

TRUSTEE FINANCE & AUDIT COMMITTEE

Thursday, February 10, 2005
2:00 p.m.
Board Room, Administration Building

A G E N D A



- A. Approval of Agenda
- B. Approval of the January 14, 2005, Minutes of the Trustee Finance & Audit Committee Attachment 1.B
- C. BC – Food Stores – Fire Protection and Fire Alarm Upgrade Attachment 1.C
- D. BC – Farrall Hall – Alterations to Room 132 BSL-2 Food Safety Laboratory Attachment 1.D
- E. BC – Psychology Research Building – Barrier Free Alterations, Fire Alarm Upgrades, and Interior Renovations Attachment 1.E
- F. BC – Spartan Statue Intersection Reconstruction and Steam Service Replacement Attachment 1.F
- G. BC – Grand River Avenue – Parking Ramp No. 6 Attachment 1.G
- H. Appointment of Investment Manager Attachment 1.H

TRUSTEE FINANCE & AUDIT COMMITTEE

Friday, January 14, 2005
Board Room, Administration Building

Approved:


L. Susan Carter, Secretary of the Board of Trustees

Call to order:

9:17 a.m.

Committee Members Present:

Trustee Nugent, Trustee Romney, Trustee Ferguson, and Trustee Foster.

Others Present:



Trustee Porteous, Trustee Cook, Trustee Gonzales, and Trustee McNamara; President Simon, Acting Provost Hudzik, Vice President Poston, and Secretary Carter; Faculty Liaison Representatives Helton, Maleczka, Melnick, Moch, and Sticklen; Student Liaison Representatives Hill and Weber.

A. Approval of the Agenda

Upon a motion by Trustee Nugent, supported by Trustee Porteous, the Committee voted to approve the Trustee Finance & Audit Committee agenda as presented.

B. Acceptance of the Friday, December 10, 2004, Minutes of the Trustee Finance & Audit Committee

Upon a motion by Trustee Nugent, supported by Trustee Porteous, the Committee voted to approve the Trustee Finance & Audit Committee minutes as presented.

C. AE – DPPS – Replace air conditioning with chiller and air handling units

Upon a motion by Trustee Porteous, seconded by Trustee Ferguson, the Committee voted to recommend to the Board of Trustees that DiClemente Siegel Design, Inc. be appointed as the architect/engineer for the project entitled: Department of Police and Public Safety – Replace Air Conditioning with Chiller and Air Handling Units.

D. AE – Fee Hall – Replace chillers, cooling towers, and pumps

Upon a motion by Trustee Porteous, seconded by Trustee Ferguson, the Committee voted to recommend to the Board of Trustees that HarleyEllis be appointed as the architect/engineer for the project entitled: Fee Hall – Replace Chillers, Cooling Towers and Pumps.

Trustee Porteous asked why we have two different design firms on what appears to be the same type of project: Fee Hall and DPPS Chiller Replacement.

Assistant Vice President Flinn responded that the selections are qualification-based and that both firms met the qualifications along with the high delivery MSU expects.

President Simon added that there were no additional savings had these two projects been appointed to one firm.

E. AE – Food Stores Bakery

Upon a motion by Trustee Ferguson, seconded by Trustee Foster, the Committee voted to recommend to the Board of Trustees that Design Plus be appointed as the Architect/Engineer for the project entitled: Food Stores – Relocate MSU Bakery.

Vice President Poston commented on the project by indicating that since 1973, a number of the bakery functions had been relocated to the Brody Complex. A comprehensive review by Housing and Food Services identified the need to replace and upgrade current equipment and that the relocation of the MSU Bakery within Food Stores would gain and reduce costs. This move would also release approximately 11,000 square feet of space in the Brody complex to be reverted back to the space inventory.

Assistant Vice President Gagliano reviewed the plan showing the particular location of the MSU Bakery within the Food Stores building. He indicated that this move would reduce costs of the bakery operation by about \$560,000. He added that over time, FTE's would be reduced through these efficiencies but would be done through attrition.

Trustee McNamara asked if this move would affect local retailers. Gagliano responded that MSU is not a retail competitor, but does provide baked goods that either by volume, quality, or size of facility could not be handled by the local retailers.

Trustee Romney joined the discussion by telephone.

F. BC – Campus Steam Distribution – repair tunnel between vaults 182 and 183

Upon a motion by Trustee Porteous, seconded by Trustee Nugent, the Committee voted to recommend to the Board of Trustees that a contract in the amount of \$210,060 be awarded to Sandborn Construction, Inc., and that a budget in the amount of \$310,000 be established for the project entitled: Campus Steam Distribution – Repair Tunnel between Vaults 182 and 183.

G. Appoint External Auditors

Upon a motion by Trustee Porteous, seconded by Trustee Foster, the Committee voted to recommend to the Board of Trustees:

That KPMG LLP be reappointed as the University's auditors for FY 2004-2005 at a fee of \$256,950 including out-of-pocket expenses; and

That Dr. Fred Poston, Vice President for Finance and Operations and Treasurer, is authorized to sign on behalf of the Board of Trustees the KPMG LLP engagement letter dated November 12, 2004, addressed to the Chairperson of the Finance and Audit Committee.

Vice President Poston stated that MSU rotates audit firms every 6 years, and this will be the 6th year. Trustee Porteous noted that the process to select a new auditor would begin soon.

H. Approve Carlyle Investment Partners

Upon a motion by Trustee Foster, seconded by Trustee Ferguson, the Committee voted to recommend to the Board of Trustees the selection of Carlyle Partners as a private equity manager.

Vice President Poston noted that in December 2004, the Committee and University staff interviewed Carlyle Partners on the recommendation of Cambridge Associates.

Director of Investments, Glen Klein noted that Carlyle is a well respected manager within the private equity industry and has an experienced investment team with a proven track record.

Trustee Romney indicated that based on his participation in the December interview, he did not support this motion to approve Carlyle Partners due to the large size of the firm as well as other issues. He felt that Carlyle was not the best manager for MSU's private equity investments and that it would be difficult for MSU to get a good return considering the large size of the fund.

Director of Investments, Glen Klein responded that Carlyle is MSU's best opportunity to fill its large cap buyout allocation. He also indicated that the standard \$6 million manager allocation was reduced to \$4 million to minimize any overlap of underlying investments between Carlyle and MSU's other large cap buyout managers.

Trustee Nugent noted that Carlyle Fund II had a 30% return, Carlyle Fund III had a 10.6% return, and that both returns were above the median benchmark and were good for a large cap buyout fund.

Trustee Porteous indicated that this was a good discussion and he acknowledged Trustee Romney's concerns noting that there was not a right or wrong answer, but in the end he supported this motion.


Meeting adjourned: 9:43 a.m.

**MICHIGAN STATE
UNIVERSITY**

February 2, 2005



MEMORANDUM

To: Trustee Finance and Audit Committee
From: Fred Poston 
Subject: Bid and Contract Award
Food Stores – Fire Protection and Fire Alarm Upgrade

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that a contract in the amount of \$289,000 be awarded to Nielsen Commercial Construction Company, and that a budget in the amount of \$455,000 be established for the project entitled: Food Stores – Fire Protection and Fire Alarm Upgrade.

BACKGROUND:

This project involves furnishing and installing a new fire alarm and fire protection system, including sprinklers and area smoke detectors. The following bids were received:

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<u>BIDDERS</u>	<u>BASE BID</u>
Nielsen Commercial Construction Company	\$289,000
Moore Trosper Construction Company	298,480
Irish Construction Company, Inc.	304,700
Kares Construction Company, Inc.	310,100
HBC Contracting, Inc.	332,120

This project was advertised in accordance with University practices. One woman-owned business (Nielsen Commercial Construction Company) submitted a bid. No minority-owned businesses submitted bids.

February 2, 2005

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It is recommended that the following budget be established:

Construction Contract	\$289,000
Design Consultant	47,000
Engineering & Architectural Services	35,000
Physical Plant Shops (site and miscellaneous)	23,500
Campus Planning & Administration	2,800
Contingency	<u>57,700</u>
TOTAL	\$455,000

The Physical Plant Division estimated this project at \$550,000 in March 2004.

The project is intended to be funded from Auxiliary Activities Fund – Housing and Food Services.

cc: D. Brower, R. Flinn, P. Fowler, C. Gagliano, P. George, J. Kacos, G. Klein, B. Latoszewski, K. Lindahl, J. Mumma, R. Nestle, D. Quinney

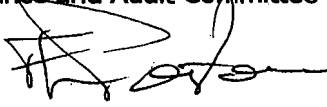
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February 2, 2005

MEMORANDUM

To: Trustee Finance and Audit Committee
From: Fred Poston 
Subject: Bid and Contract Award
Farrall Hall – Alterations to Room 132 BSL-2 Food Safety Laboratory

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that a contract in the amount of \$396,400 be awarded to Nielsen Commercial Construction Company, and that a budget in the amount of \$580,000 be established for the project entitled: Farrall Hall – Alterations to Room 132 BSL-2 Food Safety Laboratory.

BACKGROUND:

This project involves alterations to room 132 into a new BSL-2 Food Safety Laboratory with associated prep room, equipment staging area and mechanical room including new casework, flooring, ceiling, lighting, painting, and finish work. The work involves a new air handling unit, ductwork, roof mounted air-cooled chiller, piping, pumps, kitchen hood, exhaust fans, and controls.

The following bids were received:

BIDDERS

BASE BID

Nielsen Commercial Construction Company	\$396,400
Irish Construction Company, Inc.	417,000
Moore Trospen Construction Company	417,352
D N West Enterprises, Ltd.	429,000
Sugar Construction, Inc.	437,600
Kares Construction Company, Inc.	441,500
J. Perez Construction, Inc.	456,156
HBC Contracting	459,920
Baseline Contractors	477,000

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February 2, 2005

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This project was advertised in accordance with University practices. One minority-owned business (J. Perez Construction, Inc.) submitted a bid. One women-owned business (Nielsen Commercial Construction Company) submitted a bid. The Nielsen Commercial Construction Company intends to award approximately \$4,000 to minority-business enterprise subcontracts.

It is recommended that the following budget be established:

Construction Contract	\$396,400
Design Consultant	49,800
Engineering & Architectural Services	24,400
Physical Plant – Asbestos Abatement & Data Cabling	11,500
Campus Planning & Administration	3,500
Contingency	<u>94,400</u>
TOTAL	\$580,000

The Physical Plant Division estimated this project at \$600,000 in December 2004.

The project is intended to be funded from Michigan Agricultural Experiment Station, Research Facilitation Funds, and the College of Agriculture and Natural Resources.

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


CP03243

MICHIGAN STATE
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February 2, 2005

APPROVED
FEB 10 2005
Board of Trustees
Michigan State University
V.P. Finance and Operations

MEMORANDUM

To: Trustee Finance and Audit Committee
From: Fred Poston 
Subject: Bid and Contract Award
Psychology Research Building - Barrier Free Alterations, Fire Alarm Upgrades,
and Interior Renovations

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that a contract in the amount of \$686,800 be awarded to Nielsen Commercial Construction Company, and that a budget in the amount of \$1,130,000 be established for the project entitled: Psychology Research Building - Barrier Free Alterations, Fire Alarm Upgrades, and Interior Renovations.

S

BACKGROUND:

This project includes an accessible ramp with snowmelt and automated entranceway; new fire alarms and a fire protection system, including area smoke detectors; interior renovations including accessible restroom upgrades, construction of new offices, and lab alterations. The following bids were received:

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<u>BIDDERS</u>	<u>BASE BID</u>
Nielsen Commercial Construction Company	\$686,800
J. Perez Construction, Inc.	740,038
Moore Trosper Construction Company	754,000
Kares Construction Company, Inc.	757,900
Irish Construction Company, Inc.	792,000
HBC Contracting	796,520
D.N. West Enterprises, Ltd.	816,000
Sugar Construction, Inc.	907,500

February 2, 2005

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This project was advertised in accordance with University practices. One woman-owned business (Nielsen Commercial Construction Company) submitted a bid. One minority-owned business (J. Perez Construction, Inc.) submitted a bid. Nielsen Commercial Construction Company intends to award approximately \$33,000 to minority-owned business enterprise subcontracts.

It is recommended that the following budget be established:

Construction Contract	\$686,800
Physical Plant – Site Work & Data/Communications Cabling	151,600
Design Consultant	100,000
Furnishings & Equipment	60,000
Engineering & Architectural Services	24,600
Campus Planning & Administration	7,000
Contingency	<u>100,000</u>
TOTAL	\$1,130,000

The Physical Plant Division estimated this project at \$1,100,000 in March 2004.

The project is intended to be funded from the General Fund- Accessibility, General Fund- Infrastructure, and the College of Social Science.

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


CP04224

MICHIGAN STATE
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February 2, 2005

MEMORANDUM

To: Trustee Finance and Audit Committee
From: Fred Poston 
Subject: Bid and Contract Award
MSU Spartan Statue Intersection Reconstruction and
Steam Service 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 \$2,916,800 be awarded to Kares Construction Company Inc., and that a budget in the amount of \$4,100,000 be established for the project entitled: MSU Spartan Statue Intersection Reconstruction and Steam Service Replacement.

S

BACKGROUND:

This project involves reconstruction of the Spartan statue intersection to improve pedestrian, bicycle and vehicle safety. It also involves the replacement of the Spartan statue sculpture and the aging steam service line between the IM Circle, Jenison Fieldhouse, Demonstration Hall, and near Breslin Center.

The following bids were received:

<u>BIDDERS</u>	<u>BASE BID</u>
Kares Construction	\$2,916,800
Sandborn Construction	3,063,100
Granger Construction	3,183,500
Irish Construction	3,184,000
Grand River Construction	3,481,680

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February 2, 2005

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This project was advertised in accordance with University practices. One woman-owned business (Sandborn Construction Company) submitted a bid. No minority-owned business submitted bids. Kares Construction Company, Inc. intends to award approximately \$17,000 to women-owned business enterprise subcontracts.

It is recommended that the following budget be established:

Construction Contract	\$2,916,800
Design Consultant	290,940
Physical Plant – Steam Shop & Site Work	242,430
Engineering & Architectural Services	115,000
Sparty Relocation	106,369
Campus Planning & Administration	24,600
Contingency	<u>403,861</u>
TOTAL	\$4,100,000

The Physical Plant Division estimated this project at \$4,190,000 in January 2005.

The plaza, new statue, and moving the existing statue will be funded by donations. The steam service line will be funded by the General Fund – Utilities. The intersection renovation will be funded by the General Fund.

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

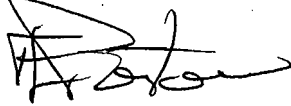
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APPROVED
FEB 10 2005
Board of Trustees
Michigan State University
V.P. Finance and Operations

February 2, 2005

MEMORANDUM

To: Trustee Finance and Audit Committee
From: Fred Poston 
Subject: Bid and Contract Award
Grand River Avenue – Parking Ramp No. 6

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees that a contract in the amount of \$15,260,000 be awarded to Granger Construction Company, and that a budget in the amount of \$19,500,000 be established for the project entitled: Grand River Avenue – Parking Ramp No. 6.

BACKGROUND:

This project involves construction of a 733 car parking deck on North Campus, including utility relocation, excavation, concrete and masonry construction. The following bids were received:

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<u>BIDDERS</u>	<u>BASE BID</u>
Granger Construction Company	\$15,260,000
The Christman Company	16,360,000
Barton Malow Company	16,477,000
Clark Construction Company	17,179,000
Kares Construction Company, Inc.	17,190,000
Colasanti Construction Services, Inc.	17,675,000
Turner Construction Company	18,293,000
JM Olson Corporation	18,720,000
Fryling Construction Company, Inc.	20,030,000

This project was advertised in accordance with University practices. Granger Construction Company intends to award approximately \$2,750,000 in women-owned business enterprise subcontracts.

February 2, 2005
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It is recommended that the following budget be established:

Construction Contract	\$15,260,000
Design Consultant	1,017,000
Physical Plant – Site Work & High Voltage Cabling	800,000
Engineering & Architectural Services	380,000
Campus Planning & Administration	117,000
Campus Art	97,500
Contingency	<u>1,828,500</u>
 TOTAL	 \$19,500,000

The Physical Plant Division estimated this project at \$19,500,000 in September 2004.

The project is intended to be financed through a tax-exempt bond offering with initial funding and debt repayment from the Auxiliary Activities Fund – Parking.

cc: D. Brower, R. Flinn, P. Fowler, P. George, J. Kacos, G. Klein, K. Lindahl, J. Mumma, R. Nestle, D. Quinney, M. Rice


CP03220

MICHIGAN STATE
UNIVERSITY

February 2, 2005

MEMORANDUM



To: Trustee Finance and Audit Committee
From: Fred Poston 
Subject: New Investment Manager – Moon Capital

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance and Audit Committee recommends to the Board of Trustees the selection of Moon Capital as an absolute return manager contingent upon the approval of the Chairperson of the Trustee Finance and Audit Committee after consultation with the Trustee Finance and Audit Committee.

BACKGROUND:

Oaktree Capital Management, LLC (Oaktree) has notified MSU that John Moon, who has served as the co-portfolio manager of the OCM Emerging Markets Fund (the Fund) since January 2000, will be leaving Oaktree on March 31, 2005 to run his own firm, as he has done before. The Fund will close on March 31, 2005, redeem all investments and reopen for investment as a new fund on April 1, 2005. As of December 31, 2004, MSU's investment in the OCM Emerging Markets Fund approximated \$10.9 million.

Mr. Moon will open his new firm on April 1, 2005 and be the sole portfolio manager for the Moon Capital Global Equity Fund (Moon Fund). Cambridge Associates (Cambridge) met with Mr. Moon and representatives from Oaktree and recommends that MSU invest the proceeds of the Fund's redemption in the Moon Fund on April 1, 2005.

Oaktree notified MSU in December of Mr. Moon's upcoming departure and credited him with much of the Fund's success and with founding the predecessor of the Fund. Moon Capital will have seasoned staff, including ten of the eighteen OCM analysts who plan to move with Mr. Moon to Moon Capital. Moon Capital has also hired additional experienced staff.

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February 2, 2005

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The strategy of Moon Capital will be to invest in non-directional emerging markets, with both longs and shorts being built up company-by-company based on research, and using developed markets primarily for the short side against better valued companies in the same industries in emerging markets.

Based on Mr. Moon's strengths, Cambridge has recommended that MSU liquidate its current investment in the OCM Emerging Markets Fund and invest with Moon Capital. In Cambridge's opinion, he has been the person primarily responsible for the enviable track record of the OCM Emerging Markets Fund. The Moon Fund is targeted at \$1.5 billion, at which point the fund will close.

Given Moon Capital's April 1, 2005 start-up date, MSU needs to notify Moon Capital of its interest in investing before February 28, 2005.

cc: D. Brower, N. Carter, G. Klein, K. Lindahl