The Trustees met as a Finance Committee in the Kellogg Center beginning with a dinner at 6:15.

Present: Messrs. Harlan, Hartman, Merriman, Nisbet, Smith, Stevens, Thompson, and White; President Hannah, Treasurer May, and Secretary Breslin.

Absent: No one.

1. Communication from Mr. May and Mr. Neville:

At the May meeting of the Board, a report was made to the Trustees that the minimum budget for 1967-68 would require an additional $6,231,000. The detail of the use of the additional funds as presented to the legislature and our Trustees is as follows:

Michigan State University
Proposed Increases in Budget 1967-68

1) New Academic Staff

| Faculty | 140 | $1,807,256 |
| A-P and Clerical, Librarians | 40 | 313,771 |
| Graduate Assistants | 48 | 121,734 |
| Summer School | 108,300 | $2,351,061 |

2) Academic Supplies and Equipment

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<tr>
<td>Of this amount, $225,000 has been allocated to the two new colleges and the medical school. The balance would be used to meet the increased cost of supplies and equipment.</td>
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3) Salary and Wage Adjustments

| Faculty | $1,187,207 |
| Administrative-Professional | 189,733 |
| Clerical | 350,765 |
| Labor | 317,242 | 2,044,947 |

4) Non-Academic

| Administrative-Professional | 17 | $144,500 |
| Clerical | 28 | 125,000 |
| Supplies and Services | 255,500 |
| Equipment | 65,000 | 586,000 |

5) Physical Plant

| Maintenance of new space | $468,333 |
| Fire, insurance, grounds, sewer services | 116,035 |
| Protective services | 27,700 |
| Increased cost of supplies and services | 169,932 | 780,000 |
| | $6,231,000 |

In the past few weeks the prospects for tax reform have diminished. The Senate has passed an appropriation bill for higher education which contains only $37,896 of additional money for Michigan State University. The prospects for any substantial increase are so dim that it seems imperative that the University consider all of the alternatives for a budget which will result in the least possible long-range harm.

As you know, in the past half dozen years considerable progress has been made both in handling the large increase in numbers of students and in raising the quality of our undergraduate and graduate programs. The work has been done by a large number of faculty including several hundred of the brightest young people who could be found in the country, and the prospects for the future look as bright as they have for many years. We would be less than responsible if we did not recommend a budget program to you which will maintain the momentum developed over these past few years and which would maintain the morale of all the faculty and staff of the University.

In developing a budget plan, it is assumed that the University will:

1) Meet existing commitments for new staff.
2) Provide reasonable salary and wage adjustments.
3) Maintain new space.
4) Make all possible economies to minimize the effects of the budget.
5) Develop a new fee schedule and student aid program to insure that fee increases do not price any Michigan student out of an education.
6) Develop a balanced budget.
Discussion of 1967-68 Budget, continued

1. 1967-68 Budget, continued

Using the above basic guidelines, we will detail in a series of actions how we can meet the budget crisis created by the failure of the legislature to provide funds needed for a minimum increase in the 1967-68 budget of $6,231,000. The actions suggested are in priority order.

Priority I

Make the following changes in the tentative budget as originally presented to the legislature:

1) Reduce allocation of student fees for buildings

2) Recovery to general budget of indirect expense on contracts:

   Recovery
   Less allocations to departments

3) Recovery to general budget on fellowship program grants from federal government:

   Expected grants
   Less grant to colleges to Provost reserve

4) Fees from additional students (increase in enrollment at current fees)

5) To general budget from charges to new dormitory for utilities

6) Increase in state appropriation (Senate Bill 72)

Priority II

Increase the fee for non-residents from $1,020 to $1,200 per academic year. Estimated increase in fee revenue

Priority III

Increase the fees for Michigan students as follows:

1) Increase resident fee $96 per academic year from $354 to $450

2) Increase fee for off-campus students from $15 to $17 per credit hour

3) Increase fee for graduate thesis credits from $30 to $40 per unit

   Less special reserve for student aid to be used as outlined in Exhibit A

Priority IV

Defer allocation of funds for the following programs. These items are not eliminated, but are placed in a deferred category to be reinstated should funds become available.

Academic Areas

Postpone genetics program

Delay filling positions for which firm commitments to prospective employees have not been made

Library (postpone book purchases)

Mathematics (defer)

Clinical medicine (postpone employing staff for clinical program)

Eliminate funds for price increases in cost of supplies and equipment (requires departments to assume price increases within current budgets
Discussion fee increases for 1967-68

Special Finance Committee Meeting Minutes, continued

June 30, 1967

1. 1967-68 Budget, continued

Priority IV, continued

Other

Defer painting, repairs, and general maintenance $168,000
Reduce budgets of Physical Plant, Cleaning, etc. 132,000
Reduce allocations for all service and administrative functions 150,000 $450,000 $1,015,000

It should be understood that if our appropriation from the legislature is increased above the $37,896 shown in Priority I that the increase will be first applied to Priority IV and, then, to III. For example, if the legislature should appropriate the funds recommended by the Governor, the $3,049,133 of additional funds would first eliminate the need for budget deferments listed under Priority IV. Next, consideration could be given to reduce fee increases outlined in Priority III.

Finally, we would recommend that the Board not take specific action on student fees until the legislature has finalized an appropriation for the University.

We would suggest that the Trustees authorize the officers to develop a budget based on these recommendations and Exhibits A and B with the understanding that required fee increases will be approved at the July meeting of the Board of Trustees if such action is necessary.

Motion was made by Mr. Nisbet, seconded by Dr. Smith, to approve the principles outlined for the purpose of authorizing the officers of the University to prepare the budget for 1967-68 following the basic suggestions with reference to wages and salaries, possible deferments of certain expenditures, and an increase in the fee structure sufficient to produce a balanced budget, the specific fees to be dependent on the amount of the appropriation finally authorized by the legislature.

After substantial debate, the question was called for; and the vote was 4 yeas and 4 nays, with Messrs. Harlan, Hartman, Stevens, and White voting nay.

After further discussion, the President indicated that there seemed to be no other acceptable $837,896 shown in Priority I that the increase will be first applied to the suggested outline for consideration at the July meeting, and he expressed the hope that a majority of the Trustees would approve it.

2. Communication from Mr. May:

It has been customary for many years to take care of major repairs and renovation of roads, walks, grounds and building and utility items out of year-end balances. These non-recurring items are held until near the end of the fiscal year and are then reviewed and recommendation prepared for Board approval. Confirming our conversation, I recommend that the Trustees authorize the following projects and authorize allocations immediately from the General Fund:

a. Academic Department Projects:

   1) Human Biology Laboratory $105,000
   2) Faculty offices, fourth floor Computer Center 23,500
   3) Faculty offices, Berkey Hall 7,117
   4) Chemistry storeroom, ventilation 15,000
   5) Chemistry laboratory, remodel 24,700
   6) Emergency lighting 10,000
   7) Home Economics, animal cave 2,500
   8) Booster pump, glass blowing 3,000 $190,870

b. Physical Plant Utilities:

   1) To complete North Campus electric vault $53,000
   2) Water
      16" well main, Forest Road to Mt. Hope 35,000
      New well, pump and house 50,000
      Relocate reservoir controls to Power Plant '65 15,000
   3) Heating
      Additional guides to main steam line 10,000
      Manholes and campus security 8,500
      Erickson Hall, control and ducts 9,000
   4) Electric
      Portable 500kw generator 65,000
      New lighting campus 10,000
      South Redzie, 132kw service 10,000

Allocations for year-end projects approved
Special Finance Committee Meeting Minutes, continued

2. Year-end balances, continued

b. Physical Plant Utilities, continued

5) Masonry Repairs
   Natural Science Building  $14,500
   IM Building  22,000
   Eppley Building  12,500
   Student Services Building  4,000
   Wall Old Practice Field  2,000

6) Buildings
   Agricultural Hall roof  32,000
   Giltner Hall, replace flashing  12,000
   Home Economics, suspended ceiling  11,000
   Jenison, replace water softener  8,500
   Total  380,000

7) Grounds and site work:
   1) Road Repairs (items 1-5)  $43,000
   2) Parking lot repairs (items 4, 6, 7)  36,000
   3) Bus stops  3,600
   4) Walks and bicycle routes  10,900
   5) Miscellaneous improvements (items 1-5)  19,550
   Total  113,050

d. General Improvements and Miscellaneous:
   1) Oids Hall, remove shop and close building  $52,000
   2) Wells Hall, utilities to building  50,000
   3) Kellogg Station  27,800
   4) Site work required about new Administration Buildings  50,000
   5) Tornado warning system  7,500
   6) Planetarium (to complete)  2,000
   7) Kress Art Center (to complete)  7,348
   8) Farm Lane bridge (to complete)  38,350
   9) Veterinary Science Building (to complete)  1,132
   10) Geology cameras  800
   11) Scotch Highlanders  1,300
   12) Alaskan research (Miller)  700
   13) Beef cattle research  30,000
   Total  249,130

Mr. Merriman moved, seconded by Mr. Harlan, that this recommendation be approved with the understanding that item b-3 "additional guides to main steam line, $10,000" and item b-4 "Portable 500kw generator, $65,000" be subject to approval after study by Mr. Harlan; and if he thinks either or both should be deferred, the sum of money hereby allocated for these items is to be made available and used for the purpose of purchasing needed library books on a non-recurring basis. Unanimously approved.

3. Communication from Mr. May:

   For many years it has been customary for the Trustees to authorize the President and Vice President for Business and Finance to make any necessary year-end adjustments when the books are closed.

   I would again like to request the Trustees to give us this authority with the understanding that any adjustments are to be reported back at the completion of the audit by Ernst & Ernst.

   On motion by Mr. Thompson, seconded by Dr. Smith, it was voted to approve Item 3.

4. Communication from Mr. May:

   We need Board approval for the purchase of the following two pieces of real estate:

   a. Pearl Widman property. Consists of 12.198 acres of land located at 4207 Aurelius Road which abuts the property on the west owned by Michigan State University and more commonly known as the Bear Lake property. The purchase price is $21,956.40.

   b. Mr. and Mrs. Bernard F. Gaffney, Sr., property. Located at 3534 Forest Road. Property consists of a three-bedroom, ranch-style house built in 1954, and a lot 185' x 264'. The purchase price is $28,500.

   On motion by Dr. Smith, seconded by Mr. Stevens, it was voted to approve Item 4.

5. On June 13 the following bids were received for the New Graduate Dormitory:

   General Work
   Christman Company  $2,555,000
   Miller-Davis Company  6,043,000

   Mechanical Work
   Spitzley Corporation  2,085,000
   Robert Carter Corporation  2,273,000
   John Green Plumbing & Heating  2,288,000
   Shaw-Winkler, Inc.  2,324,000
   Donald Miller Company  2,396,000
   Stanley-Carter Company  2,499,000

June 30, 1967
Special Finance Committee Meeting Minutes, continued
June 30, 1967

5. Bids for New Graduate Dormitory, continued

**Electrical Work**

- Central Electric Motor & Construction Company: $687,251
- Hatzel & Buehler: 742,800
- Hall Electric Company: 775,000
- Barker-Fowler Company: 785,200
- Fox Electric, Inc.: 820,000
- Lansing Electric: 918,692

**Electric Elevators**

- Haughton Elevator: 152,433
- Otis Elevator Company: 159,870
- Westinghouse Electric Corporation: 160,438

**Food Service Equipment**

- Great Lakes Hotel Supply: $294,494
- Canton China & Equipment Company: 311,764

**Finish Hardware**

- Knoblock Hardware Company, Inc.: $100,985
- Sterling Doorware Company: 103,900
- Grand Rapids Screen Company: 108,000

The combination of the low bids would result in a project budget as detailed below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Construction</td>
<td>$8,855,163</td>
</tr>
<tr>
<td>Engineering Inspection</td>
<td>88,551</td>
</tr>
<tr>
<td>Architect</td>
<td>445,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>581,700</td>
</tr>
<tr>
<td>Site</td>
<td>55,000</td>
</tr>
<tr>
<td>Furnishings</td>
<td>600,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>74,586</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10,700,000</td>
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Since receipt of the bids, the architects and our staff have been analyzing the bids to determine the cause of the project coming in far over the budget. It should be noted that the mechanical and electrical work was bid for less than our estimate, but that the architectural work far exceeded our estimate.

From the start it was recognized that a completion date of August 15, 1968, was a very tight schedule for the contractors. Further, if there are strikes in the building trade in the spring of 1968, as appears likely, the project would not be ready for use when the 1968 fall term opens. The Christman Company qualified its bid that its price was based on a normal 40-hour week. In post-bidding conferences, the firm indicated that it could not possibly complete the project in the time specified. The Miller-Davis firm, which submitted the high bid, indicated that it had made provision in its bid for additional framing lumber, equipment, temporary roofs, etc., to deliver the project at the specified time, but that any completion was contingent on a no-strike labor market.

From the studies which have been made to date, it appears most unlikely that the dormitory would be ready for use in the fall of 1968 and that the tight bidding schedule unnecessarily inflated the bids and probably prevented some contractors from submitting a bid. It is, therefore, our recommendation that the Trustees:

- a. Reject all general architectural bids.
- b. Authorize the University's architect to make any revisions in plans which could result in substantial price reductions.
- c. Establish a new completion date for the spring of 1969.
- d. Rebid the project prior to the September meeting of the Trustees.

Since the electrical contractor with the low bid has indicated it will hold its bid for 90 days, I would recommend the electrical work not be rebid. The mechanical contractor was $187,000 under the second low bid and because this change in starting date and completion date would result in much higher labor costs, he has asked for an adjustment of $78,500 in his bid. This seems reasonable, but I would want to study the request for a price adjustment further before reaching a conclusion on whether this part of the work should be rebid. We have not yet contacted the other bidders to see whether they would extend their contracts for 90 days.

On motion by Mr. Merriman, seconded by Mr. White, it was voted to approve this recommendation. Mr. Harlan abstained.

6. At the June meeting it was understood that Dr. Fuzak would be granted a leave for rest, and the action was so worded as to make the compensation during the leave at the reduced rate after transfer to the College of Education. It is recommended that this action be corrected so that he will receive compensation at the present rate until September 15 and at the new rate effective September 15, 1967.

On motion by Mr. Harlan, seconded by Mr. Hartman, it was voted to approve the above recommendation.
Special Finance Committee Meeting Minutes, continued

July 30, 1967

Discussion regarding negotiations with labor union

Mr. May authorized to meet payrolls

Oakland Univ. Authorization to proceed with new parking lots

7. Mr. Breslin raised a question as to how he was to proceed with negotiations with the labor union on wages and economic issues since our union contract expires this evening at midnight and has been temporarily extended for only 21 days.

By consensus, it was agreed that Mr. Breslin should negotiate within a 6 percent pay increase including all fringes, the contract to be subject to final Trustee approval.

8. Mr. May asked for authority to meet the payrolls that occur between now and July 21 at the current pay rates.

On motion by Mr. Nisbet, seconded by Mr. Stevens, it was voted that this authorization be approved.

9. Bids for the new parking lots at Oakland University were opened on June 28 and the following contract prices were quoted (in a communication from Mr. Varner):

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Price</th>
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<tr>
<td>E. T. Cook, Inc.</td>
<td>$185,000</td>
</tr>
<tr>
<td>Sterling Garrett, Inc.</td>
<td>195,000</td>
</tr>
<tr>
<td>Gordon Selway, Inc.</td>
<td>Bid rejected because it did not meet specifications</td>
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</table>

Giffel and Webster, Inc., our consulting engineers, have reviewed the bids and recommend that the bid of E. T. Cook, Inc., be accepted.

The budget for this project is:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Construction</td>
<td>$185,000</td>
</tr>
<tr>
<td>Engineering Fees</td>
<td>9,250</td>
</tr>
<tr>
<td>Contingency</td>
<td>5,750</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$200,000</td>
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The financing of this construction has been discussed with Mr. Philip May. It is our plan to bring to the July 20 Board meeting a total financing package, but in the meantime we would appreciate authorization from the Board of Trustees to proceed so that we can start construction immediately in order to have the parking lots ready for the fall semester.

On motion by Mr. Nisbet, seconded by Mr. Thompson, it was voted to approve this recommendation.

Location of July Board meeting changed to Kellogg Center

10. Discussion of date and location for the next Trustees' meeting.

After suggestions in favor of holding the meeting at Oakland University as originally scheduled, and others favoring the meeting at Michigan State University, it was agreed that the meeting should be held at Oakland on the morning of Friday, July 21, with the Trustees being invited to come to Oakland to attend the symphony concert on the previous evening of Thursday, the 20th.

After the meeting had adjourned and a discussion involving President Hannah and Chancellor Varner, it was agreed that it would be better all around if this meeting is held at Michigan State University rather than at Oakland. All of the books, records, and information that may be desired by the Trustees in connection with the budget discussion are in East Lansing.

It is therefore suggested that the July 21 meeting be in the Kellogg Center either following the usual format with the dinner the evening of the 20th, or if it is desired by the Trustees it could be a one-day meeting beginning with a breakfast on the morning of July 21.

Adjourned.

President

Secretary