

THE UNIVERSITY OF AKRON



LUIS M. PROENZA
OFFICE OF THE PRESIDENT

March 1, 2013

Members of the University Community

I am pleased, Dear Colleagues . . .

. . . to forward for your information a summary of actions approved by The University of Akron's Board of Trustees at its regular meeting on January 30, 2013.

Presentation to the Board

The Board recognized several individuals whose accomplishments were highlighted in a video presenting the 2012 Teaching, Research and Service Awards. President Proenza, Provost Sherman and Vice President for Research George Newkome had presented awards to the following individuals, noting their contributions to creating a remarkable Akron Experience:

- Outstanding Teacher Award – **Dr. Curtis B. Clemons**, professor of Applied Mathematics;
- Outstanding Teacher/Mentor of First-Year Students Award – **Dr. Sheldon B. Wrice**, professor of technical writing and composition and chair of Associate Studies;
- Outstanding Researcher Award – **Dr. Matthew D. Shawkey**, associate professor of Biology;
- Staff Exemplary University Service Award – **Cpl. Robert W. Stachowiak, Jr.**, departmental systems administrator, University Police Department; and
- Contract Professional Exemplary University Service Award – **Mrs. Karen E. Dickerson**, director of Transfer Student Services.

Finance & Administration Committee

1. Personnel Actions

The personnel transactions approved by Trustees as amended are posted online at <http://www.uakron.edu/bot/docs/personnel-reports/Personnel-transactions-January2013.pdf>.

2. Cumulative Gift and Grant Income Report for July-November 2012

The University of Akron recorded total giving of \$25,178,773 for July-November 2012. That total compares to \$26,688,789 for July-November 2011 (a decrease of 6 percent) and a year-to-date average of \$19,290,464 for the previous five years (an increase of 31 percent). During July-November 2012, 9,235 gifts were received, as compared with 10,401 for the same period of the last fiscal year (a decrease of 11 percent).

3. Quarterly Financial Report, October-December

The FY2013 year-to-date actual results trailed estimates by \$2.9 million, excluding transfers. The variance was the result of total revenues falling short of the budget estimate by \$5 million (2.4 percent) and total year-to-date expenditures being below the budget estimate by \$2.1 million (1.2 percent). In addition, there was a favorable net variance in transfers of \$5.3 million. With the inclusion of transfers-in and transfers-out, the net change in the current fund balance was \$2.4 million above the year-to-date budget projection.

The year-to-date shortfall in tuition and fees was \$4.4 million (2.8 percent) relative to the original budget. Because first-day enrollment for spring 2013 was 4.5 percent below spring 2012, tuition revenue was estimated to be \$10 million below budget for FY2013. Other revenue sources were \$600,000 below estimate (5.7 percent) and likely will fall short of budget by roughly \$1 million for the fiscal year.

Overall, total expenditures were less than the year-to-date budget projections. Payroll was \$1.9 million above estimate, but that variance was more than offset by Fringe Benefits being \$2.9 million below estimate. Therefore, total Compensation was \$1 million (0.9 percent) below the year-to-date estimate. Compensation was anticipated to be roughly \$2 million below budget for the fiscal year. It was noted that the Payroll budget assumes a significant increase in vacant positions; however, much of the savings of vacant positions was offset by roughly \$4 million in temporary and visiting positions that will be funded by a carry-over balance allocated for Payroll.

Supplies and Services was \$4.4 million (15.9 percent) below estimate, due to significant under-spending in areas such as Computers and Peripherals, Maintenance Contracts and Instructional Supplies. It was partially offset by over-spending in the "Other" category. When combined, anticipated under-spending was at least \$3 million for the fiscal year in those two categories. Utilities expense was \$1.1 million (21.8 percent) below estimate, due to lower utilization of energy resulting from mild weather conditions and conservative budgeting. Under-spending of at least \$1 million was expected in utilities for the year. Student Aid was \$3 million (12.7 percent) above the year-to-date estimate. Although enrollment declined from the prior year, the academic preparation of students in the incoming class was relatively stronger than prior years, driving up scholarship awards. Student Aid was expected to exceed the original budget by \$3 million for the year.

Based on those variances and current enrollment trends, revenue projections were \$11 million lower than budget for FY2013; however, the significant variance in transfers-in and identified under-spending reduced the projected variance to \$5 million. That shortfall will be funded from available balances identified in the following table:

Revenues Variances:	
Add: Transfers-In	\$ 3,000,000
Less: Tuition & Fees	(10,000,000)
Other Sources	(1,000,000)
Total	(\$8,000,000)
Expenditures Variances:	
Add: Compensation	\$ 2,000,000
Supplies & Services/Other	3,000,000
Utilities	1,000,000
Less: Student Aid	(3,000,000)
Total	\$3,000,000
Net Variance	(\$5,000,000)
Resources to Balance FY13:	
Cash Transfer from Payroll Carryover	\$ 3,000,000
Cash Transfer – from Reserves	2,000,000
Total	\$ 5,000,000

Efforts will be ongoing to reduce expenditures throughout the fiscal year. The need to restrict discretionary expenditures will continue to be emphasized to all units. However, the focus will shift to developing a balanced budget for FY2014, which will build off any spending reductions achieved in FY2013.

Year-to-date combined Auxiliary revenues were \$49.3 million; combined expenditures were \$51.3 million. The actual negative variance of \$2 million differed from the projected negative variance of \$4 million. There was one significant variance from budget in Residence Life and Housing, which was impacted negatively by the enrollment decline.

4. Quarterly Investment Report, October-December 2012

The Quarterly Investment Report for December 31 reflected a second-quarter rate of return of 0.07 percent and an annual return of 1.6 percent for operating funds. Those investments generated \$1,104,500 in income year-to-date. The market value of endowments increased \$3.4 million in the first half of FY2013. The portfolio composite of the pooled endowments posted a 2.3-percent rate of return for the second quarter and a 14.7-percent return for the past 12 months.

5. Wayne Campus North Entrance Drive

Bids for the above referenced project were solicited in November 2012. The bids for construction were received and opened by the Purchasing Department on December 19, 2012. The successful bidders were Miller Bros. Construction, Inc., for \$1,138,000 and Emery Electric, Inc., for \$289,100. The project is locally funded and consists of a new entry road into the University’s Wayne College campus from North Crown Hill Road. There will be additional ADA parking, a new entry sign with an electronic message board and modifications to the existing sign on Smucker Road to accept a new electronic message board.

6. Real Estate-Rubber Bowl Sale

Team 1 Properties, LLC, offered to buy the University's vacated Rubber Bowl stadium, the conveyance of which was authorized by Amended Substitute Senate Bill No. 275 of the 129th General Assembly. The Board was asked to approve the sale of the premises to Team 1 for \$38,000, subject to, and in accord with, the terms and conditions of a contract approved by the Vice President and General Counsel and executed by the Vice President for Finance and Administration. The Board also was asked to authorize the Vice President and General Counsel to proceed immediately to seek and obtain necessary approval by the Governor and final execution by the Department of Administrative Services.

7. Title V Boiler Compliance HTHW Generator Stack Emission NOx Reductions Low NOx Burners

Proposals were submitted on January 14, 2013 via Public Purchase, an electronic bidding tool. The low bidder for the construction contract was John Zink Company, LLC, for \$494,800. The project is state funded and administered by the Department of Capital Planning and Facilities Management. The project will bring the University back into compliance with the EPA's mandate for emissions and will upgrade the burners and controls to make the boilers more efficient and back within specifications.

Academic Issues & Student Success Committee

1. Research Services and Sponsored Programs Summary of Activity Report

For July-December 2012, funding for externally funded research and other sponsored programs totaled \$21,477,506 for 308 awards, as compared with \$42,412,655 for 265 awards for the previous year. For July-December 2012, 10 new patents were issued, 13 patent applications were filed, and 32 disclosures were submitted—compared to 5, 10 and 26, respectively, for July-December 2011.

Rules Committee

1. Revisions to Rule 3359-1-10, Advisory Trustees

In November 2011, the Board of Trustees created by rule the position of "advisory trustee." Unlike regular trustees of the Board of Trustees who are appointed by the Governor with the advice and consent of the senate, "advisory trustees" are selected by the Board of Trustees, have no voting privileges, and are not counted for purposes of quorum.

Since the adoption of the rule, and through the process of the appointment of the initial "advisory trustee" pursuant to the rule, the General Counsel suggested some clarifying language and changes to the rule that place stronger focus on its primary purpose, which is to permit the University to take advantage of the talents, resources and experiences of those who may be appointed "advisory trustees."

2. Revisions to Rule 3359-3-01, Officers of Finance and Administration

The purpose of this modification to Rule 3359-3-01 is to increase the pre-approval purchase limits of goods and services from \$350,000 to \$500,000.

In April 2011, the Board of Trustees approved increased bid limits (from \$25,000 to \$50,000 for construction and services) and an increased pre-approval limit from \$150,000 to \$350,000. At that time, the Board indicated that further review of the pre-approval limit should be conducted after at least one year. In response to a recent policy review by the Board's Finance & Administration Committee, the Department of Purchasing again queried the pre-approval limits among the University System of Ohio institutions and found Akron's limit to be considerably more restrictive than most. A majority of the other institutions have a higher pre-approval limit, thereby enabling them to respond more quickly to market conditions, opportunities and immediate needs. To align Akron's pre-approval limit more closely with those of the other state institutions and to enable a more agile response to market conditions and opportunities, the Board approved increasing its pre-approval limit from \$350,000 to \$500,000.

3. Revisions to Rule 3359-2-01.1, Deans of the Degree-Granting and Professional Colleges and Schools

The intent of the Rule changes for items 3-8 is primarily to remove the references to University College, which no longer exists. A secondary reason for some of the proposed changes in these Rules is to eliminate unnecessary language and to remove the names of specific offices, replacing those references with phrases such as “the office responsible for. . .” The change to this rule appears on pages 2 and 3, with Section (C) Dean, University College being removed.

4. Revisions to Rule 3359-2-02, Organization of Instruction

The change to this Rule appears on the first page where University College will be removed from the list of colleges and schools of instruction.

5. Revisions to Rule 3359-20-05, Academic Matters and General Policies

The changes to this Rule appear on page 2. The change in section (G) removes the reference to University College and the references to a single Academic Advising office.

The changes in section (H) are related to the new structure that envisions all students being admitted and enrolled via one portal to The University of Akron. In the past, main campus students were admitted and enrolled generally through three different pathways: University College, Summit College and direct admission to degree-granting colleges. Under the new structure, students are placed in a degree-granting college when they gain eligibility for internal transfer to that degree-granting college. That step could take place directly upon enrollment for students who meet the college requirements.

Section (I) was amended to remove a specific title and office and replace it with “office that provides military services.”

6. Revisions to Rule 3359-20-05.1, Grading System, Discipline, Academic Probation and Dismissal

The changes to this rule appear on page 6, Section (G)(1) and page 10, Section (M)(4). References to University College were removed and replaced with “office responsible for...”

7. Revisions to Rule 3359-42-01, Student Rights and Responsibilities

The changes to this rule appear on page 2, section (C)(5) which remove the references to University College and Summit College and specific offices.

8. Revisions to Rule 3359-60-03.1, Credit by Transfer and/or Examination

The changes to this rule appear on page 2, sections (A)(5) and (B)(2) and on page 3, Section (B)(6). The revisions generally removed the references to University College and replaced them with “office responsible for...”

New Business

1. Pertaining to the Award of a Contractual Bonus Payment to Dr. Luis M. Proenza

Board Chairman Richard W. Pogue said the Personnel & Compensation Committee had reviewed Dr. Proenza’s 2012 performance using mutually agreed-upon annual goals that were established a year ago, as provided for in the president’s employment agreement. After noting that Dr. Proenza’s contract set his annual bonus at \$25,000, Mr. Pogue said that other area public universities have granted their presidents bonuses far in excess of that amount, and the Board would do likewise if financial times were better. He said that, due to Dr. Proenza’s outstanding performance in each of his goals areas, it was recommended that the full contractual annual performance bonus amount of \$25,000 be awarded.

Notes

1. President's Report

I said we have begun the second semester of our academic year and the year 2013 with the clear understanding that the months ahead are likely to prove a challenging period for higher education as a whole, and for public universities across the country in particular. Over the past several years and, in particular over the last few weeks, I had shared with Trustees several items, all of which point to a convergence of factors that compel the University to act swiftly and with strategic intent to ensure our continued success. I briefly summarized the key points on some of those messages, and the steps that the administration is taking, and shall take, to act upon them.

“Exactly two weeks ago,” I said, “Moody’s Investors Service released a report that casts a negative outlook for the financial structure of higher education. That’s about the same time that they approved our outlook, so that’s helpful. Nevertheless, it has to do with findings of external pressures that are affecting all of us in higher education, particularly our traditional revenue streams. Furthermore, these pressures are affecting all sectors of higher education – from the most elite to the most unknown of colleges and universities, public or private.”

I said that Moody’s cited a number of specific examples, including the following:

- Significantly weakened pricing power for tuition
- State contributions are unlikely to rise “meaningfully in the near term.” (Kiley, Kevin. “Nowhere to Turn.” Inside Higher Education. 3 a.m., January 17, 2013.)
- Federal spending has only “limited possibility for stable or increased funding,” and it already is

a minor component anyway. (Kiley)

- Endowments will suffer from volatility in the capital markets, and philanthropic giving is expected to show little or no growth.

I said the report stated that those pressures on the revenue streams are the results of macro-level economic, technological and public opinion shifts, and that these changes “are largely beyond the control of institutions,” much as the administration has pointed out to the Board. (Kiley)

I cited one industry publication as noting, “Moody’s analysts caution that revenue streams will never flow as robustly as they did before 2008. The change will require a fundamental shift in how colleges and universities operate.” (Kiley)

I said that, if one tightens the focus from the national level to that of the state, the picture does not become any brighter. Although Ohio is doing better than some other states, there are a few states, about 12 or 15, that are increasing their support of higher education, he said.

I Proenza then pointed out highlights from a message I sent to the campus community the previous week:

- After two years of state funding cuts, there is certainly no relief or reversal in sight;
- Proposed funding formulas that reward institutions with higher retention and graduation rates are likely to place at a disadvantage those institutions like ours that serve broader and more diverse constituencies;
- Currently Ohio’s pool of high school graduates is shrinking – at least for a period of time, while enrollment of older adults is expected to expand, and we obviously need to pay attention to that; and
- The tremendous opportunities afforded by new technologies in online education also will usher in increased competition from national as well as state institutions.

I also shared with Trustees the very eloquent and well-reasoned open letter that Mitch Daniels, the new president of Purdue University, had sent to his campus recently. In that letter, Dr. Proenza said, there were many parallels to what University leaders have been saying here for quite some time. I cited the following excerpt from President Daniels’ letter:

I’ve been party to the over-reading of trends and the overreactions it can cause; these mistakes have taught me never to be dismissive of criticisms or warnings, but also to move cautiously in response. We would fail our duty of stewardship either to ignore the danger signs all around us, or to indulge in denial and the hubris that says we are somehow uniquely superb and immune. (Daniels, Mitchell E. “An Open Letter to the People of Purdue.” January 18, 2013. p.4)

“So, what is the prudent path forward?” I asked. “Surely, by now, only the most obstinate thinkers cling to fading hope that the economic changes of recent years are temporary, or that the technology genies may yet be crammed back into their magic lamps.” I proceeded to review briefly some of the steps being taken to enable the University to leverage the opportunities hidden within the economic challenges that lie ahead.

I said that, in Fiscal 2013, the University will:

- conduct an analysis of staffing and costs;
- study faculty roles as part of academic program review so as to enhance student recruitment, retention and the Akron Experience, and expand the role that faculty play in all aspects of the University's culture and work;
- more closely examine the impact of pension reform for the University's immediate future;
- continue to refine the new framework for recruitment, persistence and graduation, not just through the Akron Experience, but also through other important ways;
- institute policies to further contain travel and catering costs, and other items that will need to be monitored more aggressively for appropriate and effective cost containment; and
- move more aggressively into distinctive online course offerings, including integration of offerings and assessment of learning.

I said the University also is working on a number of other, longer-term initiatives that will be brought forward in future meetings, such as monetization of assets that presently form part of the University's auxiliaries.

As for the technological shifts in the environment, I told Trustees that the University must move more strategically, more effectively and more quickly to stay abreast of fast-moving developments. For example, the University currently is negotiating with Coursera to offer a "flipped" or as perhaps more appropriately termed, a blended learning course. The teaching of a renowned Princeton University scholar in sociology will be paired with that of one of the University's faculty members, and that the material could be available as early as the next month for some students in an honors colloquium.

I consider this is a good step, one that builds in a legacy of distance learning initiatives here at The University of Akron, but we must continue to press our development in other areas of online access, assessment and utilization. As I said in my message to campus last week, the ground beneath our feet is shifting at the fault line intersection of growing economic pressures and new technologies. Moody's referred to these changes as 'macro-level' economic changes. Stanford's president John Hennessy described the situation in terms of an approaching tsunami. Nearly 20 years ago, then-MIT president Chuck Vest spoke of 'seismic rumbles of change' confronting higher education. I think he was prescient in predicting them, although I think we are more or less on a common timeline with that.

Whether it's a tsunami, or macro-economic changes or seismic rumbles, I said, the metaphor is not important – what is vital is our recognition of the scale of these challenges before us. Eva Bogarty, the author of the Moody report, stated it best when she wrote that "The U.S. higher education sector...hit a critical juncture in the evolution of its business model." (Kiley) I would say "models" because there isn't a singular one. It is indeed our feeling that our business models are changing, must change, and we must adapt if we are to prosper appropriately in this new environment.

I said successful adaptation to this new normal will require a commitment of collaboration from all members of our campus community. I noted that President Daniels said that, when he arrived at Purdue last year, he found that "a newcomer quickly notices that we are less a 'university' than a

federation.” President Daniels went on to write, “I hope to find, and perhaps here and there to foster, a somewhat stronger sense of common purpose as we work through the decisions presented to us by a changed environment... many choices will necessitate a communitarian outlook that consciously places the interests of the overall university first.”

I concluded my remarks saying the following:

So it is with The University of Akron. I have called upon every member of our campus community to engage with us in the coming discussions and actions needed to adapt to this new era for higher education. It must become abundantly clear that raising revenue, reducing costs and leveraging technology is now part of everyone’s job description. You may look forward to some form of public discussion on this topic, either through forums or perhaps as part of University Council, as the provost and I spend time engaging the university community in this matter.

In closing, as most of you are aware, in just seven years, this University will celebrate its 150th anniversary. I am confident that, through collaboration, innovation and determined action, we can ensure that this institution arrives at that milestone stronger, more vibrant and more productive than at any other time in its history.

2. Provost’s Report

Dr. Sherman said, “We can be sure that the nation will be glued to television sets this coming Sunday to not only watch football but also to see the University video, ‘Connected Knowledge.’ But certainly, in a few more Sundays, the nation will be glued to television to watch the Academy Awards.”

He said that the Academy Awards program recognizes people performing in outstanding and unique ways, while The University of Akron recognizes that people matter the most. “Our people, our employees, our faculty, our staff,” he said, “are the life blood of this University. They make teaching and learning real, exciting, energizing. They create the Akron Experience.”

After noting there are unit and local activities that recognize the accomplishments of our faculty, staff and students, Dr. Sherman said that there is one major recognition series out of the offices of Academic Affairs and the Vice President for Research. The awards have been extended to assure that recognition exists for institutional priorities, he said. “For example, both faculty and staff are eligible for these awards, and they range from recognizing exemplary teaching, research, mentoring of students and service to the community and to the campus,” he said.

A video presentation titled “2012 University of Akron Teaching, Research, and Service Awards” was played.

3. Next Regular Meeting

The Board’s next regularly scheduled meeting is Wednesday, March 20, 2013 in the Student Union, Board Room 339, with an executive session to begin at 7:30 or 8 a.m. and the public session to begin no earlier than 9 a.m. Committee meetings will be held on Monday, March 11.

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