

A Brief History of Saunders' "Lease" of Airplane N777AQ During a Recession

Part 1

Why Is There So Little Trust In Leaders?

When a student asked Dr. Saunders about the use of her airplane, she told the student it was in the air two or three times a week. She advised the student to [check his references](#). We have undertaken to provide the references, not only to the student, but to usmnews.net's readers. Perhaps Dr. Saunders should undertake to review the University's records and check her references before chastising a student or claiming that the plane is used "two or three times a week". However, as demonstrated [in earlier reports](#), Dr. Saunders has shown little interest in facts.

Before we continue our series ("MS Open Records Request Reveals USM's Actual Costs of President Saunders' Plane") detailing the thirty flights of N777AQ in the first seventeen months of the lease, we invite Dr. Saunders to review University records which show only 30 flights over seventeen months. This amounts to an average of 1.76 flights per month. If we convert the numbers to flights per week, 4.3 weeks per month x 17 months = 73.1 total weeks. 30 flights/73.1 weeks establishes average flights per week of .41 flights or an average of less than one half flight per week. If the records provided by Dr. Saunders in response to an Open Records request are incomplete, we call on her comply with the law and produce any additional records that confirm use of the plane two or three times per week.

We offer a brief history of President Saunders' lease of an airplane from the USM Foundation. (This lease from the Foundation raises interesting questions because it appears to be inconsistent with the [publicly stated purpose of the Foundation](#) to support the University rather than the University support the Foundation. However, that is a topic for a different report.) We organize the history by documenting representations made by President Saunders and Provost Lyman in their report to a faculty senate meeting on [December 5, 2008](#) (page 2, para. 7):

*"Finally the Provost addressed the controversial issue of the purchase of a university airplane. The USM Foundation will make the purchase; the university will be the lessee from them. The Provost emphasized strongly that the deal is still in negotiation, and is not complete. The airplane is not a jet, but a 1980 King Air Airplane, like the one we had for many years. In a written statement read by the Provost, President Saunders stressed the extensive amount of travel (over \$8 million last year alone) among the faculty, administration and other offices including athletics and development. The President's words summed the matter thus: "Instead of giving the money to Delta Airlines, we will be giving it to ourselves." There will be scheduled trips with published rates. **Total cost is approximately \$200,000 per year or about \$800 per hour.** The Provost admitted that the cost might be slightly more expensive (about \$800 per hour) than commercial rates; the savings will be in volume, responsiveness, and*

flexibility. More passengers will, of course, share the cost. Heavy use means lower rates. Athletics and the Advancement Office will be assessed at the same rate as other units of the institution. The question of the relationship between the Foundation and E&G monies was raised. It was observed that the budget cut is the same as that of the total cost of the airplane (roughly \$1.8 million). Townspeople may not see the difference between the two budget offices and are confused and angry at our buying an airplane at the time of a budget cut. The Provost queried in return whether faculty will cease flying because of budget restraints. "We can't stop doing business, and we must find revenue strains outside the normal." The hope is that the airplane will do this. All agreed that the presentation of the data justifying this purchase will be important and should be released to the public. The Provost concurs that "the timing could not be worse," emphasizing that the idea of purchasing an airplane is not a new one."

Let us begin with Dr. Saunders' and Dr. Lyman's most significant misrepresentations:

"Total cost is approximately \$200,000 per year or about \$800 per hour. The Provost admitted that the cost might be slightly more expensive (about \$800 per hour) than commercial rates; the savings will be in volume, responsiveness, and flexibility. More passengers will, of course, share the cost. Heavy use means lower rates."

The cost per flight hour estimate used by Drs. Saunders and Lyman is \$800. Given their estimated cost of \$200,000 and \$800 cost per flight hour, Drs. Saunders and Lyman were telling the Faculty Senate that they expected to use the plane 250 flight hours per year ($\$200,000/\$800 = 250$).

The actual cost per flight hour is \$6,187.67, *i.e.*, \$591,231.71 total actual cost divided by 95.55 actual flight hours. ([Click here](#) to view the University's documents from which costs and flight hours were identified. These are University's records presented in the form usmnews.net received them. **Interdepartmental Invoices** show flight hours and **AP & TRAVEL**, Amount column, indicates the costs which the University identifies as having been spent for President Saunders' plane.) usmnews.net applies the entire 17 months of information. By using 17 months, Dr. Saunders is afforded the benefit of a longer period of use and avoids claims that usmnews.net picked and chose months to paint a negative picture. For example, the invoices provided by Dr. Saunders do not reflect any use of her plane from June 21, 2010 through August 8, 2010. Nevertheless, you can see that even extending the number of months to 17, 95.55 actual flight hours during that time is woefully inadequate usage when the number of flight hours was expected to be 250 per 12-month period. More about this below.

It will take a few minutes, but you can confirm these numbers (\$591,231.71 total actual cost and 95.55 actual flight hours during the first 17 months. If you have questions, spot an error, or recommend a different perspective, please send an [email](#).

In any event, based on the University's records, the actual cost per flight hour is \$6,187.67 and is significantly higher than \$800 which Drs. Saunders and Lyman represented to the [Faculty Senate](#). The variance (measure of budget error) per flight hour is \$5,387.67 ($\$6,187.67 - \800). That is an error of extraordinary magnitude. Drs. Saunders' and Lyman's underestimation of cost (\$200,000) and overestimation of flights hours for which Dr. Saunders' plane was to be used (250) signal an extremely inefficient and ineffective use of resources and taxpayer/student money.

Both Drs. Saunders and Lyman had access to the facts. At least a year ago, they knew or should have reasonably known their budgeted representations were wildly inaccurate. Even today, Dr. Saunders persists on misrepresenting the plane's actual usage. For example, Dr. Saunders admonished a student to get his "references straight" when he questioned the wisdom of purchasing an airplane, particularly in light of its nominal use.

During the exchange between student and Dr. Saunders, Dr. Saunders correctly stated that the plane was leased, not owned, but wrong that the plane was used two or three times a week. However, Dr. Saunders' diversion was either dishonest or incompetent. Before chastising a student to get his "references straight", she should first review her records. Because Dr. Saunders has access to that information, the burden is hers to show the lease of a multi-million dollar plane during a recession is cost-effective.

Dr. Saunders recently claimed to emulate businesses. ["Like businesses ... the University of Southern Mississippi is preparing for another round of budget reductions ...] However, no business continues to act on wildly inaccurate budgets/estimates for their leases/purchases. Compare the budgeted flight rate of \$800 per hour with the records of use provided by the University. The actual is \$6,187.67, which creates a wildly inaccurate budget variance of \$5,387.67. Stated a little differently, the actual costs are more than 7.7 times greater than projected by Drs. Saunders and Lyman.

In the business world, companies periodically reconcile estimates to actual costs so that their financial reports reflect actual costs. This permits businesses to confirm that cash needs can be timely met. Cash outflows must be planned or businesses face insolvency. However, if you are a responsible university president, you develop a planning perspective longer than a year or two in anticipation of economic cycles. Or, like Dr. Saunders you squander resources and fire faculty and staff as part of crisis management.

Estimates/budgets inevitably must be reconciled with cash reality. How has President Saunders dealt with the difference between estimates/budgets and cash reality? She persists with Pollyanna public relations—what Saunders tells the public about the airplane—but tries to conceal cash reality.