

# TRUSTEE FINANCE & AUDIT COMMITTEE

Friday, December 9, 2005  
9:30 a.m.  
Board Room, Administration Building

**REVISED**

## AGENDA

### **Action Items**

Approval of Agenda

- |  |              |
|--|--------------|
| 1. Approval of the 10/21/05 Minutes of the Trustee Finance & Audit Committee | Attachment 1 |
| 2. AE – Wilson Road: Farm Lane to Conrad Hall - Reconstruction 2006          | Attachment 2 |
| 3. BC – IM Sports West – Roof Replacement                                    | Attachment 3 |
| 4. Zoning Variance for Chemistry Addition                                    | Attachment 4 |
| 5. FFE – The Institute of Public Utilities Endowment Fund                    | Attachment 6 |
| 6. 401 (a) Defined Contribution Plan   | Attachment 7 |
| 7. Homer Nowlin Estate Income Utilization                                    | Attachment 8 |

**APPROVED**

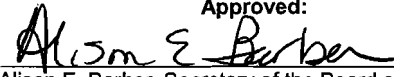
**DEC 09 2005**

Board of Trustees  
Michigan State University  
V.P. Finance and Operations

## TRUSTEE FINANCE & AUDIT COMMITTEE

Friday, October 21, 2005  
Board Room, Administration Building

Approved:



Alison E. Barber, Secretary of the Board of Trustees

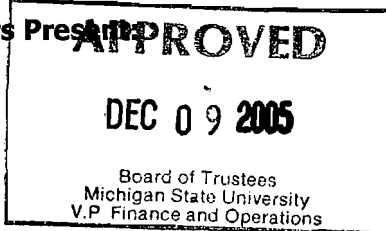
**Call to order:**

9:40 a.m.

**Committee Members Present:**

Trustee Ferguson, Trustee Nugent, and Trustee Romney.

**Others Present:**



Trustee Cook, Trustee Gonzales, Trustee McNamara, Trustee Porteous, President Simon, Provost Wilcox, Vice President Poston, and Secretary Barber; Faculty Liaison Representatives Emmett, Keller, and Smith; Student Liaison Representatives Love, Murphy, Schepers, and Sorroche.

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### Approval of the Agenda

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The Committee voted to approve the Trustee Finance & Audit Committee agenda as presented.

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#### 1. Acceptance of the Friday, September 16, Minutes

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The Committee voted to approve the Trustee Finance & Audit Committee minutes as presented.

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#### 2. DB- University Village – new undergraduate apartments (design-build contractor)

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Upon a motion by Trustee Ferguson, seconded by Trustee Romney, the Committee voted to recommend to the Board of Trustees that the Christman Company, with Neumann/Smith & Associates as design consultant, be appointed as the Design-Build Contractor for the project entitled: University Village – New Undergraduate Apartments.

Vice President Poston described the demolition of the current village and the reconstruction of a 300-bed apartment style complex. He commented that the design-build process would be the best project delivery method for management, quality, budget, and time constraints.

Assistant Vice President Gagliano reviewed the preliminary concept plan and commented that the existing village was constructed in 1954 as a temporary housing complex and the last time any housing was constructed on campus was in 1967. He noted that this new alternative undergraduate student housing meets the needs of today's students. He spoke about the reduction in parking (512 to approximately 250), occupancy (1,000 beds to 300 beds), and traffic in the area. He noted that the flood plain causes some restrictions, therefore the new apartments would be built further from the adjoining East Lansing

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neighborhood. The vacated area will be converted into green space and recreational space. This new housing will also provide the opportunity for surge space in the student housing system as other residence halls are renovated.

Assistant Vice President Gagliano indicated that the 300 student occupancy rate was determined during the early planning stages of the overall housing system changes and renovation schedules. The demand for family and graduate housing has declined over the years and can still be accommodated in the current system. Mr. Gagliano commented that Housing is working with the current University Village residents on relocation options and will also provide assistance with moving needs. The residents will be vacated from University Village by May 31, 2005.

Trustee McNamara asked about East Lansing's response to this new construction. Mr. Gagliano responded that he has had discussions with the city government, East Lansing, and the Red Cedar Housing Association and provided more information on the plan and answered questions related to the plan. Mr. Gagliano commented that all groups generally had initial concerns, but as facts were presented and further information was provided on the planning, most had a positive outlook on the change.

In response to Trustee Nugent's question on the reason for the selection of the Christman Company, Assistant Vice President Gagliano responded that the company had experience with building apartments in this area and has delivered projects well for the University in the past. Coupled with the University team's strength, it was determined that Christman could best facilitate the design-build format, complete the project according to schedule, and react to pricing fluctuations in the construction industry.

Trustee Romney asked if student input was involved on the design of the apartments. Mr. Gagliano indicated there had been numerous interactions with students and student groups in developing the internal room layout and the Village concept.

Trustee Cook asked about the rates of the apartments and how they compared to other off-campus housing. Mr. Gagliano responded that in comparison to East Lansing apartment rates, this new complex will be competitively priced and have the benefit of convenience and service to campus.

Trustee Porteous commented on the benefit of additional green and recreational space as well as the idea of providing another housing alternative for students.

President Simon requested that RHA, ASMSU, and COGS be kept in the planning loop. Mr. Gagliano responded that the meetings are currently being scheduled.

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### **3. BC - Veterinary Medical Complex – Addition No. 3 Building "F" Create 2nd Floor**

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Upon a motion by Trustee Ferguson, seconded by Trustee Romney, the Committee voted to recommend to the Board of Trustees that a contract in the amount of \$1,170,000 be awarded to Irish Construction Company, Inc., and that a budget in the amount of \$1,500,000 be established for the project entitled: Veterinary Medical Complex – Addition No. 3 Building "F" Create 2nd Floor.

Vice President Poston indicated that the former necropsy area that was moved to the DCPAH building would be converted into office space for the College of Veterinary Medicine Development offices and a 2<sup>nd</sup> floor would be created for student study and lounge areas.

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**4. BC – Chemistry – Alterations to Room 511**

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Upon a motion by Trustee Romney, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees that a contract in the amount of \$335,400 be awarded to Moore Trosper Construction Company and that a budget in the amount of \$545,000 be established for the project entitled: Chemistry – Alterations to Room 511.

Vice President Poston indicated that the renovation will add chemical synthesis space to the laboratory of Professor Jetze Tepe. The renovations will expand his drug development research program in a safer laboratory environment.

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**5. BC – Oyer Speech and Hearing – Replace Air Conditioning with Chiller**

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Upon a motion by Trustee Romeny, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees that a contract in the amount of \$282,700 be awarded to Irish Construction Company, Inc. and that a budget in the amount of \$392,000 be established for the project entitled: Oyer Speech and Hearing – Replace Air Conditioning with Chiller.

Vice President Poston noted that the existing condensing units and direct expansion cooling coils needed to be replaced and are on the just-in-time list for funding. He added that a plan was developed by the College of Communication Arts and Sciences with Facilities, Planning, and Space Management (FPSM) to improve the utilization of the Oyer Speech and Hearing building. He indicated that the goal was to consolidate the Speech Sciences Program in the Oyer building and relocate the Merchandising Management program from Human Ecology to the Communication Arts and Sciences building as part of the merger with Advertising.

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**6. BC – Green Meadow Farms – Anaerobic Digesters**

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Upon a motion by Trustee Romney, seconded by Trustee Ferguson, the Committee voted to recommend to the Board of Trustees that a contract in the amount of \$1,184,000 be awarded to Biogas Direct LLC for the project entitled: Green Meadow Farms – Anaerobic Digesters.

Vice President Poston described the project which involves the construction of three anaerobic digesters on the Green Meadows farms which will be used to test and demonstrate manure treatment technology. He noted that this project stems from a grant that will be accepted by the Board in the Gift and Grant report. Vice President Poston noted that Green Meadow Farms has pledged \$200,000 over 10 years for partial support of research, demonstration, and education at this facility along with another \$500,000 for the project.

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**7. BC – South Campus Composting Facility – Manure Storage Building**

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Upon a motion by Trustee Romney, seconded by Trustee Ferguson, the Committee voted to recommend to the Board of Trustees that a contract in the amount of \$533,209 be awarded to Wedeven Brothers Construction Co. and that a budget in the amount of \$685,000 be established for the project entitled: South Campus Composting Facility - Manure Storage Building.

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Vice President Poston indicated that the construction will provide covered storage for manure and reduce potential storm water runoff issues.

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**8. BC – Beef Cattle Research Center – Roof Extension (amended budget)**

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Upon a motion by Trustee Nugent, seconded by Trustee Ferguson, the Committee voted to recommend to the Board of Trustees that the action taken by the Board of Trustees on September 16, 2005 for the project entitled Beef Cattle Research Center – Roof Extension have the construction budget increased by \$50,000, from \$400,000 to \$450,000.

Chuck Reid, Director of the Land management Office, commented that the budget is being increased because of unforeseen circumstances, specifically the existing walls that cannot support the new roof and the lighting that will need to be added for accreditation.

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**9. Acceptance of the Goldner Property**

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Upon a motion by Trustee Romney, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees acceptance of a bequeathed gift of approximately five acres of land including a house located at 7200 Telegraph Road, Bloomfield Hills, Bloomfield Township, Oakland County, Michigan.

Vice President Poston explained that Al Golder was a graduate of MSU and worked at Beal Botanical Garden. He indicated that the property, valued one year ago at \$1.8 million, would be sold and the proceeds would be placed into a fund functioning as an endowment which will be used to provide support for Beal Botanical Garden.

Vice President Poston indicated that he would have to get back with Trustee McNamara on her question about the exact restrictions of the gift.

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**10. FFE: Marquis L. Otis Fund in the School of Music**

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Upon a motion by Trustee Romney, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees the establishment of a fund functioning as an endowment entitled: Marquis L. Otis Fund in the School of Music.

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**11. The 2006-07 Appropriation Request**

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Upon a motion by Trustee Romney, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees adoption of the Appropriation Request, including needs for the University General Fund, the Michigan Agricultural Experiment Station, and the Michigan State University Extension.

Vice President Poston noted that the parameters will guide the development of the MSU budget through the 2006-07 appropriation cycle. It includes needs for general fund, agriculture experiment station, MSU Extension, and the Capital Outlay for building systems maintenance, renovations, and new construction.

President Simon commented, "This does build on the idea that the research universities are

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critical for the success of Michigan in terms of the Bill Gates comment that there is almost a perfect correlation between the number of jobs in the region and the strength of the universities. It builds on the boldness by design initiatives in terms of expanding international reach, enriching communities, economic and family life, enhancing student experience, increasing research opportunities, and strengthening stewardship and it does request a stable mission-based approach for allocating what we know to be the scarce resources for the State of Michigan."

"This also recognizes that in order to receive these scarce resources, we have to do our part in terms of accountability in delivering a quality product for the people of Michigan. It also recognizes the challenges of the Cherry Commission and hopes that we can reverse the trend of public disinvestment in public higher education which is the source of large tuition increases."

"If we look at the economic development model for the State of Michigan, MSU Extension and the Experiment Station are going to play a more and more critical role in assuring that cutting edge research gets out to every community of the state, which has been our traditional land-grant mission in order that we might be the engine of economic development and change, along with our peer institutions in the state to help the State of Michigan really move forward. Part of that is the biomass initiative that we've been talking about. It also lets us try to address the infrastructure and deferred maintenance needs that are so critical in keeping our aging facilities current. Not simply in the apartment issues, but in our laboratories because our value to the state is being cutting edge. This is essentially the framework around what is in the annual request."

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## **12. Budget Update**

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Upon a motion by Trustee Romney, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees adoption of a budget adjustment increasing appropriation revenue by \$1,599,600 in accordance with the final appropriation as approved by the Legislature and signed by the Governor. This action commensurately increases budgeted revenues and expenditures and establishes the 2005-06 amended budget at \$770,666,300.

Vice President Poston stated that this request amends the budget that the Board approved earlier in the year, where they passed a tuition increase and a budget for the University before the state had actually acted on this budget in order to meet billing demands. We built the budget on the Governor's proposed budget and the actual appropriation came in higher than expected. These funds will help those students receiving financial aid.

President Simon commented, "The two parts of the land-grant mission are access to quality and assuring that our programs are good enough for the proudest, but open to the poorest. We know that because of the budget that the Board passed in July, a significant increase was made to financial aid that hasn't gotten much press with respect to all of the issues about tuition that did work to not only protect the students who receive PELL, but also provides additional need-based financial aid for those families above PELL who are in the low socioeconomic class, those include family incomes of \$21,000-\$22,000 and another set of people who are below \$41,000 in terms of socioeconomic scale."

"We had hoped that if we had gotten the House recommendation, we would have been able to continue the rebate to our students, but in talking with the students, we know that the economic circumstances in Michigan are continuing to make it very difficult for families in this range to send their sons and daughters to Michigan State University. What this proposal

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would do is really front-end load our multiple year plan to have increased financial aid next year to try to serve these students better and be able to help more students this year. With this proposal, we would help another 1,300 students receive additional aid in the above PELL category and also those in the highest need category where people have parental loans as a part of their package. This would permit us to replace those loans for another 2,500 students who are most vulnerable.”

“One of the great things about Michigan State, unlike our peer institutions, is that we have many of these students that have a slightly different profile than the typical AAU University and we are very proud of it. This does put an additional burden on us to assure that we do everything that we can in these volatile times to work on behalf of our students. The other piece of this is to take a small amount of money on a nonrecurring basis to create a pool, a small sort of emergency pool of about \$400,000 to help make adjustments to set financial aid packages for those students whose families are being significantly displaced this year as a result of downsizing, major announcements, and continuing turmoil. This includes many of our hard-hit urban areas, as well as rural areas where small supplier plants are being significantly affected by the shift of the supply chain. This is something that I think it is very consistent with our approach in the budget. This small amount of money is, in some ways, in a billion dollar budget, insignificant. But when you translate it to the impact on individual students and our efforts for them to be successful, I think it does have a significant impact.”

ASMSU Student Assembly Representative Andrew Schepers agreed with President Simon’s comments on the land-grant traditions and the need to continue to offer funding for the students that are here to stay and also to grow our financial base so that affordable education to students within the State of Michigan can continue to be offered.

President Simon added, “The Board’s action in July passed a 15% increase in financial aid. This action today moves that increase to 19% for our students this year, which I do think reflects our efforts at keeping our commitment in the face of the state disinvesting in its public universities and disinvesting in the next generation of students.”

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**13. Audited Financial Statements for the Year Ended June 30, 2005**

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Upon a motion by Trustee Romney, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees acceptance of the audited financial statements for the year ended June 30, 2005.

**Meeting adjourned: 10:17 a.m.**

**MICHIGAN STATE**  
**UNIVERSITY**


November 30, 2005

**APPROVED**

**DEC 09 2005**

Board of Trustees  
Michigan State University  
V.P. Finance and Operations

**MEMORANDUM**

**To:** Trustee Finance and Audit Committee  
**From:** Fred L. Poston   
**Subject:** Appointment of Architect/Engineer  
Wilson Road: Farm Lane to Conrad Hall – Reconstruction 2006

**RECOMMENDATION:**

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that M.C. Smith Associates and Architectural Group, Inc. (MCSA) be appointed as the Architect/Engineer for the project entitled: Wilson Road: Farm Lane to Conrad Hall – Reconstruction 2006.

**BACKGROUND:**

This project extends from Conrad Hall to Farm Lane and includes a portion of Bogue Street from Shaw Lane south to the Veterinary Clinic parking lot entrance. The reconstruction will include bike lanes in all directions. The current boulevard design on Wilson Road will be preserved. The current traffic circle style intersection at Bogue Street and Wilson Road will be replaced with a signalized intersection. The proposed traffic signal intersection will enhance safety for pedestrians, bicyclists, and the disabled. This newly designed intersection will also better manage traffic volumes. The redesign of this intersection was part of the 2020 Campus Master Plan.

A selection committee consisting of University personnel reviewed proposals submitted from firms with the expertise necessary to provide services for this project. The committee recommends that M.C. Smith Associates and Architectural Group, Inc. be appointed as Architect/Engineer because of its skill and experience in designing many streetscapes throughout Michigan.

cc: D. Brower, R. Flinn, P. Fowler, J. Kacos, G. Klein, W. Latta, K. Lindahl, J. Mumma, R. Nestle, D. Quinney

CP05473

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**MICHIGAN STATE**  
**UNIVERSITY**

November 30, 2005



**MEMORANDUM**

**To:** Trustee Finance and Audit Committee  
**From:** Fred L. Poston   
**Subject:** Bid and Contract Award  
IM Sports West - Roof Replacement

**RECOMMENDATION:**

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that a contract in the amount of \$864,386 be awarded to Mid-Michigan Roofing, LLC and that a budget in the amount of \$1,060,000 be established for the project entitled: IM Sports West - Roof Replacement.

**BACKGROUND:**

This project involves removal and replacement of roof membrane and associated flashings at IM Sports West roof areas 2, 3, 4, 5, 7, 7A, 7B, 12, 14, 15, 16, 17, 18, 19, 20, 22, and 23. The following bids were received:

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BIDDERS

BASE BID

|  |            |
|--|------------|
| Mid-Michigan Roofing, LLC                    | \$ 864,386 |
| Bornor Restoration, Inc.                     | 868,300    |
| ChristenDETROIT                              | 1,020,000  |
| Royal Roofing Co., Inc                       | 1,055,000  |
| National Roofing & Sheet Metal Company, Inc. | 1,079,000  |

This project was advertised in accordance with University practices. No minority-owned or women-owned businesses submitted bids.

It is recommended that the following budget be established:

|                                      |                    |
|--------------------------------------|--------------------|
| Construction Contract                | \$864,386          |
| Engineering & Architectural Services | 45,000             |
| Design Consultant                    | 30,461             |
| Grounds                              | 20,000             |
| Campus Planning & Administration     | 6,600              |
| Contingency                          | <u>93,553</u>      |
| <b>TOTAL</b>                         | <b>\$1,060,000</b> |

The project is intended to be funded by the General Fund.

cc: D. Brower, R. Flinn, P. Fowler, J. Kacos, G. Klein, W. Latta, K. Lindahl,  
J. Mumma, R. Nestle, D. Quinney

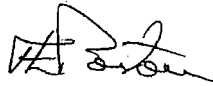
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**MICHIGAN STATE**  
**UNIVERSITY**

November 30, 2005



**MEMORANDUM**

**To:** Trustee Finance and Audit Committee  
**From:** Fred L. Poston   
**Subject:** Zoning Variance for Chemistry Addition

**RECOMMENDATION:**

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that a variance to the University Zoning Ordinance be granted to allow an eight-foot air cantilevered encroachment variance for the fourth and fifth floors of the proposed chemistry addition, over the 40 foot setback specified in the Michigan State University Zoning Ordinance.

**BACKGROUND:**

The placement of a new addition for the Chemistry Building included a detailed analysis of several building expansion options including areas to the south, west, and north sides. This analysis determined that options for expansion to the south and west were disadvantaged by several issues including high project costs, planning limitations, limited opportunities for future expansion, construction difficulty, utility and infrastructure interferences, and disruptions of recent site and building improvements.

The design recommendation is to place the proposed addition in a central position to the existing Chemistry building facing north towards Shaw Lane. The building would be a multi-story one with the lower three floors designed to be within the setback limitations. The 4th and 5th floors are designed to cantilever in the air over the 40 foot setback line from Shaw Lane by 8 feet.

This request was also reviewed favorably by the Director of Campus Planning and Administration and the Campus Infrastructure Planning Workgroup.

Recommendations for variances are solely based on the attributes of the particular project.

cc: D. Brower, R. Flinn, P. Fowler, J. Kacos, G. Klein, W. Latta, K. Lindahl,  
J. Mumma, R. Nestle, D. Quinney, S. Troost

CP05040

**S**

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**MICHIGAN STATE**  
**UNIVERSITY**

November 30, 2005



**MEMORANDUM**

**To:** Trustee Finance and Audit Committee  
**From:** Fred L. Poston   
**Subject:** Fund Functioning as an Endowment  
The Institute of Public Utilities Endowment Fund

**RECOMMENDATION:**

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees establishment of a fund functioning as an endowment entitled: The Institute of Public Utilities Endowment Fund

**BACKGROUND:**

The initial \$30,000 funding to establish The Institute of Public Utilities Endowment Fund funds functioning as an endowment (FFE) will be transferred from the Institute of Public Utilities unrestricted operating account. Additional funds can be added to this FFE. Consistent with the purpose of these underlying funds, the endowment income will be used at the discretion of the Director of the Institute of Public Utilities to support the mission and goals of the Institute. Provost Kim A. Wilcox has approved this recommendation of Charles T. Salmon, Dean of the College of Communication Arts and Sciences.

cc: J. Beecher, D. Denovich, G. Klein, K. Lindahl, C. Salmon, K. Wilcox



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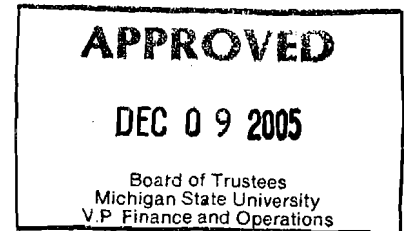
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**MICHIGAN STATE**  
**UNIVERSITY**

November 30, 2005

**MEMORANDUM**



**To:** Trustee Finance and Audit Committee

**From:** Fred L. Poston 

**Subject:** 401(a) Defined Contribution Plan

**RECOMMENDATION:**

The Trustee Finance and Audit Committee recommends to the Board of Trustees that it adopt the following resolution:

RESOLVED, that the administration be authorized to develop, adopt, implement, select a trustee for, and administer a qualified plan as described in Section 401(a) of the United States Internal Revenue Code, and to execute any necessary and appropriate documents in connection with the plan.

**BACKGROUND:**

Michigan State University administers various employee retirement and deferred compensation plans under sections 403(b), 457(b) and 457(f) of the United States Internal Revenue Code (IRC). Adoption of a qualified plan under IRC Section 401(a) (concerning qualified pension, profit-sharing, and stock bonus plans) would give the University another compensation planning tool to use for attracting or retaining employees. The administration anticipates limited use of an IRC Section 401(a) plan, but believes that the supplemental flexibility it would allow may be valuable in special circumstances.

Under a qualified IRC Section 401(a) plan, the employer must select a trustee or trustees to hold the funds of the plan for the benefit of the employees enrolled in the plan.

cc: P. Beemer, S. Harwood



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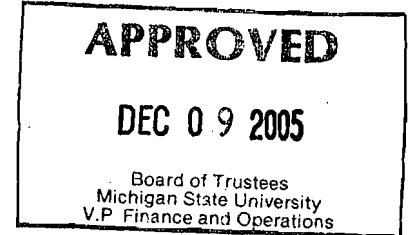
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**MICHIGAN STATE**  
**UNIVERSITY**

November 30, 2005

**MEMORANDUM**

**To:** Trustee Finance and Audit Committee  
**From:** Fred L. Poston   
**Subject:** Homer Nowlin Estate Income Utilization



**RECOMMENDATION:**

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that the Homer Nowlin Estate income distribution be amended to fully utilize expendable resources in order to enhance programs in communities, agriculture and natural resources.

**BACKGROUND:**

In February 1981, the Board of Trustees authorized the "utilization of the income from the Homer Nowlin Estate to (1) establish the Homer Nowlin Chair in Agriculture and Natural Resources, and (2) establish a fund functioning as an endowment known as the Homer Nowlin Endowment." The Board also directed that income in excess of that required to fund the Homer Nowlin Chair be reinvested in the Homer Nowlin Endowment Fund.

In April 2002, the Board of Trustees authorized the redistribution of the expendable income (consisting of oil royalties and spending policy distributions) from the Homer Nowlin Estate in order to (1) strengthen the University's capacity in consumer responsive product agriculture, and (2) establish a multidisciplinary partnership that will focus on creating a sustainable future for Michigan. To accomplish this, \$400,000 (adjusted annually for inflation) was to fund the Homer Nowlin Chair in Water Research, \$75,000 (adjusted annually for inflation) was to be made available to elevate an existing faculty position to that of the Nowlin Chair in Consumer Responsive Product Agriculture, and \$25,000 (adjusted annually for inflation) was to be used to initiate the Sustainable Michigan Fund.

Dean of Agriculture and Natural Resources, Jeffrey Armstrong, has recommended that, any current expendable balances not reverted to principal or future expendable balances remaining after funding the three existing initiatives, be transferred to a discretionary account in the Dean's office to be used for programs in communities, agriculture and natural resources.

Provost Wilcox has approved this recommendation of Dean Armstrong.

cc: J. Armstrong, G. Klein, K. Lindahl, K. Wilcox

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