

Minutes of the  
**NIU Board of Trustees**  
**FINANCE, FACILITIES AND OPERATIONS**  
**COMMITTEE MEETING**  
November 10, 2011

**CALL TO ORDER AND ROLL CALL**

The meeting was called to order by Chair Robert Boey at 10:10 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 Anthony Iosco, Robert Marshall, Cherilyn Murer, Marc Strauss and Chair Boey. Not present was Trustee Manuel Sanchez. Also present were Trustee John Butler, 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**

Chair Boey asked for a motion to approve the agenda. Trustee Strauss made a motion to approve the agenda, seconded by Trustee Marshall. The motion was approved.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Murer and seconded by Trustee Iosco to approve the minutes of August 25, 2011. The motion was approved.

**CHAIR'S COMMENTS/ANNOUNCEMENTS**

Today's agenda includes a number of items that require committee approval, Chair Boey said. These action items include the ITS Telecommunications Voice Trunking Services and Local Domestic and Long Distance Service, the Research and Graduate Studies Contract for Services Amendment, the Department of Psychology Research Project Amendments, and the Campus Alert System to Upgrade Thirteen Buildings on Campus Capital Project Approval. There are also a number of information reports, including an update on Performance Contracts, Semiannual Progress Report of Active Capital Projects, Quarterly Summary Report of Transactions in Excess of \$100,000, and the Periodic Report on Investments.

The Chair recognized University Advisory Committee representatives Dr. Alan Rosenbaum and Dr. Greg 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 timely requests had been received to address this Board Committee meeting.

## **UNIVERSITY RECOMMENDATIONS**

### **Agenda Item 7.a. – ITS Telecommunications Voice Trunking Services and Local Domestic/Long Distance Service**

Dr. Williams explained that the Information Technology Services trunking service provides the campus local and long distance calls. The carrier and successful bidder is Frontier Communications. The bid was for a three-year contract, in which we also negotiated one-year renewals. With two of those one-year renewals we were able to preserve the favorable rates negotiated in the three-year contract and extend the service two additional years at the same rate. Chair Boey asked for a motion to approve the ITS Telecommunications Voice Trunking Services and Local Domestic/Long Distance Service contract. Trustee Marshall so moved, seconded by Trustee Iosco. The motion was approved.

### **Agenda Item 7.b. – Research and Graduate Studies Contract for Services Amendment**

We have good news again in terms of our ability to attract federal grants, Dr. Williams said, for Research and Graduate Studies. Our Northern Illinois Research Foundation (NIRF) has been involved in the purchase of a computer system utilizing federal grant proceeds. Also our NIRF Foundation is more and more in the position to provide services to the university regarding initiating and processing potential grants and research activities, patent issues and things of that nature in more detail. We are able now, based upon the grants and the monies that have come in, to move forward with the purchase of the 12-node computer cluster for this particular project, and also to enhance and support the services provided to the university through NIRF. Chair Boey asked for a motion to approve the Research and Graduate Studies Contract for Services Amendment. Trustee Strauss so moved, seconded by Trustee Murer. The motion was approved.

### **Agenda Item 7.c. – Department of Psychology Research Project Amendments**

The Department of Psychology has a research project that began in September 2007. The research on this project has been successful, Dr. Williams said, and an extension of the expenditure authority is being requested given the fact that the grant did not complete all of the work initiated under the original time period. This extension will provide amendments to the University of Memphis for an additional \$25,417 and Claremont College for an additional \$41,594. These dollars come directly from the general grant itself and this request gives the authority to expend those funds. Chair Boey asked for a motion to approve the Department of Psychology Research Project Amendments. Trustee Iosco so moved, seconded by Trustee Marshall. The motion was approved.

### **Agenda Item 7.d. – Campus Alert System – Upgrade Thirteen Buildings on Campus – Capital Project Approval**

At NIU, we have our own campus alert system, Dr. Williams said, and just like federally, we have been trying to upgrade our buildings so that they would be a part of the alert system. This system includes tying in our Public Safety office with the fire alarms and voice and visual types of alert systems, as well as our text alert system, so that if there is an issue or problem on the campus, we have a mechanism to communicate effectively with those who are in and around the campus. We have been involved in this upgrade for some time now, and this is Phase III of the project. Board approval is requested to establish the project budget at \$385,000 to identify architects and engineers to provide the service and to contract for the service itself.

In reply to a query from Trustee Murer, Dr. Williams stated that this system is not integrated with our off-campus sites. Because of the distance, those are parts of different operations. Here on the DeKalb campus, we want to have the facilities centrally connected so that we can communicate and do our own texting through that. For the other sites, Naperville, Rockford and so forth, we want to tie those facilities into the local alert systems of the municipalities or townships in which they are located. That way those facilities will have direct contact with the responding units and the services needed in their respective areas. That does not mean that we would not be remotely connected to these specific sites, but it does mean that the central core of our alert system for those sites would be more locally centered.

I have made mention of this before and I just want to reiterate it, Trustee Murer said. I am very concerned that we assure ourselves that our off-site campuses are notified as timely and as extensively as the notification on-site. Although they are off-site, they are our campuses and we need to make sure that those who are in those buildings and on those off-site campuses are informed as readily and as timely as someone on the DeKalb campus. We are looking at that, Dr. Williams said, we will keep it as a priority because those are our sites, our employees and our students. We certainly want to make sure that everything possible is done to make those facilities as safe as possible.

Chair Boey asked for a motion to approve the Campus Alert System to Upgrade Thirteen Buildings on Campus-Capital Project Approval. Trustee Murer so moved, seconded by Trustee Iosco. The motion was approved.

## **UNIVERSITY REPORTS**

### **Agenda Item 8.a. – Update on Performance Contracts**

I have asked Bob Albanese to give the committee a report regarding our performance contracts to give you some indication of our success in utilizing the state authorization for universities to use performance contracts to provide for physical improvements on campus. As we have discussed many times, under this program, the university is able to have improvements made, especially those that are energy related, all of which have some cost savings and payback periods. We are able to do these kinds of capital improvements without putting forth capital dollars. The contractor puts forth the initial capital investment and completes the project. They then realize their funding through the savings generated from the actual improvements.

First, I would like to thank Ken Pugh, who has been the lead project manager on all 12 projects for the last ten years. He has done a fantastic job coordinating between the many units on campus and making sure each of these projects is successful.

As Dr. Williams mentioned, a law was enacted in 1997 that gave the universities the capability to enter into these performance contracts. There were three factors that appealed to most campuses and governmental units. The campus would not have to outlay any capital, we would be guaranteed energy savings which would be used to pay the debt service for the capital improvements, and the risk shifted from the university to the contractor. What that really means is that the timeline on getting these projects done accelerated substantially. Originally it was 10 years, and there were a number of energy conservation projects that fit in that 10-year window. The legislation changed in 2006 because these contracts started to be so successful throughout the State of Illinois, and the legislature increased it to 20 years. That opened up a whole range of other projects, and we have been taking advantage of that on an accelerated basis since 2006.

The 2011 Financial Report lists the 12 projects we have done since 1999. We were the first public university in Illinois to be involved with this performance contract concept. We started out small and grew from there. We are in Phase X, working on our twelfth project. To date, that means we have been able to accomplish \$37.5 million in deferred maintenance under this concept at basically no cost to the university. The debt service we're paying on these projects every year is \$2.6 million. The nice thing about it is that the \$2.6 million is immediately generated through energy savings. So our utility bill goes down and we pay to the contractors. Some of the earlier projects are starting to fall off, so we have finished paying the debt service on some of the earlier ones. It is going to give us an opportunity to do some other things. We also are going to start taking a look at our other campuses. We have been focusing on the DeKalb campus, but there is no reason we could not do the same at Hoffman Estates, Rockford and Naperville. It is going to require a little more coordination, but as we start whittling away some of the projects on the main campus, we are going to try to do some things on our other campuses.

I asked Ken to put together this sample timeline, so the timeline is between 46 and 68 weeks. Some of the things that we accomplish as part of the performance contract have been on our capital lists with the State of Illinois for five to eight years. We have been able to take a look at some of the things that really need to be done and put them in via performance contract because we cannot wait for the State to fund these capital needs here at the university. The contractors involved would do all the subcontracting and put the work together, so it does not really take a lot of involvement by the university. We do most of the coordination and everything moves along fairly smoothly.

Our current performance contract, Phase X, is about \$11.5 million and involves some major improvements to our East Heating Plant, which is about a third completed. Some of our boilers date back to the late sixties, and we want to keep up to date in making sure this equipment is running as we would hope. The project should be completed by August. So, once again, we are doing a lot of deferred maintenance work in a short period of time and having those improvements help our utility bills immediately.

Mr. Albanese gave more examples of some of the things being done, such as the campus-wide replacement and rebuilding of steam traps. In the calculation, the steam trap is going to generate a great deal of savings, he said, so we try to include some other projects that might not have as much energy savings. Some of these include the roofs on Lowden and Swen Parson Halls, two projects the State has been slow in funding. Other projects are some lighting upgrades in the parking garage, which was a safety issue. We are swapping out the old lighting for LED lighting that is much more user friendly and reduces maintenance costs. We have a mix of energy savings and also some high priority items that need to be done.

Basically, these energy performance contracts have improved our efficiency in consuming utilities, and there has been a 16 percent reduction in utility usage. Comparing how we had classrooms set up in 1997 versus how they are set up now, we are using a lot more power in the classrooms; yet, because of these efficiencies, our usage has gone down. However, adding in how more technologically equipped these classrooms are, that number probably would go up to about 20 percent.

The effort at conservation is great, Trustee Strauss commented, and I am pleased we are able to find a way to finance some of the maintenance. On a more fundamental level, we still use a lot of energy, gas and electricity. He asked if the university makes those purchases, or if they are purchased as part of a buying group of some sort. Mr. Albanese stated that the university makes those purchases. Over the year, he explained, we put together a program that looks at the weather forecasts for the upcoming year. We have someone who monitors this on a day-to-day basis, and we make utility purchases from a company other than Commonwealth Edison. Right now, we are locked into the first quarter of 2013 where we thought the market was at its lowest level, and we do the same for natural gas and electricity.

Trustee Strauss asked if the university had looked at grant programs that will offset energy efficiency projects. Mr. Albanese indicated that they had. Ken Pugh is aggressive in looking at what we are doing on energy conservation, he said, and we apply for every grant available. Some of these are state, some are federal, and over the years we have utilized a number of these. On this latest performance contract, we obtained three or four grants that are going to reduce our costs and the university outlay.

Under a previous governor of Illinois, President Peters said, there was a push to try and have public agencies, particularly universities and others, group together to see if there was a more efficient way of purchasing energy. They brought in several experts who did a major study, and found that NIU's approach was much more efficient and cheaper because we buy gas at the wellhead. The same is true of our Transportation Director when he purchases fuel.

Because there are so many different agencies, and even between the public universities there is a lot of difference in demand and so forth, Dr. Williams said, their approach was not at all feasible. We felt that by showing and demonstrating what we could do in energy conservation and purchasing, we would be able to demonstrate very easily that we were doing much better than the State.

We feel very strongly that we can do a better job of purchasing at the university level, Mr. Albanese agreed. When I worked in the University of Wisconsin System, they took over utilities and paid them centrally. The individual institutions lost the incentive to do anything that was going to be energy efficient and green on campus because the state was keeping those savings at the state level. We are much better off at the university level having the flexibility of making those purchases, and we do it in a fairly conservative fashion. Our utility analyst, who is part of the Physical Plant Department, works with consultants and sits on a statewide group of other public universities. We try to lock in a budget so that we are taking away the variable for that year knowing what we are going to be paying and what the usage is. The next biggest portion of the budget is utilities, and to have that locked in takes that uncertainty out of much of the planning.

Dr. Peters and Dr. Williams have managed our resources in an absolutely brilliant manner, Trustee Murer commented, and we have been aggressive. But a thought comes to my mind, especially as we have these performance contracts that are dependent upon savings. At some point does the projectile hit a wall where there are no more savings, or do you think this is a methodology that will be available to us in the foreseeable future?

That is a very interesting observation, Dr. Williams commented. The fact that the State moved forward public acts to allow this type of approach to funding deferred maintenance and capital projects was a very positive thing. I do not think we will run into a wall because we have a moving target. As you all know, our deferred maintenance is growing every year. While roofs in certain parts of campus are not leaking today, in a few years, they will be. As we complete projects, there are always others to take their place. That is why the move made in 2006 to extend the payback period from 10 to 20 years was very important. Now we have more marginal projects, but I do not see that we are going to run out of the need and the opportunity to take advantage of performance contracts.

In a sense, Chair Boey said, I have a similar situation with an industrial park one-tenth the size of the university. We have 630,000 square foot and the university has 6.5 million, but we do not run out of opportunities for improvement. The latest thing is lights, especially those using neon tubes. Former President Bush declared that neon tube lights would no longer be made by the end of 2011, and they have come up with new lights. When using the new lighting, Commonwealth Edison will give you back a percentage of the savings on your bills.

A few months back, Jeff Daurer brought this miserable looking underground cable sample out, Chair Boey said, but I have not seen the replacement project listed under the performance contract, and I know there is a huge cost of replacement. Mr. Albanese stated that we have done that project using university funds.

I want to thank Bob Albanese, Ken Pugh and all of those who are involved, Dr. Williams said. It is a campus effort, but the results certainly make a big difference. Other information items on the agenda include the Semiannual Progress Report on Capital Projects, the Quarterly Summary of Transactions in Excess of \$100,000, and the Periodic Report on Investments. If there are any questions on those, we will be more than happy to respond to them at this point.

**Agenda Item 8.b. – Semiannual Progress Report of Active Capital Projects**

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

**Agenda Item 8.d. – Periodic Report on Investments**

The Trustees had no questions regarding these items.

**NEXT MEETING DATE**

The Chair announced that the next meeting of the Finance, Facilities and Operations Committee would be determined at the full Board of Trustees meeting on December 1.

**ADJOURNMENT**

Chair Boey entertained a motion to adjourn. Trustee Murer so moved, seconded by Trustee Marshall. The meeting was adjourned at approximately 10:49 a.m.

Respectfully submitted,

Sharon M. Banks-Wilkins  
Recording Secretary