

OTTAWA UNIVERSITY
EXECUTIVE COMMITTEE, BOARD OF TRUSTEES
July 16, 1993

Trustees Present: Eldon Addy, Carol Allen, Ransom Bennett, Wayne Duderstadt, Bob Froning, Leland Gangwish, Hal Germer, Bob Hill, Charlene Lister, Nita Myers, Justus O'Reilly, and Marvin Wilson.

Administration Present: Jim Billick, Marsha Denniston, Steve Markwood, Anne Mills, Peter Sandstrom, Jim Smith and Fred Zook.

After announcing Jim O'Dell would not be present, Marvin Wilson opened the meeting with prayer.

Approval of the Operating Committee Minutes of May 19, 1993: Germer pointed out that the key action of this meeting, the transfer of \$115,000 to the Campus Plant Fund for refurbishing Centennial Hall and the Union lobby, had been voted via a mail/phone ballot of the Executive Committee, and that only one vote had been cast against the \$15,000 appropriation for the Union lobby. The \$115,000 transfer was approved.

Justus O'Reilly moved: That the minutes of the Operations Committee be approved. Eldon Addy seconded the motion. The motion passed.

Financial Update: Smith reported on Development noting that unrestricted giving reached \$901,000 as compared to the \$980,000 goal. This represents a \$79,000 shortfall but is a significant gain over last year. It was pointed out that in fact this is only a net \$19,000 short of goal because Development was able to control expenses so well. Germer pointed out that the \$2,335,000 total gifts raised last year included three large one-time gifts totaling \$850,000 so that this year's performance was particularly good. It was noted that church contributions are down 10% and that may be a declining category in years to come.

Mills presented the end of the year financial report noting that the Campus subsidy came in at \$806,000 as compared to the \$728,000 goal, but when the allocation overrun of \$14,000 is considered, the Campus came in under \$800,000 primarily because of a control of expenses. This is in contrast to a \$1,169,000 subsidy level last year. In addition, the current year's performance was with a \$200,000 shortfall in Campus revenue. The Kansas City center spent 76.5 cents on the dollar, and expenses include \$25,000 in a depreciation fund. The Phoenix center spent 72.5 cents on the dollar, and put \$50,000 away for equipment depreciation. The International Program was a little under plan but close to being on target.

The bottom line budget surplus is \$940,000 in contrast to the \$300,000 that was planned. In the University-wide category, Development has done an excellent job. Interest income was \$10,000 ahead of plan, administrative costs were over the plan by \$36,000 but that is in part because of charging \$80,000 in copier litigation expenses to that line. Information systems is also over slightly because of the additional support that office is giving to putting TEAMS on line at the centers. Mills went on to talk about restricted funds, noting that Milwaukee was \$11,000 better than plan indicating an excellent first year. The TEAMS enhancement is going ahead and will be in place very shortly at the centers. She did note that the restricted campus scholarships were still a problem, though the most recent accounting indicates that they are probably only \$30,000 over as opposed to \$60,000 on the report. She indicated that there is now \$600,000 in the Common Fund which is much better than last year. In discussion it was pointed out that the current fund's net surplus of \$725,000 will be applied to the current fund deficit which now stands at \$897,627, indicating that within another year that deficit will be removed.

Review and Confirm 1993-94 Budget: Mills walked through the proposed 1993-94 budget noting that the Campus subsidy is at \$632,000 and will be held there until after enrollment figures are in. Kansas City revenues are set at \$2,170,000 with the expectation that they will spend 80 cents on the dollar. The International Program will go up. Milwaukee's projected deficit is down to \$95,000 indicating an expectation of a successful year. The Phoenix budget is built on an expected \$4 million revenue, with expected expenditures of 80 cents on the dollar. Development will hold at \$980,000 in unrestricted gift income expectation, though there is an expectation that expenses in that area will increase. This will give a net Development goal of \$500,000. Mills indicated she did not feel there was any particular need for action at the present time and that the budget would be revisited at the September meeting.

In response to questions Markwood reviewed expectations for Campus enrollment noting that at the present time total applications this year are 825 as compared to 719 the previous year and 578 the year before that. Total deposits are at 197 this year as compared to 128 last year, and 109 the year before that. Freshmen deposits are at 144 this year as compared to 74 last year. He noted there is an incentive relative to Financial Aid to get deposits in prior to August 5. After that time Financial Aid packages will represent heavier loan commitments than grants. In terms of projecting enrollment, he felt that it is reasonable to expect a total new student population of 265 with a returning population of 290, giving a total of 555. This

translates to 503 full time equivalent, which is the budget figure. There is an upside possibility of 565 or more headcount on the Campus in the fall.

Cash Management: Mills indicated that the Phoenix depository account and the Commerce Bank credit card account are now automatically transferring funds to The Common Fund Short Term Fund on a weekly basis. Kansas City's Bank IV is unable to automatically transfer funds and another bank may be selected for their depository account.

The endowment has been transferred from Boatmen's Trust to The Common Fund. The Investment Committee approved moving 60% of the \$5 million to The Equity Fund and 40% to The Bond Fund. These funds were chosen because of their broad diversification and their low fee structure. She also noted that additional people are needed on the Investment Committee and asked for suggestions.

Financial Comparisons for the OU Campus Plan: Mills noted that in developing this report she had begun by responding to a Board mandate to develop a model that assumed a Campus enrollment of 500 FTE and a \$500,000 subsidy level. The question was whether it was reasonable to think the Campus could operate at this level. She noted that the built in advantage that the centers have is that they have very low fixed costs each year. The Campus, on the other hand, has very high fixed costs. Her quest then became one to develop a model which had higher variable costs for the Campus. In so doing she attempted a Campus design that had fixed costs up to 500 FTE enrollment and used variable cost approaches when enrollment rose above 500 FTE. On the other hand if the FTE enrollment fell below 500 students the University-wide surplus would subsidize over the \$500,000 mark as needed.

The objectives of the plan were to develop a model that assumed 500 student FTE, 16.5 student/faculty ratio, a faculty paid at the AAUP IIB 60% salary target, and a \$500,000 current fund budget subsidy.

The approach was to establish a sample group of peer institutions for comparison. In so doing she chose colleges that had the same size in full time student body as the Ottawa Campus and identified them as Bethany, Bethel, Sterling, Tabor and Judson Colleges. In addition Alderson-Broadbush was considered, but not as a part of the sample. Mills walked the Executive Committee through the details of her study examining the data for the sample institutions and comparing it to the Campus. A major finding in this analysis was that the percentage of the

educational and general expenditures spent for instructional purposes for Ottawa Campus were significantly below those for the cohort. What was further clear from analysis was that this low expenditure percentage was not because of low salaries but rather because of low expenditure for non-faculty salary matters (Library, departmental operating budgets, etc.). Further examination of the salary issue indicates that the dollars set aside for salaries are appropriate relative to the cohort, however, the number of faculty receiving that dollar amount is too large and there will have to be a reduction of the faculty to a more appropriate size for 500 FTE. Other findings indicated that the student services area would need to be cut to 14% of the education and general expenditures as this is based on other schools; institutional support would be established at 14%. Even though the comparison schools have a higher percentage for this area, the Campus has the advantage of being a part of a larger system which assumes a number of the administrative expenses that the comparison schools must fully pay out of their budgets.

Mills' conclusion was that it is not unreasonable for the Campus to operate with a 500 FTE enrollment and a \$500,000 subsidy. To do so, however, will require a reduction of the FTE faculty to 30 tenure track positions. Others might be added, but in response to increased enrollment and not on tenure track. She then identified a number of work items that will need to be dealt with and also indicated the individuals and/or groups responsible for those items, the Board committees responsible, and a time table for when they were due.

Personnel Issues Related to the Campus Plan: Markwood pointed out that the steady state strategic plan discussed by Mills assumes a FTE faculty decrease to 30 in 1993-94, even with the built in tuition increases. He pointed out that given the program side of the strategic plan and the additional new faculty that are assumed by developing focus areas, the faculty change by 1995-96 could be 10.75 FTE. This will be a significant change for the Campus faculty and there is a developing awareness of this on the part of the Dean's Council and those involved in the planning. He noted that the likelihood is that the Campus will end up somewhere between the growth plan and the steady state plan and the question will be how fast the Campus can move to get to the target FTE.

Campus Committee Meeting of Thursday, July 15, 1993: Carol Allen reviewed the discussion of the special meeting of the Campus Committee of the Board on Thursday, the 15th. She noted that they had discussed the progress in meeting the subsidy level this year. They had discussed the importance of keeping fixed costs down and the need to grow endowment (not least because the

University is replacing \$50,000 each September in order to repay what was borrowed from the endowment). There was discussion of specifications for the building modifications in order to plan the best use of facilities, especially Martin Hall, Taue Jones Hall, and Atkinson. Mills had reviewed the comparison with cohort colleges with the Committee and the need to increase funds for instruction and reduce the faculty size. The committee also took note that the new allocation of duties for the centers will reduce the load on some of the Campus personnel who have been servicing center needs. There was discussion of the uses of Martin Hall, Taue Jones Hall, and Atkinson, with a feeling that Martin Hall was a priority because there was a deadline for decision regarding its future at next April's Board meeting. The meeting was a lively one and while issues were not resolved there will be further discussion in future meetings. A September meeting of the Campus Committee is planned.

Campus Facilities and Needs: Germer pointed out that in relation to Campus planning there is concern for the financial, academic, and the facilities. With respect to the latter item Fred Truog and Sonny Burch met with Germer and Markwood to help understand the choices we may have. Germer shared drawings and an analysis of Taue Jones, Atkinson, Martin Hall, and the Library/Art facilities.

With reference to Taue Jones Hall, renovation at best would provide 6,128 feet available at a cost of \$662,000. This is expensive recapturing of space. At the present time the building is in great need of repair. There is a consensus on the part of the Executive Committee that the entire space in Taue Jones should not be done at this time but that perhaps a lesser effort might be undertaken. With respect to Martin Hall the 18,860 square feet that were recently in use could be recaptured with a cost of \$1.9 million. With respect to Atkinson the architect and contractor indicate this is an extraordinarily well built building. To restore it to use would provide 6,713 square feet, though with the basement it would be 10,401 square feet, at a cost of \$575,904. It appears this is the best way to get useable space for the money involved. The Library/Art facility has a potential of 12,200 square feet. This discussion was for information only and the issue will be discussed in future meetings.

Committee on Trustees: Nita Myers reminded the Committee that the Committee on Trustees is made up of Marvin Wilson, Bob Anderson, Bob Froning, Hal Germer, Roger Fredrikson, Jim O'Dell and herself. The Committee met at 7:30 this morning with Roger Fredrikson and Jim O'Dell contacted by telephone. The committee

now has 39 names as potential Board members. They discussed the question as to whether husband and wife teams might be considered for the Board. She noted several names added to the prospect list including Herschell Turner, Glenda Schmidt, Lela Wilson, Jim Chandler, Terry Wall, and Betty Anderson. The ABCCR will be given five names to approve so that this procedure does not hold up appointment when a slot is available. There was also discussion of Life Trustees with the notation that more can be done to recognize and honor them. It was also noted that members being considered for Board appointment might be used prior to their appointment on Board committees if they have special expertise in some area. The By-Laws permit this on some committees.

Update on Legal Matters Regarding Copier Litigation: Germer reminded the Committee that, by previous Board direction, decisions regarding this matter are to be made with consultation among the Chairman of the Board, the President, Vice-President for Business Affairs, and any others so designated by the Chairman or the President. The largest item of potential litigation has been settled, and there is now an opportunity to settle another piece. An offer will be made. The total potential liability is \$100,800.

Development Matters: Smith reported that a challenge grant from the Alden Trust has been received which will give \$25,000 if \$50,000 is raised by the institution. It will be for endowed scholarships. The University has accepted the challenge. He noted that Merck Drug Company had named Elizabeth Stoner, a campus alumna, an outstanding employee and allowed her to name a \$10,000 endowment for the University of her choice. She has named Ottawa University to receive those funds. A discussion has been undertaken regarding memorial scholarships through Board members. Also, the Colorado golf tournament will be August 9.

Jim Smith reported Earl and Marvel Schlick wish to donate to the University a ten percent interest in a property of approximately 70 acres located in Arizona. The donation of the property is prior to and contingent upon the sale of the property.

Bob Froning moved the following resolution with Leland Gangwish seconding:

That Ottawa University agrees to accept as a gift from Earl and Marvel Schlick a ten percent interest in the following property:

West half of the Northwest quarter of Section 23, Township 1, South Range 6 East, and SRM Maricopa County, Arizona.

Ottawa University grants power of attorney to Earl and Marvel Schlick for the sale of said property and disbursing funds from the sale of the property. The motion passed.

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Smith thanked Jim Billick and the Kansas City Center for their hospitality.

Gangwish moved and O'Reilly seconded: That the University reopen an account at the Kansas State Bank previously used for the Milwaukee fund to be used as an account for Ottawa University with signatures by Hal Germer, Wayne Duderstadt, Rans Bennett, and Marsha Denniston. The motion passed.

Future Dates: Future Board of Trustee meetings will be:
October 22-23, 1993
April 15-16, 1994
October 21-22, 1994

Future Executive Committee meetings will be:
September 20, 1993 (Campus)
October 21, 1993 (Campus)
December 7, 1993 (Campus)

February 12, 1994 (Phoenix)
April 14, 1994 (Campus)
July 16, 1994 (Milwaukee)
September 16, 1994 (Kansas City)
October 20, 1994 (Campus)
December 2, 1994 (Campus)

February 4, 1995 (Phoenix)

The meeting adjourned at approximately 2:14 p.m.

Submitted by
Charlene Lister, Secretary