

Minutes of the
NIU Board of Trustees
FINANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
August 25, 2011

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Vice Chair Robert Boey at 10:21 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Banks-Wilkins conducted a roll call of Trustees. Members present were Trustees John Butler, Anthony Iosco, Robert Marshall, Cherilyn Murer, BOT Chair Marc Strauss and Robert Boey. Not present was Trustee Manuel Sanchez. Also present were Student Trustee Jaemin Robertson, Committee Liaison Eddie Williams, President John Peters and Board General Counsel Jerry Blakemore. With a quorum present, the meeting proceeded.

VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING

Confirmation of Open Meetings Act notification compliance was given by Board General Counsel Jerry Blakemore.

MEETING AGENDA APPROVAL

Vice Chair Boey asked for a motion to approve the agenda. Trustee Strauss made a motion to approve the agenda. It was seconded by Trustee Murer. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Murer and seconded by Trustee Strauss to approve the minutes of May 12, 2011. The motion was approved.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Welcome to the first Finance, Facilities and Operations Committee meeting of this new 2011-2012 Academic Year, Vice Chair Boey said. This is an especially exciting time of year as students and faculty return to campus with renewed enthusiasm and expectations for the year ahead. Today's agenda includes a number of items that require committee approval, and among them are Fiscal Year 2012 Internal Budget, Fiscal Year 2013 Budget Guidelines, Fiscal Year 2013 Appropriated and Nonappropriated Capital Budgets, the Department of Psychology Subcontract for Services, Oracle/PeopleSoft Applications Annual Maintenance Renewals, Student Affairs and Enrollment Management Inquiry Management Recruitment Tool Purchase, Finance and Facilities Performance Contracts-Consolidation and Restructuring. We will also receive a number of reports including Holmes Student Center Revitalization College Grind, Fiscal Year Annual Reports on Tuition and Fee Waivers, Capital Activities, Transactions Involving Real Property, Cash and Investments, and the Obligation of Financial Resources, Quarterly Summary Report of Transactions in Excess of \$100,000, and Professional Excellence Awards for Faculty and Staff.

Vice Chair Boey then recognized the representatives from the University Advisory Committee, Dr. Alan Rosenbaum and Dr. Gregory Waas.

PUBLIC COMMENT

The Chair asked Board General Counsel Jerry Blakemore if any members of the public had registered a written request to address the Board in accordance with state law and the Board of Trustees Bylaws. Mr. Blakemore noted that no requests had been received to address this Committee meeting.

UNIVERSITY RECOMMENDATIONS

Agenda Item 7.a. – Fiscal Year 2012 Internal Budget

Our first item is the Fiscal Year 2012 Internal Budget, Dr. Williams said, and copy of the budget request was handed out to the Trustees. I will give you just a few highlights of this year's internal budget. As is required by statute, the Board must approve the internal budget at the beginning of each fiscal year. An interim budget was approved in June, and we now come to you with a more detailed budget for this year's operations. While the budget for Fiscal Year 2011 shows a general revenue fund of over \$100,731.3 million, it has a very important footnote. At this juncture, the State still has not given the university almost \$43 million of that appropriation from FY11. Moving ahead, we have a slight reduction of 1.15 percent in the appropriation for FY12 to \$99,576.2. Generally, all of the other areas of revenue are pretty much stable. We have a slight reduction in our income fund and a slight reduction in bond revenue operations, which are our housing and residence halls. Other than those slight reductions, our budget is steady at \$436.4 million. Also provided is a general distribution of our appropriated and nonappropriated budgets by object class from Personnel Services down through our Contributions to CMS for Employee Insurance.

In view of the fact that we are in Fiscal Year 2012, and we are still owed \$43 million from Fiscal Year 2011, Trustee Strauss asked how payments for FY12 were proceeding.

Actually, Dr. Williams said, the State found some money that was available for distribution in FY12 that they call the Educational Assistance Fund. I am sorry there is no educational assistance fund for FY11, but they have one for FY12, and out of that fund they have allocated about \$13 million to NIU. They have also indicated that will fund no more than about 20 percent of our budget for FY12. So, that means we probably will see another \$6 million or so. Beyond that, we have no indications of what they are going to do. The legislature carried over the FY11 budget to December 31, President Peters said, and there is a commitment to pay us our \$43 million by that date. We do not know when.

Trustee Murer asked if there is an appropriation schedule for payment of 2012 funds since we are already a month into FY12 and, especially given that 2012 is an election year for the legislators, if there are expectations that have an impact on trying to clean up some of these responsibilities.

I do hope that the legislators remember that this is an election year, Dr. Williams said, because we need to have the backlog addressed. Higher education is not the only State entity that is really suffering from the backlog of payments. There are people and operations in the medical areas, healthcare, the service industries, that are suffering tremendously. There are backlogs in those areas that extend six months or more. With regard to whether or not there is a plan for payment, I really think that there is none. As the President indicated, there is a commitment to somehow work out a plan by which they can meet their obligation by the end of this calendar year, December 31, 2011, but there seems to be no detail of what that plan entails, nor a schedule as to when we can expect even partial payments toward it.

In response to a question on how prudent it is for us, with an institutional budget, to count on that as revenue in budgeting, Dr. Williams replied that we have to go by the State's indication of what they are going to do. We have an obligation to the vendors, the employees, the students and supportive services, he said, because a lot of our students are employed and receive resources from these funds as well. So, from the carryover perspective, we have the obligation to depend on what the State tells us, and they have a legal responsibility to appropriate the funds by the end of the fiscal year. For them to default, would mean they default not just on the university, but on the students, the staff and the people of this state, and that would be a major default. There are key operations at risk, and I do not think the State

can afford to ignore those needs and its obligation to fund those. I do not know what and I do not know the magnitude, but I am relatively confident that the State will do something.

It is a dilemma, President Peters commented, because if you are running an enterprise, you would adjust your budget for only those revenues that you could anticipate with some certainty. Yet, if we set an internal budget based on last year, that would be \$42 million less, which would be a prudent thing to do. That would trigger all sorts of policy problems for us. The State's other option would have been to rescind \$42 million, but they would have done that before July 1. So, we are putting our trust in the State of Illinois to honor its obligations.

As much as we worry about the budget within NIU and the academic world, similar situations are occurring right here in the DeKalb and Sycamore community at the hospital, DeKalb Clinic and all of the other support infrastructures. They are not being paid either, and that is a problem. In 1996, when our Board of Trustees was formed, the State supported over 50 percent our budget. Today, that number is below 25 percent. We all know it is going to get worse, it is not going to get better. I do not know what the solution is except to use your Vision 2020 and our great Foundation and whatever grants we can get.

Vice Chair Boey asked for a motion to approve the Fiscal Year 2012 Internal Budget. Trustee Butler so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.b. – Fiscal Year 2013 Budget Guidelines

This item fulfils the university's annual requirement for the Board of Trustees to establish Fiscal Year 2013 Budget Guidelines, Dr. Williams said. This will set in motion the process for us to develop the 2013 budget request that will go to the Illinois Board of Higher Education later this fall, then before the Governor in the form of IBHE recommendations in January 2012, and perhaps before the General Assembly in the spring of 2012. You can see the results of our budget guidelines as they went through the process for this fiscal year and how successful we were. The Board recommended salary increases, utility increases, increases in library and tech support, program priorities, and in the right column, you will see that every one of those was reduced to a zero through the process. Nevertheless, the Board of Trustees has a statutory responsibility to put forth a reasonable request for the institution. Vice Chair Boey asked for a motion to approve the FY13 Budget Guidelines. Trustee Marshall so moved, seconded by Trustee Iosco. The motion was approved.

Agenda Item 7.c. – Fiscal Year 2013 Appropriated Capital Budget Request

We are hopeful that there will be a capital budget from the State coming through the process this year, Dr. Williams said. I am pleased to report that through the efforts of our President and several members of this Board who supported capital requests for Cole Hall and the Stevens Building, we received a positive result. We are completing the improvements to Cole Hall and have full use of the facility scheduled for the spring semester in January. Stevens Building planning work has begun, so there is some positive movement occurring through some very hard work on the prior capital requests, and we are optimistic about this request. Vice Chair Boey pointed out that the Stevens Building was placed on the capital budget request 12 years ago.

Trustee Strauss noted that the electrical project was shown again, a portion of which we opted to fund ourselves. He asked the status of that project and whether there will be additional phases we will have to take a look at in the near future if the State does not act. We have undertaken and are completing Phase One of that project, which was mapped out to the Board as a three-phase project, Dr. Williams reported. The need for infrastructure improvement for our campus has become critical, especially with the electrical distribution systems. Just before Move-In Day, we had an electrical vault wall collapse. That vault had lines that fed Watson and DuSable Halls, major buildings holding departmental offices and classrooms. Our outstanding staff came to the rescue, and within 24 hours had rebuilt the walls of the vault and secured it. This is just the tip of a very ugly iceberg, and we will continue to pursue major capital funding as we continue this project. Our current deferred maintenance is about \$98 million right now. There are projects we consider to be in the red zone, which are those projects that we have very

real concerns about, and that number might be \$18 to \$20 million. That would include projects such as the electrical distribution system, issues with leaking roofs, general utility concerns around campus, and access issues that really need to be addressed. We are constantly scouring the campus looking for any potential health or safety issues, and the President has given direction for an immediate response. These can range anywhere from \$2 million to \$8 million in a particular year. It is increasingly difficult to address these issues, so we do the best we can. I cannot overstate the work of Jeff Daurer, Bob Albanese, our Physical Plant staff and our A&E staff in trying to stretch very few dollars to do a great deal of work. Right now, we have \$3.4 million for renewals coming in, and that will help a great deal.

Vice Chair Boey asked for a motion to approve the FY13 Appropriated Capital Budget Request. Trustee Murer so moved, seconded by Trustee Iosco. The motion was approved.

Agenda Item 7.d. – Fiscal Year 2013 Nonappropriated Capital Budget Request

The Fiscal Year 2013 Nonappropriated Capital Request consists of projects in a general category that are to be funded primarily through our bond revenue system. We have a bond revenue reserve, and by bond statute, we are required to have a repair/replacement reserve to maintain the facilities. Vice Chair Boey asked for a motion to approve the FY13 Nonappropriated Capital Budget Request. Trustee Strauss so moved, seconded by Trustee Iosco. The motion was approved.

Agenda Item 7.e. – Department of Psychology Subcontract - Services

Dr. Williams stated that this grant allocation through the Psychology Department is a pass-through item supported by grant work out of our Psychology area. Vice Chair Boey asked for a motion to approve the Department of Psychology Subcontract-Services. Trustee Strauss so moved, seconded by Trustee Iosco. The motion was approved.

Agenda Item 7.f. – Finance and Facilities Oracle/PeopleSoft Applications Annual Maintenance Renewals

In Fiscal 2005, you may recall that we negotiated a multiyear contract for annual maintenance of our PeopleSoft system that provided ceilings on how much these agreements could increase over any one year, Dr. Williams said. I give Steve Pace praise for negotiating that particular contract, which has saved the institution hundreds of thousands of dollars that we would have incurred through annual increases with these renewals. Vice Chair Boey asked for a motion to approve the Finance and Facilities Oracle/PeopleSoft Applications Annual Maintenance Renewals. Trustee Murer so moved, seconded by Trustee Iosco. The Vice Chair then asked for a roll call vote which was as follows:

Trustee Butler	Yes	Trustee Iosco	Yes
Trustee Marshall	Yes	Trustee Murer	Yes
BOT Chair Strauss	Abstain	Vice Chair Boey	Yes

The motion was approved with five voting yes and one abstention.

Agenda Item 7.g. – Student Affairs and Enrollment Management Inquiry Management/Recruitment Tool

This eight-year agreement for a software recruitment tool is being requested by the Student Affairs and Enrollment Management area, Dr. Williams said. Through Vision 2020, the President has indicated the importance of enrollment and enrollment management, and this is one of the basic tools necessary for us to have an effective system. It provides opportunities for discussion, to respond to student questions, and to provide more information, all on-line, which is where technology and the marketplace are going.

In reply to a query, Dr. Williams stated that this is a sole source because this is one of the few products that provides all of these services and is compatible with PeopleSoft. Our original contract was from 2007 to 2011, and we are going with the group for a second contract.

Vice Chair Boey asked for a motion to approve the Student Affairs and Enrollment Management Inquiry Management/Recruitment Tool request. Trustee Strauss so moved, seconded by Trustee Iosco. The motion was approved.

Agenda Item 7.h. – Finance and Facilities Performance Contracts – Consolidation/Restructuring

This request from Finance and Facilities for the consolidation of existing performance contracts has the potential of saving the institution approximately \$2 million over the term, Dr. Williams stated. We have been utilizing performance contracting to provide capital improvements to the campus under a contract whereby the contractor puts forth all of the capital necessary for the improvements, and are then paid back through the generated energy savings from their work. Northern is one of the leaders in the state utilizing performance contracting. Because it was so successful, the State of Illinois expanded this program so that the payback term was extended from 10 years to 20 years. This is the work of Bob Albanese and Ken Pugh. We are in our tenth contract for these kinds of activities which have ranged from roofs to lighting to windows and so forth. What we have learned is that there is an opportunity to restructure some of the existing agreements by which the contractor obtains some kind of financing of the whole project so that over the term of the contract the financing lives off the payments of the savings. By restructuring some of them, we get better interest rates, and therefore, the costs are reduced.

In regard to the term of the interest rate, Bob Albanese, Associate Vice President for Finance and Facilities Operations stated that the term is about one year longer in total, and we skip a payment this year and add it to the end with the overall savings in the \$2 million range. Each of the contracts is less than the 20 years, with most of them in the 10- to 15-year range. After that time, we keep the savings on assets or building components that we expect to last at least that long, and the risk position is taken by the contractor.

In answer to a question, Dr. Williams stated that the baseline is the issue. You must be able to document and provide through hard data, for example, if we are talking about energy savings through utilizing new windows and such, you have to have a pretty good mechanism for measuring what your energy costs are, and it has to be something that you feel comfortable with. The proposals that we receive include such an analysis. Our staff are equipped to review that analysis to make sure that the data and the conclusions that are established from the data are sound.

You start with a baseline, and as the cost of utilities goes up, then the savings is really to match the incremental growth, which is then projected through the entire term of the contract, Dr. Williams said. The contractor is looking for the fastest payback possible so that they can get their money and retire the contract. We will not have a problem with them trying to be as aggressive in the payback analysis. But, we have to approve all of their assumptions, including the baseline, as you correctly indicated, and also the analysis that takes into consideration what the savings are as you progress through the term of the contract. All of that is part of the analysis we have to approve before we award the contract.

Vice Chair Boey asked for a motion to approve the Finance and Facilities Performance Contracts-Consolidation/Restructuring. Trustee Strauss so moved, seconded by Trustee Butler. The motion was approved.

UNIVERSITY REPORTS

Agenda Item 8.a. – Holmes Student Center – College Grind

We have a short program on the response of our Holmes Student Center staff, Architects & Engineers and all of our planning staff to meet the needs of our students by providing an up-to-date, modern concept in Holmes Student Center regarding computing and access to WiFi. Jeff Daurer is going to give a brief presentation on this new concept.

It is my pleasure today to talk about an upcoming and exciting improvement that Northern Illinois University is going to make at the Holmes Student Center using proceeds from the recent bond sale, Mr. Daurer began. The project I am speaking of is the College Grind. Holmes Student Center was originally built in 1962, and is in need of aesthetic and programmatic improvements. The location we are talking about today is the first floor adjacent to the Martin Luther King Commons on the south side of the building. For those of you who have recently been in Holmes Student Center, you know that our existing finishes are pretty dated. The wall paneling is a dark walnut, plastic, laminate. We have brass finishes that were very popular in the late 1960's, one-by-one spline ceilings and the light fixtures are original.

We will be improving three main areas -- the computer lab, the corridor outside the Holmes Student Center main office area, and the information desk outside the computer lab.

Please join me now as we take a walk down the main east-west corridor of Holmes Student Center and into the College Grind. While the finishes remind you of home, the Grind is outfitted with the latest and greatest in WiFi technologies. Our students and their families are arriving here with personal, hand-held devices, and they expect to be able to connect to our services and systems. Not all of our students are arriving with such technologies. So will still have computers in the Grind that everyone can access.

It has classic collegiate style wood finishes, the complementary amount of furniture, efficient and sleek lighting, and coffered ceilings. The Grind is centrally located on campus, a place for students to see and be seen by other students. Students can charge up their devices, grab a snack and meet with others about upcoming projects. Outside of the Grind, the display cases outside the Holmes Student Center office will be replaced so that students can exhibit art and other programmatic information. The information desk will be enhanced into an attractive beacon that will, by nature of its location, bring those needing assistance to its counter.

The student population that we have talked to are excited about the Grind. The Student Association (SA) President and other members of the SA were enthusiastic and wanted to know when we will have it done. In the months to come, we will be developing the design for the College Grind and hope you will watch with us for the "Pardon Our Dust" signs that are soon to come in 2012.

Mr. Daurer said that work also is planned for the second floor eventually, so they will be taking this opportunity to check out things such as the mechanical systems while they are doing these upgrades on the first floor.

These are great ideas, Student Trustee Robertson said. Being a student here, these are the very things we have always wanted to see and be a part of. I am really glad about the direction we are going in for the upcoming school years and the next generations of students who will be here and have an appreciation for the things we are doing now.

Last week we had Move-In Day, Vice Chair Boey remarked, and the next day, the famous local newspaper headline was super: "Parents Said it Was Easier to Move their Children into the Dorm than Moving them out of the House." I'm not quite sure, but I think that was a compliment. Congratulations to President Peters and to staff who were involved. There are a great many people involved each year in the move-in. It was a job well-done and it is recognized by the community.

That is all due to a great number of people with Brian Hemphill, particularly, leading the effort, President Peters commented. This is something we have done for 15 years or more. This year, something extraordinary happened that tells you something about this community. I may not have the exact details, but a young fellow was coming to university, his mother was driving, and as they reached the Oasis, she flipped the SUV she was driving. Everyone was okay and they were all checked out medically. The DeKalb Fire Department and other first responders loaded up the young man and his belongings on the fire truck, brought him to Douglas Hall and moved him in. I received the most wonderful letter from the young man's father about this. Imagine now, forever in that family, when they leave for college,

grandchildren who are going to come to NIU, be drinking coffee and computing at the Grind, are going to hear that story about grandpa being brought to university in a fire truck. What a great story.

Agenda Item 8.b. – Fiscal Year 2011 Report of Tuition and Fee Waivers

Agenda Item 8.c. – Fiscal Year 2011 Report on Capital Activities

Agenda Item 8.d. – Fiscal Year 2011 Annual Report of Transactions Involving Real Property

Agenda Item 8.e. – Fiscal Year 2011 Annual Report of Cash and Investments

Agenda Item 8.f. – Quarterly Summary Report of Transactions in Excess of \$100,000

Agenda Item 8.g. – Annual Summary Report Obligation of Financial Resources

Agenda Item 8.h. – Professional Excellence Awards for Faculty and Staff

The Trustees had no questions regarding these information items.

NEXT MEETING DATE

The Vice Chair announced that the next meeting for the Finance, Facilities and Operations Committee is scheduled for Thursday, November 10.

ADJOURNMENT

Vice Chair Boey entertained a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Butler. The motion was approved. The meeting was adjourned at approximately 11:12 a.m.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording Secretary