to work on.

The opening of the academic year is a team approach, including University Housing, Residence Life, Student Life, the Provost's office and the Alumni Association. All those entities worked together with a large number of faculty and staff. There was an extensive list of activities available on move-in day. Traditional and successful programs of the past were continued. New to the program was a theatrical presentation entitled "Faces of America." It was intended to help students explore the implications of diversity on campus that they will experience. Overall, the goal was to build on

the theme of respect for self and respect for others and academic responsibility.

Trustee McNamara asked David Gift, Vice Provost of Libraries, Computing and Technology, whether students are advised of and warned about the consequences of violating recording industry laws. Mr. Gift indicated that media exposure has been a great help. Locally, assistance has come from *The State News* and other local print and television reporting about the trouble that may await those who engage in file sharing. Plus, the upload speeds from all the individual connections in the residence halls were throttled down to a bandwidth equivalent to commercial DSL rates. That makes Michigan State computers much less attractive as sources of shared files on the Internet.

10. Chairman's Report

Trustee Porteous commented on the extraordinary leadership and stewardship of Interim President Simon. Prior to coming onto the Board, Trustee Porteous did not have the pleasure of knowing Dr. Simon, but learned what an extraordinary Provost the University has in Lou Anna Simon in a very short time. He learned of her passion for driving the academic success of this University; she is unwilling to accept anything but positive momentum; she is unwilling to accept anything but the best. She has succeeded, even with very limited resources, in improving MSU a great deal. That has been done with the power of her personality, her passion, her love for the University. Having had four years of watching that extraordinary leadership, Trustee Porteous and his fellow Board members were very comfortable and enthusiastic in Dr. Simon's appointment as Interim President when President McPherson took the assignment in Iraq. Dr. Simon has taken her passion and drive for excellence to her role as President of this University. She was thrust into some of the most challenging times this University has experienced. Confronted with the size and magnitude of the budget cuts that had to be worked through, Dr. Simon was able to guide the process by discovering how revenues could be enhanced, how expenses could be controlled, how costs could be contained. Dr. Simon's background and experience have served her well in captaining a ship that had to go through a "perfect storm."

Trustee Porteous thanked Dr. Simon for everything she has done, for everything her husband, Roy, has done and for what

they continue to do for this institution. Dr. Simon has done an absolutely extraordinary job as Michigan State University's Interim President.

Dr. Simon thanked Trustee Porteous for his comments. She acknowledged that this has been a team effort and that everybody has taken their game to a higher level. The Board of Trustees all contributed additional time as the budget moved through the legislative process and worked through various financial issues.

11. Trustees' Comments

- A) Trustee Cook remarked that Dr. Simon's approach to her work includes a sense of humor. That has helped to relieve the tension and fatigue of the people she was working with, as well as her own. The Chairman of the Board has expressed what is in the hearts of all the members of the Board.
- B) Trustee Gonzales said she thinks she has worked with Dr. Simon longer than anyone else on the Board. She echoes what Trustee Porteous said. Dr. Simon is one of the hardest working people she has ever met, and she is a great role model for women like herself. She thanked Dr. Simon for taking on the responsibility.
- C) Trustee McNamara thanked Dr. Simon. Everything that Trustee Porteous said reflects her feelings. From the very smallest details to the big picture, Dr. Simon has performed remarkably well.
- D) Trustee Nugent said that Dr. Simon is part of the great team that makes Michigan State the "can do" university. It was great to acknowledge the three outstanding scientists today who were recognized by their peers.

The University's student loan portfolio is the second largest loan portfolio in the federal program. It was quite late this spring when the switch was made to the Michigan Student First Coalition. To make that transition in such a short time period was an outstanding accomplishment, and Financial Aid Director Rick Shipman and his group should be congratulated.

Dr. Simon said it was, indeed, a great feat. And all of the staff at Enrollment Services should be recognized for the great job they did.

Trustee Nugent commended Dr. Ajit Srivastava and Daniel Guyer, two of MSU's agricultural engineers, who recently were recognized, along with a team from other universities, by the U.S. Secretary of Agriculture for their outstanding research in a five-year program. It is the highest award the U.S. Secretary of Agriculture gives for research. They were in Washington recently to receive the award.

- E) Trustee Pittman commented that Michigan State University is such a large and complex organization that it is a tough job to serve as President on a good day. But Dr. Simon took over this spring after the largest Capital Campaign ever was announced. Dr. Simon met recently with a "Who's Who" of Michigan State University alums in southern California. The group was very impressed that she would come all the way to California to meet with them on a Sunday morning, and they were extremely pleased with Dr. Simon's way of communicating and her vision of the University. It was a group that is hard to impress, but she did so. And Dr. Simon's ability to handle the budget challenges with such grace was remarkable. Trustee Pittman said Dr. Simon's competence and confidence brought a spirit of openness that was appreciated as she served as MSU's Interim President.

11. Public Participation on Issues Not Germane to the Agenda

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

12. An Executive Session was not requested.

13. On a motion by Mr. Romney, supported by Ms. McNamara, **THE BOARD VOTED to adjourn** at 4:10 P.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees