

Minutes of the
NIU Board of Trustees
FINANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
May 29, 2014

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Marc Strauss at 9:03 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 Robert Boey, Robert Marshall, Cherilyn Murer, Student Trustee Elliot Echols, BOT Chair John Butler and Chair Marc Strauss. Trustee Anthony Iosco joined the meeting via telephone. Also present were Committee Liaison Nancy Suttentfield, President Douglas Baker and 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 AND CONSENT AGENDA APPROVAL

Chair Strauss indicated that there was a request from the administration to remove Agenda Item 7h from the agenda. Chair Strauss proposed that Agenda Items 7e, 7f, 7g, and 7n be placed on a consent agenda. He then asked for a motion to approve the agenda as revised. Trustee Butler made the motion, seconded by Trustee Boey. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

Chair Strauss asked for a motion to approve the minutes of the FFO meeting of February 27, 2014. It was moved by Trustee Boey and seconded by Trustee Butler to approve the minutes. The motion was approved.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Strauss recognized the representative from the University Advisory Committee, Dr. Alan Rosenbaum, and asked if he wished to make a comment before the committee. Dr. Rosenbaum indicated that he had no comment at this time.

Chair Strauss stated that the meeting would open with two substantive presentations by Interim Chief Financial Officer Nancy Suttentfield. These presentations would cover Agenda Items 7a, 7b and 7c. The first presentation would address NIU's budget prospects for FY2014/15 and the second one would explain both limitations and flexibility which are the president's top priorities. For capital improvements in FY2014/15 there would be four resolutions associated with Items 7a, 7b and 7c. Chair Strauss indicated that these were all important items and would likely require extensive presentation and conversation. Following these presentations, Chair Strauss indicated the committee would take up the remainder of the finance actions and then turn to Vice President Bill Nicklas about operational matters and action items covered in 7j, 7m and 7o. The meeting would conclude with a discussion led by Jerry Blakemore concerning proposed modifications to contracting of procurement approvals that would help the president avoid unnecessary delays in transacting university business between Board meetings.

PUBLIC COMMENT

Chair Strauss indicated that he had received three written requests to address the Board in accordance with state law and Board of Trustee *Bylaws*. General Counsel Jerry Blakemore confirmed that three requests had been received. Chair Strauss indicated that in accordance with the *Rules, Regulations and Bylaws* there was a maximum five minute period of time for each of the requestors. The requestors were asked to come forward and use the microphone at the podium.

Mayor John Rey of the City of DeKalb reported that he was addressing this morning's meeting to thank the committee for its consideration of the fire services contract with the City of DeKalb, the first phase of the Huskie Tram Route and to support the Bold Futures Initiatives in general. Mayor Rey was enthusiastic about the open and cooperative approach to the joint city and university projects under the Bold Futures Initiative. Mayor Rey had the highest praise for President Baker and looked forward to continued success on their collaborative efforts. There were no questions from the committee.

Fire Chief Eric Hicks spoke to the long standing relationship between the City of DeKalb and the university regarding fire protection services. He indicated that the contract renewal on the agenda today was negotiated in good faith and was fair to both parties. The purchase of the ladder truck which was included in the contract replaces the current truck which is 25 years old. This is a key apparatus in protecting NIU's property. There were no questions from the committee.

Student Association President Joe Frascello brought to the Board the support of the student body for Agenda Item 7m. The Huskie Tram Route Phase I – Bold Futures Initiatives Capital Project. The students were enthusiastic about this Bold Futures Initiative and supportive of such innovative ideas.

UNIVERSITY RECOMMENDATIONS

At this point, the meeting was turned over to Committee Liaison, Chief Financial Officer Nancy Suttentfield to present the University Recommendations

Agenda Item 7.a. – Overview of On-going FY15 Budget Preparations/Preliminary FY15 Operating Budget: Interim Approval of FY15 Operating Budget

CFO Nancy Suttentfield began: As you know, each year at this time the committee reviews a preliminary university budget for the fiscal year that begins July 1st. The preliminary budget that is presented at this time is usually and will be today a high level budget without any underlying detail because for a good many years now there hasn't been a final state appropriation at this time of the year. And for a number of years now there's also been a trend of uncertainty about our enrollment levels for the coming year. This year is no different in these two respects but this year we also have an unprecedented set of challenges that combine to present us with significant budget planning challenges in developing a detailed budget. So today what I would like to do is describe as thoroughly as possible the backdrop and all of the uncertainties and how they affect us in our fiscal situation in the order shown on this outline, followed by a summary of the approach that we have taken thus far in developing an eventual budget that will be balanced, and then the timeline for other remaining steps in the process of completing our work on fiscal year 2015.

So as you will recall from our discussions back in February, the Provost and I at that time were engaged in developing a new partnership model approach to budgets reflecting a number of key principles and I've reiterated them here on the first page: alignment with the university mission, vision and values along with greater accountability for key programmatic and operation results. Another is clarity and easily understood budget information. Related to clarity are transparency, openness and honesty about the budget decisions that we make, and finally important in a finance committee discussion is sustainability. It's not just about balancing the budget for the current year, it's about giving on-going attention to fiscal equilibrium and taking into consideration the many dynamics that effect equilibrium both those that are within our control and others that we'll hear later that are outside of our control.

Let's review some of the dynamics and what some have called brutal clarity and transparency. Our primary revenue sources haven't changed, but over the last decade their relative importance has changed and that's resulted in much greater dependence on enrollment than we've seen in previous years. I think some of you have seen these slides in other settings, but still they are very important background that I think we need to keep in the back of our mind. Starting with the first slide looking at state support, the direct state support that we receive that goes into our operating budget has dropped about 15%, most since 2009. It's worth noting here that this particular graph does not reflect an additional \$143 million dollars that we receive for the benefit of the university that covers direct payments that the state makes for employee benefits like health insurance and retirement. But those dollars do not flow into our budget; therefore we have no control over them as part of our operating budget planning and decision making.

The next slide shows what's been going on with enrollment and enrollment too has dropped by about 15% through 2014 and we're anticipating at the moment an additional 3.5% drop for the coming year consisting of about another 100 students less than we had for the year that just ended. That of course affects all of our enrollment driven revenue sources. And then taking a look at what's been going on in our residence halls, occupied beds have dropped 30%, reflecting both declining enrollment and new beds that have been added over the last decade.

So now let's take a look at the expense side and what's been happening there or not happening there. Our primary expenses remain the same. Over time they are principally our people, our faculty and our staff, paid through salaries and student aid, primarily scholarships that we pay. Even though these primary expenses haven't changed, what we've seen is our students are more needy and therefore the forms of student aid through scholarships and waivers have become much more important.

The next slide shows what the levels of employment at the university have been over the last decade or 13 years I guess it is, nine years, our employment has changed very little. There is about a 66 headcount difference from 2003 to 2012 despite the fact that we've had declining enrollment and we've had much more instability in our revenue sources especially during the last five or so years. The blue represents faculty positions. They are hovering right around 1200. The red is SPS, Supportive Professional Staff, they are hovering between 870 and 970; and the green are civil service positions and those are between 1600 and 1700 positions. And I should note about 800 both in 2003 and 2012 were temporary employees here.

Okay now advancing to financial aid, principally scholarships, because of the economic recession that all of us have lived through and the slow economic recovery that all of us are living through, and for our students increases in their costs, all of these factors have combined to increase the amount needed for grants and scholarships even as fewer students enroll. So you see here, or maybe you can't see here in the small print, from 2002 to 2013 our scholarship budget has gone from a little over \$1 million dollars to over \$13 million dollars in 2013, and not reflected here is the additional \$33 million dollars that we gave last year in tuition waivers. Tuition waivers represent tuition that is not collected because of students that have entitlements to a free education. A tuition waiver is also a budget cut of sorts.

Now let's look a little bit more at our dependencies here. Again fiscal 02 compared to fiscal 14 and as I've said our model has become much more dependent on enrollment driven sources of revenue. The red and green portions of the pie there at the two o'clock to nine o'clock levels on the right shows how much we now depend on tuition and fees and room and board. Tuition and fees today contribute about 55% of our total revenue compared to about 42% in the left hand pie chart. If you look at the state appropriation in the blue in the upper right quadrant, our appropriation today is only 21% of total revenue versus 38% in fiscal 2002. Now the pie chart is on expenses. We carry out our mission of course through our faculty and staff, so along with scholarships, the proportion of our total expenses that are devoted to our people and to support of students remains about the same over the decade, about two-thirds of our budgets. So our priorities really haven't changed all that much in the way in which we spend our money.

Now I'm going to take a different turn and talk about the uncertainties. The trends that we just covered have transported us into an entirely new world. But even this new world is changing for us. In addition to

the uncertainties that are all too familiar to us involving the level of state appropriations as well as enrollments, we have a whole new set of unknowns related to the animal called pension reform. We have ongoing confusion about what reform means to those faculty and staff members that are considering retirement. We know how many eligible faculty and staff members we have, how many are eligible to retire based upon years of service or age or combination of both, but we don't know who of that number will choose to retire. And if you don't know who will retire, or when they'll retire, then you really can't pinpoint all of the impacts that there could be on students and all other aspects of our operations and what measures need to be taken to address the needs of our students and all of the basic obligations that are a part of our operations. If you don't know who and when you also can't really identify the amounts that will be needed and at what time for payout of significant accumulated sick and annual leave balances. We thought we were getting our arms around this pretty well because we knew that there was a deadline coming up in just a matter of a couple of days at the end of this month by which faculty and staff, not just at NIU but in other Illinois institutions, would need to make their decisions and we have been tracking on a weekly basis the number of definite retirements, along with other vacancies that we have as a result of the routine turnover process, but then the court issues a stay a couple of weeks ago which we applaud because it gave our faculty and staff more time to make these very emotional and basic financial decisions. On the other hand, it adds one more complication for us. A lot of the information there is totally unknowable at this particular point in time and we just have to go with it on a week-to-week basis.

So what this has meant for budget planning is that the process that we've used in the past which has been familiar to all of our vice presidents and deans that have been here for many years, the budget process has to adapt. The budget process that we had is incapable of either yielding prudent resource allocation decisions because our overall financial structure has changed but we can't make decisions within that model that will be sustainable both with respect to those shifts and also with respect to the responses that are needed for all of these uncertainties that we're working with. So to manage through all of the uncertainties thoroughly and effectively by necessity we've created a management process that will probably be used one time and one time only. Many of the principles may be around for a while, but this process will not be repeated. We want to assure that in everything that we are doing while we manage through these uncertainties that our number one priority is to preserve the essential strengths of our core mission. So we've crafted a process that is summarized upon the screen here that provides for much more extensive involvement of all of our university leaders in much more intentional ways. We've provided for one time and what will become ongoing programmatic analysis and analysis of other relevant data that are important for strategic decision making. Our focus as we move through this process in the remainder of the timeline in arriving at a fiscal 2014/15 operating and capital budget is arriving at a well-informed, well supported set of strategic decisions and a balanced budget along with a roadmap for impactful reinvention of the university. All of which are requiring significant leadership attention to all of the vacancies that have accumulated and will no doubt continue to accumulate while the uncertainty over pension reform continues.

So I will now move on to some of the stark projections of revenue variance for the coming year. What I've portrayed in the next table are only the principle revenue sources and these are the principle sources of operating income that management has some degree of control over. I know many of you are saying well these numbers don't match to the numbers in the budget because the numbers that are in the budget include other sources of income such as sponsored project funding or other grants that we received to carry out specific projects. Those are occasional monies; they're not part of the ongoing revenue base so I haven't counted them here. I've only counted what I would call the general operating revenue of the institution. So what you can see here is we are facing a new baseline revenue budget. Right now we are assuming that our state appropriation will be cut by \$11.7 million dollars although we have reason to be hopeful about that as recently as a couple of days ago, the House passed a budget and has sent it over the Senate and instead of an \$11.7 million dollar cut for fiscal 15, the cut in the House budget is basically a flat budget. It's \$220,000. Now before we all celebrate, it's a temporary celebration if in fact it becomes enacted into law because there are a lot of one time monies that have been moved around in the budget in order to get to a balanced state budget and the fundamental structural problems in the state budget still have to be addressed in the following fiscal year. So worst

case scenario, this \$11.7 million dollar reduction that might be avoided, which represented half a year's worth of deficit in the state budget, could in the following year look something like double that amount. It just means that it's postponed for a year. The good news is that we have a year to plan for whatever may come in the following year. But for next year it's certain that, I won't say 100% certain, but we're reasonably certain based upon the enrollment numbers we've been seeing and the methodologies that have been tried and true for a good while, that we will lose 1,000 students and so that's another \$20 million dollars that still has to be dealt with in losses in our enrollment driven sources.

I guess the statement that I would make here is most of these cuts in revenue are not coming back anytime soon and although we do have plans to try to address much of this through vacancy management, we also have resource allocation decisions that have to be made from some of the savings in vacancies that represent making certain that we have faculty members in the classrooms to allow students to have access to their courses and their classes and graduate on time. We have other obligations as well and we'll cover those in just a couple of minutes. But I wanted to give you just a quick look at what is happening within the environment of pension reform. These are reports that we've been getting every week since about early April and the numbers that you see here represent the status of retirements as of the end of last week. The first week I believe that employees had the opportunity to withdraw their retirement applications when the court issued its stay. We were actually up last week even though there were a small number of faculty and staff members that withdrew their retirement applications. I think six was the number that was reported. We're up to 115 total faculty and staff that have announced their intentions to retire. Based upon those individuals and the calculations that we've done, we know that there will be an obligation at some point to pay out their accumulated vacation and sick leave. That's about \$2 million dollars, a onetime payment and the overall salaries associated with those 115 faculty and staff members is a little over \$8 million dollars. So that's \$8 million dollars that can help us close that gap to some extent, but our first obligation is to close the entire gap and also address the needs of our students in completing their education in a timely way.

So next there will be a little bit more discussion of the process that has been underway both with the involvement of the academic deans as a starting place, and then continuing with our cabinet members. The academic division started its review of known or potential retirements about a month before the cabinet started the review of all other positions. We've tried to be very thoughtful about the criteria that we would use in prioritizing which positions are essential and would need to be refilled and when they would need to be refilled. At this time, I think it would be useful for you to hear from Provost Freeman about the process that went first in the academic division before I talk about the broader process for the campus.

Provost Lisa Freeman stated: I'm going to just review this very briefly and I'll give you the opportunity to ask questions if needed at the end. The Council of Deans devoted three two-hour sessions to the vacancy prioritization process. One session involved providing information about the type of criteria that would be used to look at vacancies in Academic Affairs and whether or not positions would be refilled. It was largely about how mission critical those positions were to teaching and learning, research scholarship and engagement, focus on program health in terms of how successful the program is with student enrollment, student degree completion, contributions to the general education mission of the university inside and outside the classroom and then we offered to provide comparative data to the deans as needed so they could look across programs for program health as vacancies were considered.

Every college made a presentation prioritizing the positions within their college. The positions prioritized were faculty and staff positions including both SPS and operating staff categories because as you know it's more than just faculty that make our academic mission run successfully. Then the provost staff cross prioritized positions in Academic Affairs and that activity was followed by two follow-up subsequent activities. First, we reflected our cross prioritization back to the deans so that they could comment on assumptions we had made and argue with us if they thought that we had misconstrued data. Second, we reflected our cross prioritization to two shared governance committees, the Academic Planning Council, which is the University Council committee that is charged with academic program review and the Resource, Space and Budget Committee of the University Council which every year creates a statement

of budget priorities for the university. Our reflection to those two committees was not really an opportunity for them to argue about specific prioritization steps, but to address the following questions:

- Does our prioritization or the process we use to achieve it align with the university's mission?
- Does it align with President Baker's overarching goal of student career success and the underlying pillars of a thriving community, financial sustainability and ethically inspired leadership?
- Does it align with the Resource, Space and Budget Committees statement of budget priorities for the university?

We spent two hours presenting our process and our product to those two committees and through an anonymous electronic poll we had one abstention and otherwise unanimity for all of the criteria. To make sure that the academic mission wasn't neglected when we did cross prioritization with the cabinet, we took the academic priorities to cabinet and started the process and conversation about cross prioritizing across the university, the most important criteria were related to direct support of student career success, especially retention and recruitment. Then we looked at the 14 steps that are our first step towards building a comprehensive strategic plan and a way of operationalizing the overarching goal and the three pillars. We were very mindful of the fact that our student enrollment numbers, our student experience, and our student career success are not simply a function of recruitment and retention to graduation. We help students succeed and we help students have a positive experience because of what we do both inside and outside the classroom. High impact educational practices that have been defined nationally as best practices include learning communities, service learning, study abroad, student faculty research partnerships; these are things that emerged through Vision 20/20, through Great Journey's, the Board has heard about them in other venues.

In closing Dr. Freeman stated: So when we looked at what was important for all of the positions across the university, we thought about how those positions supported these high impact educational practices, how the positions promoted excellence in research scholarship and artistic activity, which were excellent programs, which were programs that were key to our engagement mission with external stakeholders and with alumni and which were important to our community partners in DeKalb and the physical place of our student experience. These were the most important criteria used for refill of essential positions. I'll turn it back over to CFO Suttentfield and she can talk about the non-academic criteria.

CFO Nancy Suttentfield continued: I'll just run through the remainder of these criteria to demonstrate all of the considerations that are at play here in setting priorities and cross prioritizing but jumping down to the third bullet there, everything associated with life, health, safety and compliance, bargaining unit and other similar kinds of obligations, that's all on our radar screen. We are looking carefully at return on investment because many of the positions in our auxiliary areas and in conference areas pay for themselves and if they can pay for themselves and generate more money that's a good thing. Consideration is also given to contributions to diversity and inclusiveness, redefining positions so that we meet the needs of the university in entirely new ways. We've talked a lot about using student internships, so that's a consideration. Is it possible to use student internships in lieu of replacing vacancies? And we've looked at how we manage and use temporary positions. We'd like to move to a focus where we use temporary positions to address temporary needs. A perfect example of that is we've had lots of discussion about processes that need attention to be redesigned, some people call it re-engineering, and hiring somebody on a temporary basis to help us with that would be a good use of a temporary position. But we also have many current temporary people that have been here for a long time and retirees that have come back over many years, and these are on open ended arrangements, so we'd like to look at those in terms of whether or not it's still appropriate to continue to use them as temporaries or whether some of those positions can be re-purposed and converted back to permanent positions. All of that is very much on our minds. But while our current focus over the last six to eight weeks has been on vacancy management and the week to week changes in numbers of retirees, I want to emphasize that our first priority is sustainability, budget equilibrium and establishing a balanced budget for next year and then the cross prioritization of how we handle vacant positions and re-purpose them comes next.

Throughout all of these discussions, we're engaged in re-invention of ourselves whether it be a program or an operational area or not just the total financial structure of the institution, but financially within different segments of the university, for example, there will be in the coming weeks a pretty intensive couple of days with the College of Liberal Arts and Sciences to explore new models there. There's ongoing review in the School of Business, so lots of work to re-invent financially at the grass roots level. I would like to say a few important words to acknowledge the patience and understanding of all of my colleagues in this room. As I said before, this budget process is unusual, different from anything that the campus has experienced previously, and it probably will not be repeated. It will be repeated in the sense that the work that we did earlier this year to establish guiding principles for budget formulation and longer term financial planning will be ever present and will be modified as circumstances change but we're dealing with this large wave of retirements that are coming at us, in not just one wave but multiple waves, and we've endeavored to change the wheels on a fast moving freight train that is going around tough corners and up and down mountains and I think we're doing our best to keep the careening train from going off track.

I want to just turn your attention to what we see as the remainder of the process between now and when we bring you final recommendations for fiscal 2015 in late August. We have a strategic planning retreat that the President is leading in July. Over the summer we'll be pursuing all of our process redesign opportunities. We'll be pursuing retention and recruitment initiatives. We'll be looking at realignments and mergers of particular units. We'll be looking for permanent budget cuts that will be needed. We'll be looking at permanent enhancements to revenue and importantly, we will be creating a much needed and more strategic capital budget process that will enable us to bring you an annual capital budget once again. We have been bringing projects meeting after meeting in an ad hoc way and I think all of us would like to have something that is more comprehensive and done on an annual basis which also gives our facilities staff more certainty in how they plan and carry out the work they do.

In summary, Ms. Sutenfield stated: I will end here in the interest of time. The proposed resolution gives the university the required authority under state law to continue to operate after June 30th and we're asking for authority at this year's fiscal year level minus \$32.1 million dollars which is our best estimate of revenue loss for next year. This is the resolution that appears in Agenda Item 7a in your book. If the Trustees have questions, Provost Freeman and I are available for that discussion.

Trustee Murer stated: I think perhaps, from my perspective, I would look at this as a beginning; a beginning that is where we will be in the next decade. And I think rather than lamenting the past, it would appear to me that we are now looking at a university that is approximately 20,000 students with a 300 hundred million dollar budget, approximately. We are no longer a 26,000 student at almost a half a billion. That half a billion is now starting to elude us. But what strikes me also is that, and this becomes part of the question, one of our largest expenses is in salaries as in health care as in many service industries. But it appears, and this is where the question is, it appears that we have extraordinary constraints so if we have civil service, if we have support staff, and if we have faculty, are we not constrained by tenure, labor union contracts and the confines of civil service requirements? If that is a yes, and I'd like to hear a little bit more about that in terms of what levels of constraints that we have. That really does put us in a very complex situation to make any type of strategic or major change other than waiting for people to leave or retire on their own volition. So could you speak to that or perhaps the President, either one?

CFO Sutenfield responded that these constraints do add a layer of complexity and all of those issues need to be examined very thoroughly with the involvement of many stakeholder groups. She recommended reaching out to other public universities who are experiencing similar constraints to form larger discussion groups to learn from each other and deal with the situation in the most effective and efficient way.

Trustee Murer agreed that this is a problem that is bigger than NIU. There is a similarity in the issues that we're dealing with especially since we're state supported, that we are a state university, civil service is a

state issue. Tenure is different, union contracts are different, but as we look at this, I would hope that the emergency meetings would be trying to get similarity of decision making among the key universities of the state of Illinois, probably excluding U of I Champaign, or maybe including them but they have a different situation, to really deal with this. This isn't our problem by ourselves, this is redesigning what the state universities look like in the state of Illinois and that's where we are today.

President Baker shared: We do probably need to look at systems issues but we have some immediate fiscal issues for this university and strategic issues on both the revenue and on the expense side of the ledger. So I've gone through this unfortunately one other time in a prior institution where we faced a 26% budget reduction over a three year period. During that time we actually didn't lay off any faculty or staff, or if we did lay off it was just in ones and twos, it was very small numbers. We did it through good planning and collaboration and then through normal attrition.

Universities often have between a 5% and 10% turnover rate per year. So let's say 10% and if you do that two years, that's 20%. Now the people aren't leaving exactly where the opportunities are, so you need to coordinate that over a series of years, but there are ways to gracefully go through this without layoffs and to do that though you've got to look at your processes and see where you can be more efficient and effective. CFO Suttentfield mentioned we're going to undertake that. Someone has already started in that area. So we've got some really serious issues to do there and then we need to look at academic programs and for efficiencies there and that's looking at the efficiency side. On the revenue side, we need to have relevant programs that are attracting more students and we need to have good recruitment, marketing and retention activities and so we're going to undertake those in earnest. The good news is, we have great faculty and staff. We have wonderful programs. I think we've got what it takes to attract and retain the students. We just need to do a better job of doing that. I think we can execute that and be a contemporary and relevant institution in the state that greatly contributes to its success. I'm optimistic we're going to make progress on both sides.

Trustee Iosco recommended that going forward the university consider better use and additional use of adjunct faculty. As retirements occur, replacements could be adjunct faculty members which would take the strain off of some of the university's financial responsibilities, such as pension, benefits, etc. I just think that's something we should consider going forward in our planning.

Trustee Butler asked for clarification on the \$32 million dollar reduction. Is it on the table for this year or will the recent action in the general assembly take it off the table?

CFO Suttentfield indicated that \$12 million of the \$32 million dollars is the State appropriation portion and \$20 million dollars reflects the loss of enrollment driven revenue. As of today, the best information we have is that the university's state appropriation will be cut by approximately \$12 million. Assistant Vice President Mike Mann, who has been representing us daily, weekly in Springfield, may be able to add more.

Assistant Vice President Mike Mann pointed out that this is a preliminary interim budget from Springfield so it was put together prior to the passage of the recent House bill which only cuts us \$223,000 dollars. Two weeks ago the only budget on the books was an \$11.7 (\$12) million dollar cut.

Chair Strauss asked where the bill is in the House and Senate.

AVP Mann indicated that two days ago the House passed a middle-of-the-road budget which holds higher education relatively flat and only cuts our budget \$223,000 dollars. The bill has moved to the Senate and action is expected in the next day or two.

Trustee Butler commented that the outcome of these issues are ultimately going to be based on where the General Assembly stands on the tax increase and their action most likely would be effected by the timing of the election.

AVP Mann agreed that there are indications that the General Assembly will wait to take up the tax issue until after the election. The current middle-of-the-road budget, so called because it falls between the doomsday budget that didn't pass last week and the tax increase budget that did pass two weeks ago without actual action on the tax issue itself, does not rely on tax increase revenues. Instead, the middle-of-road budget uses one-time revenue sources and the magical inter-fund borrowing as funding sources. This budget clarifies the FY15 budget picture, but leaves FY16 facing a very difficult budget year as the first full year of the lost tax revenue and with all one time revenue sources depleted.

Chair Strauss said while to this point discussion of this information has occurred at a higher level primarily on the academic side, what is the schedule for disseminating this information to all units on campus that have a real interest in seeing how this works, particularly in the business units?

CFO Suttentfield indicated that she had just shared this presentation with the President's Cabinet and offered a suggestion to all of them that at our very first opportunity we consider how we communicate all of this information to the entire campus community.

President Baker stated that much of this information has been discussed with the community in a couple of forums. During Bold Futures workshops CFO Suttentfield gave presentations on the revenue and expense sides of the budget. Her presentations were then posted to the web. In addition, the budget principles were vetted through the Research, Planning and Budget Committee of the University Council which reported to the University Council. That said we probably do need to prepare a systematic summary of this information, explaining the state of the situation and our plans going forward.

Chair Strauss stated that if there were no other general questions we have a proposal pertaining to the printed material and I would entertain a motion to approve the recommendation. Trustee Boey so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.b. – Review of Available Funding for Strategic Capital Investments: Resolution to Change Funding Source for Douglas Hall Demolition

CFO Nancy Suttentfield began: The goals for this presentation are to answer two specific questions that have been of interest to the Board as well as to my colleagues on the cabinet for some time. Those questions are:

- Question Number One: What are the relevant bond covenants and other similar restrictions that limit our flexibility when it comes to making capital investments?
- Question Number Two: How much cash has been accumulated or set aside according to these restrictions for strategic capital investments?

Before I get into the relevant information here at the outset, I think it's really important to be very clear that when I'm talking about cash here, I'm talking about cash that is like a person's bank account. It is not a budget, it is not annual income. It's not money that can be counted on for what is referred to as recurring expenses that repeat every year like salaries, like utilities, like additional debt service that we might want to consider. It is cash that has accumulated, can be spent once, when it's spent it's gone.

Before I move into the presentation itself, I think it's also important for me to acknowledge the superb assistance that my staff and I received from Chapman and Cutler who have served for many years as NIU's bond counsel. Chapman and Cutler prepared the riders which are attached to this presentation and are provided in hard copies this morning as a reference for the Board. These riders will not be covered in this morning's presentation.

I would also like to start by stressing that since the first question that I'm trying to answer here relates to bond covenants, by definition it relates to debt, and debt relates only to non-instructional facilities. So

this presentation focuses only on funding that is available for non-instructional facilities. Let's get that out of the way and now we can move into the content.

I'd like to start with a few term definitions. These definitions, if you'll bear with me, are very important for those that don't use these terms every day. They're common in higher education and they are essential to a clear understanding of the answers to each of the two questions.

In all of higher education, auxiliary enterprises is a term that describes any activity that is intended to be self-supporting and the facilities that house those activities are referred to as auxiliary enterprise facilities and taken together they are an auxiliary enterprise system. Auxiliary enterprises consist of residence halls, dining halls, bookstores, parking facilities, student centers and athletics facilities.

The next term is revenue bond and I think probably most people do know that one. A revenue bond is a debt instrument that is funded by the activities in an auxiliary enterprise facility whose proceeds are used to retire the debt. The debt service is paid entirely from auxiliary enterprise income.

And finally, bond covenants refer to any legally binding term that is incorporated into bond documents to protect both the bond issuer as well as the bond holder. So to determine the various restrictions that are in force and the flexibility that we have in how we use the cash that we have, there are also a number of other laws and policies that apply in some way. Not all of these laws and policies are relevant to the discussion we're about to have, but I think it's important to lay them all out here so that you all understand that as we maneuver through decisions about whether or not we issue revenue bonds, whether or not we have reserves, how much those reserves are, and how we spend those reserves, it's all set out for us through all of these laws and policies.

Turning to page four, these are several basic truths that apply. These truths determine the specific sources that can be used for capital projects as well as other truths that make certain funding sources more or less off limits to purposes that they're not intended to cover. So the first couple of bullets there basically say that neither tuition nor state appropriations can be used for a non-instructional facility. Third bullet, income from auxiliary enterprises may only be used within the auxiliary enterprise system. Fourth bullet, we do have borrowing authority but it's only to build or renovate auxiliary enterprise facilities. Fifth bullet, we do have the authority to establish fees that students pay for general capital improvements. The current fee is about \$150.00 a year and gives us \$3 million dollars annually to help us make improvements to our instructional facilities. If you take all of these restrictions together, what they're basically saying is that the responsibility for our instructional buildings is really left with state elected officials and whatever students can pay. Everything else is walled off.

Now moving to the specific question about which bond covenants apply. After doing a lot of research, there was really only one bond covenant that was relevant here. And it is basically the operative language that is highlighted there at the bottom in bolding, and it simply says that we have to maintain a calculated ratio that's at least 1.15 times between annual revenue as it's defined in the bond covenant that applies and annual debt service for the auxiliary system. This goes all the way back to a 1985 bond resolution that was adopted by the Illinois Board of Regents and that bond resolution has gone through six amendments as the result of the subsequent creation and delegation of authority to this Board. This original covenant has applied across the years since 1985. Going to slide six shows you how this calculation works. This is Fiscal Year 13 revenue, expense and debt service information. The ratio basically is income to debt service on an annualized basis, but the way in which the state interprets that ratio through the bond covenant and other legislative guidelines that apply here, it's actually permissible to pledge tuition and any other fees that we have, to calculate that ratio even though it's not permissible to use tuition to pay the debt. And the reason it is permissible to pledge tuition and other fees is it gives a credit enhancement to the bonds when they are issued because the tuition could be called upon to make up any shortfall. We have never used tuition or fees to cover any of our revenue bond debt, and based upon our current situation, there's no reason to expect that we ever would do that.

I know that there may be some questions in the audience about the net operating income loss for the

past year and I should just mention what is described there in the first footnote, there was an extraordinary audit adjustment for Fiscal Year 13. We had to change the way in which we were reflecting interest in the audited financial statements and go back for several years and make a correction. We had been calculating interest expense on a cash basis of accounting every year and it should have been on an accrual basis of accounting. When the correction was made there was a net operating loss, but if you adjust for that, we were breaking even and generating surpluses and that is what we project for the current fiscal year.

Slide number seven, aside from the covenant, there are reserves that are required as the result of university legislative audit committee guidelines. The requirements go along with the bond covenant and there are three permissible reserves. NIU has only ever used the first two of those three -- one for repair and replacement of the facilities themselves that are in the system and one for an on-going program of replacing equipment in the system. There are established minimums and maximums that have to be met according to the original 1985 bond resolution. So in the case of the reserve that we have been maintaining over many, many years for repair and replacement, you see a minimum of 10% of maximum net debt service and a maximum of 5% of replacement costs. We are currently at \$23 million dollars in those reserves and we've made capital commitments through previous authorizations of capital projects that leave us with excess funding in those reserves that could be spent of \$11.5 million dollars. Similarly there's the reserve for equipment and there is a substantial excess balance in that account as well. Again, after we exclude commitments that have been made for equipment that should be replaced we have excess dollars in that reserve that could be made available for strategic capital investment, of about \$10 million dollars.

So then we can take a look at the Build America Bond (BAB) program that precedes my arrival. These bonds were authorized in 2010 for a set of specific auxiliary facilities, not the entire system. Under the provisions that apply to BABs, we have the opportunity to add or delete projects that are within the authorized projects for BABs funding. There is a requirement that came along with the issuance of those bonds that we use the proceeds by the end of this calendar year. This requirement initially gave both the President and me some concerns, but upon further discussion with bond counsel, we have the opportunity to internally, administratively put something in the record to indicate that during the course of the past year there was a transition in leadership at the university and a reassessment of strategic capital priorities. Therefore it will take us a while longer to spend down those monies.

Currently we have available from the proceeds of the Build America Bonds about \$27 million dollars. When you turn to page 11 you see that the total of everything that we have in uncommitted BABs proceeds plus system cash plus excess in the reserve accounts, gives us \$61 million dollars of cash in our checkbook that can be applied to strategic capital investments within the auxiliary system. We know from looking at the reserves that are in place that satisfy the minimums and do not exceed the maximums along with the annual inflows and the past patterns of spending that we have ample reserves to cover what they're intended to cover for ongoing repair or renovation work in our facilities as well as replacement of equipment.

So on the basis of the conclusions that we've come to about the covenants and restrictions and the assessment of all of the cash that we have available in these various places, we are recommending three resolutions for your approval. The first one goes back to the previous meeting that we had where the Board approved \$4.5 million dollars to demolish Douglas Hall and to improve the roadway and we indicated that we would be back to the committee once we had made a tighter analysis of all of the available funding sources that we had and we made certain that we were using our most restricted or time limited money first. So we're proposing that we substitute the \$4.5 million dollar approval that you gave us at the March meeting and source that from the \$27 million dollars in bond proceeds that I mentioned that we had with BABs. Likewise, with the removal of Douglas Hall there is a requirement relating back to the 1985 bond covenant that indicates that elimination of a building from the auxiliary system requires approval of the Board, so that is the second of our resolutions. Then finally, the third resolution is a new proposal to authorize funding to enable us to go beyond conceptual planning discussions for improvements to Holmes Student Center to more definite planning associated with

architectural and engineering studies at a preliminary schematic phase. These studies would allow us to look at all the consequences of doing a major renovation to a very outdated building. Until detailed engineering studies are done, it is impossible to know what the project requirements will be and until preliminary schematic designs of potential ways to proceed with execution of the project are complete, it is impossible to know how the project can be phased. This means without detailed engineering studies and schematic designs, it is impossible to estimate accurately the overall cost of the eventual scope of work of the project. We believe that \$1.5 million dollars would be sufficient to get us through these preliminary discussions and get us through preliminary schematic design, but at some point down the road once the scope of work and the phasing is determined, then more detailed architectural and engineering designs would need to be done in order to bid the project or projects.

The last slide is a recap of the benefits of the projects that would be supported with the BABs funding and the changes that could be made to Holmes and I'll stop there for questions.

Trustee Boey asked for clarification of the \$61 million dollars available for expenditure. Is this cash we already have or funds you anticipate borrowing? What about repayment of these funds?

CFO Suttentfield indicated that the \$61 million dollars is cash we already have in hand; there is no additional borrowing involved and yes, there is debt service associated with it. The annual debt service is \$17 million annual debt service shown on an earlier slide.

Trustee Murer asked for confirmation that even though when the BABs were floated specific auxiliary facilities were listed for renovation the university now has the latitude to change the auxiliary facilities targeted for renovation. CFO Suttentfield confirmed that in consultation with Bond Counsel it was determined that the university has the opportunity to make changes because of a transition in leadership at the university.

CFO Suttentfield also clarified that the \$61 million dollars includes \$27 million in BABs cash, \$12 million in accumulated cash from operations, and \$11.5 million in cash from the capital reserve and \$10 million in cash from the equipment reserve which represent excess cash available once the required cash for reserves has been met as defined by the original 1985 bond resolution. This totals \$61 million dollars available for the funding of capital projects in the auxiliary system.

Chair Strauss summarized that the \$61 million dollars are limited auxiliary revenue funds, that it doesn't contemplate any currently uncommitted capital needs which would include say renovation of an existing residence hall which doesn't exist in a budget. As we get to an annual capital budget, four auxiliary items, it will come out of the \$61 million dollars. I think it is clear that we need to appreciate that given that we're at break even on the budget the \$61 million dollars essentially represents the full extent of what we're currently able to finance. We don't have the ability to issue additional bonds. So the answer that we've been looking for is how much money is available to apply to all of our capital requirements in the auxiliary system and that number we have at this point. So as we get requests, we're going to be reducing that \$61 million dollars by whatever it is that we're going to spend. And the other comment that I want to make before we get to the action items is everybody probably remembers I'm the guy who voted against the Douglas demolition, but if you set aside that my colleagues decided to demolish it, it makes sense to take the money to do that out of the Build America Bond fund instead of out of some completely unallocated capital funds so given that this is an accomplished fact, I'll be happy to vote to spend the money out of the Build America Bond pot instead of another pot.

Chair Strauss asked for a motion consistent with the recommendation in the printed materials. Trustee Boey so moved, seconded by Trustee Echols. The motion was approved.

**Agenda Item 7.c. – Review of Available Funding for Strategic Capital Investments:
Resolution to Plan for Holmes Student Center Improvements**

Chair Strauss indicated that this item is for the approval of \$1.5 million dollars worth of planning money

for the Holmes Student Center and asked for a motion to approve the printed recommendation. Trustee Murer so moved, seconded by Trustee Echols. There was discussion of the motion.

Trustee Butler inquired: I have a question and CFO Suttentfield maybe you can help me with this question. For some \$1.5 million dollars for an architectural engineering study may seem like a lot of money. We have some comparisons to base this on based on projects that we have had the good fortune of having funded through the capital development board where there has been planning money allocated prior to the release of the construction funds. Can that give us a benchmark for what we're talking about in terms of why it would be \$1.5 million and why that would be a reasonable sum of money?

CFO Suttentfield responded, although there was not subsequent approval in the Governor's office to support planning money, we have a renovation project pending with the IBHE for which IBHE recommended about \$38 million dollars and for the entire range of planning work the recommendation from IBHE was for \$3.8 million dollars. And when you look at these large, complicated renovations of outdated facilities, those kinds of fees can be in the range of 7% to 10% of the eventual total project costs. We don't have a total project cost in this case. We do know that this is an outdated facility that will require intensive study and planning. And in consultation with my colleagues here, as well as Ron Walters who's got the background as an architect, we came up with this as our best estimate of what it would take to get us part of the way through what a 10% amount of work would get you. It will get you, as I said, the studies that are essential to determine what a project would cost and enable you to look at phasing so that if you want to proceed you can bite off parts of the project based upon funding that you have and later parts with funding that you might raise. So we think it's a reasonable amount to do that work.

Trustee Murer stated, I just want to make a comment for the record on this. I thought that Chair Butler's question was very perceptive. My experience in working with projects is that 10% was a reasonable amount but that was ten years ago. I think that becomes a benchmark and I think that whoever does this project will be extraordinarily well compensated, not outrageously so, but well compensated within what's reasonable and customary in the marketplace especially on big projects or medium, this isn't even a big project, this is a moderate project. So I just want to go on record saying that I know that the fees with architecture and engineering used to be 10%, that's a really nice amount of money for them. I know that negotiations, tough negotiation can take place, and those tough negotiations can result in anything from 5% to 6% to 7% to 8% of the total project costs. So your point was well taken and I wanted to reinforce that from any experience that I had as well.

Trustee Marshall inquired: Just a couple of quick questions. I'm making the assumption that this is a bidding process? CFO Suttentfield responded, yes. Trustee Marshall's follow-up question was, is there any chance with the bidding process of it coming in below that \$1.5? CFO Suttentfield responded, yes. We don't have to spend it all either. It is an authorized amount.

Trustee Echols said: That was my next question: The \$1.5 amount is not to exceed, correct? So we may in fact spend maybe \$1.3 or something of that sort. CFO Suttentfield responded: That's correct.

The motion was approved.

Agenda Item 7.d. – College of Health and Human Sciences Differential Tuition

Agenda Item 7d is a proposal for differential tuition for the College of Health and Human Sciences. CFO Suttentfield noted: My understanding is this is a recommendation that flows from a strategy to increase enrollments in distributive and online learning programs and also flows from approval of a new Ph.D. in Health Sciences. What the Board has done in a previous action, I believe in 2013, was to authorize bundling of pricing for these kinds of programs with a special program fee and special program fees added to base tuition are in essence what we're calling differential tuition. Part of the strategy here is also to assure that through bundled pricing we provide prospective students the opportunity to approach their employers and have full reimbursement for tuition because often employers will reimburse for

tuition, but they won't reimburse for professional program fees.

Chair Strauss asked for a motion consistent with the recommendation in the printed materials. Trustee Boey so moved, seconded by Trustee Echols. The motion was approved.

Agenda Item 7.e. – Information Technology Services (ITS) Oracle and PeopleSoft ERP System

This item was placed on the approved consent agenda.

Agenda Item 7.f. – Athletics FY15 Secondary Student Health Insurance Contract Renewal

This item was placed on the approved consent agenda.

Agenda Item 7.g. – FY2015 Solid Waste Removal and Recycling at NIU DeKalb Contract Renewal

This item was placed on the approved consent agenda.

Agenda Item 7.h. – Authorization to Retain an Executive Search Firm for the Appointment of Dean Level Positions

This item was deleted from the agenda at the request of the administration.

Agenda Item 7.i. – Authorization to Retain an Executive Search Firm for the Appointment of a Chief Diversity Officer

Vice President Bill Nicklas stated the university is seeking approval to retain a search firm for the appointment of a chief diversity officer. The background is before you in your packet. Chair Strauss asked for a motion to approve the recommendation. Trustee Butler so moved, seconded by Trustee Boey. The motion was approved.

Agenda Item 7.j. – Authorization to Retain an Executive Search Firm for the Appointment of a Senior Associate Vice President for Human Resource Services

Vice President Nicklas stated: The university is seeking approval to retain a search firm for the appointment of a senior associate vice president for human resource services. Human Resources Services (HRS) is one of 14 departments in the Division of Operation and Community Relations. Currently there are three top managers in HRS, Associate Vice President Karen Baker, Associate Vice President Celeste Latham and Assistant Vice President Deborah Haliczner. In the last four to six weeks, these administrators and representatives from all of our business units have joined me to take a very intense introspective review of the structure of HRS with the end goal being more user/customer friendly processes because this particular unit touches on the employment life of all of our employees. Given the array of responsibilities and duties of our three top HRS managers, it is important to have one leader to help coordinate the many functions of the unit and work with colleagues across the university. And so we ask that you help us to reach this goal by allowing us to proceed with the search for a senior associate vice president for human resource services by retaining a search firm.

When asked by Trustee Boey if the senior associate vice president is a new position, Vice President Nicklas stated this would be a new senior associate vice president position that reports directly to the Vice President for Operations and Community Relations. It would not be a full vice president reporting directly to the President. The two associate vice presidents and assistant vice president for Human Resource Services will report to the senior associate vice president.

Chair Strauss asked for a motion to approve the recommendation in the printed material. Trustee Boey so moved, seconded by Trustee Butler. The motion was approved.

Agenda Item 7.k. – DuSable Hall Concrete Beam Repair at Main Entry Capital Project Approval

Vice President Nicklas stated: The university recommends approval of the capital project to repair the concrete beam at the main entrance of DuSable Hall. This item is described in the background provided. This is an essential repair on a building entrance which is front and center for entry into one of our largest, but also one of our oldest, classroom buildings. We ask your support. In response to Trustee Murer's question, CFO Suttentfield confirmed that because this is an instructional building and is not part of the auxiliary system, the funding will not come from the capital fund source identified in Agenda Item 7b, but from unobligated balances in the operating budget.

Chair Strauss asked for a motion to approve the recommendation in the printed material. Trustee Boey so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.l. – FY2015-2018 Fire Services Contract with the City of DeKalb

The university recommends approval of the FY2015-2018 fire services contract with the city of DeKalb. Vice President Bill Nicklas stated that there is more detail than typical in the background for this agenda item. This additional detail is because this contract has not been reviewed at the Board level for about five years and this is a proposal for a long term contract. Also, there are a few unique variables that are part of this contract. One of these unique variables is NIU's proposed participation in the purchase of a specialized piece of equipment, a ladder truck, which would be owned and operated by the city of DeKalb. This ladder truck would be an essential piece of equipment for NIU's fire protection and the safety of students and staff who live in our high rise dorms as well as higher buildings on campus. We recommend your approval.

Chair Strauss asked for a motion to approve the recommendation in the printed material. Trustee Boey so moved, seconded by Trustee Echols. The motion was approved.

Agenda Item 7.m. – Huskie Tram Route Phase I

The university recommends approval of the capital project to complete Phase I of the Huskie Tram Route. Vice President Bill Nicklas expressed his thanks to SA President Joe Frascello for his support of this agenda item and for his role in the development of this proposal. Joe is very knowledgeable in this area based on his former role as the Student Association Director of Mass Transit. His insights were incorporated into the discussion that led to this proposal today.

As you will recall from the March 2014 BOT meeting, the university has a number of bold proposals and one of those proposals is to reactivate what was called the spine of the campus midway roughly between Lincoln Highway to the south and Lucinda Avenue to the north. The spine connects the existing quadrangles and some that have sort of been obliterated by building over the last forty years. The spine also links most of the classroom buildings with some of our institutional buildings in the core of our campus.

So it's very important to try to get people to engage each other along that spine and to provide a mode of transportation that can quickly get them from point A to point B on the spine. In the background, you will see a description and some specifications of the proposed type of handicapped accessible electric vehicle which could be used to travel the spine, a breakdown of the costs that includes not only the purchase of the vehicle, which is about \$55,000, but also some sidewalk repair and some enhancements to create a plaza in the central core of the campus, and then lastly a map of the core route. There are some spinoffs that are possible. We are looking at what has been called the beta version of the tram. What we'd like to do is get one of these vehicles on campus as soon as possible. Then we can work with it, test it, and then in a month or so we'd like your support to proceed to buy three more vehicles which

would create the four vehicle fleet that would allow us to transport persons from the Recreation Center on the West to the new plaza which is roughly between Neptune and Holmes Student Center in about five minutes. We've driven this route in a variety of vehicles, not an electric car such as this, and tried to simulate various challenges that may arrive along the way. Obviously we can't be driving fast. This is approximately a five mile an hour or less pathway, but we think it would be exciting and we're anxious to get started and we ask your support.

Trustee Strauss asked for a motion to approve the motion. Trustee Murer so moved and Trustee Echols seconded. The motion was opened to discussion.

Trustee Echols asked: How do we judge the success of our first phase, how do we move forward to other phases, and how many passengers will the bus hold?

First, Vice President Nicklas replied that the trams would probably hold 12 passengers. In response to the questions about success and moving on to other phases, Vice President Nicklas said, we know going in that there's a lot of interest in this project at the student level. In March when we held the design studio, the trams were the number one interest of all the possible Bold Futures Projects. So the Tram Project will captivate interest, be kind of a cool thing to observe, and it will also serve a functional purpose which is to move people from one point to another along the central core of the campus which will enliven that part of campus. So I guess the metric for success will be the ridership and also if we will be able to successfully supplement the current bus system. Right now the students get on one of the large Huskie buses, ride the route to the bus stop closest to the academic building where their classes are held, and then they hoof it across some other quadrangles to get to the building. This tram route is right down the middle of the campus with access closer to the academic buildings. Ultimately, we will have to monitor the number of students using the trams and then survey those riders to assess whether this was a good venture.

Next, Trustee Butler inquired: So let me understand the numbers first of all. It's \$270,000 for the preparation so that the buses can run and that includes \$55,000 for the one vehicle, and then, if it works, we are also approving today \$180,000 for three additional vehicles if that's determined to be a wise move after the pilot portion. So \$450,000 is the amount we're looking at today?

Vice President Nicklas responded: That's correct. You'll notice the difference between \$55,000 and maybe \$60,000 per vehicle. This difference reflects potential costs associated with creating docking stations and places for overnight and out-of-service storage which may require facilities improvements. We won't necessarily need these improvements and obviously we're not going to spend it if we don't need it.

Trustee Butler continued: We've got a preview of what Phase II looks like in this as well that's not included in what we're approving today or is it? Trustee Butler also pointed out a discrepancy in the printed materials regarding the number of trams in Phase II -- on Page 43 it says three trams and on Page 45 it says five additional trams.

Vice President Nicklas responded: Phase II is really just the purchase of the other three vehicles at this point. The map you see is the beta route that we plan to test and then put into service by September 1st. Vice President Nicklas then confirmed that the number of additional trams is three and not five. The team was doing simulations up to the point of preparing the agenda materials and missed the correction to Page 45.

Trustee Butler inquired: So as we move forward has there been any thought to how this might supplant the need for the larger buses and perhaps reduce the overall costs allocated to that portion of the transportation budget?

Vice President Nicklas replied: There has and that's a key point. What we hope to do is to continue to grow this if the numbers, and this gets to Trustee Echols' question, if the numbers show that that's very

promising, we won't have a good test of that until after September 1st really when the full complement of our fall semester students are here. We will have the school population of users for summer, not just students, but faculty and staff, which isn't quite the same. And so to get through a cycle going at a speed and frequency that will show that this is a real thing to ride, not just a novelty, we need to move from Phase I to Phase II pretty quickly and work on some metrics with a new vehicle in place and then get three more which will give us a five minute, one way trip and a ten minute round trip.

Trustee Boey then stated: I have a question for Ms. Sutzenfield, but before that. Dr. Nicklas, so far all the planning for this phase is now during the summer months, we really haven't had any occasion to test in February for example and how does the winter weather impact the Huskie Puppy or whatever you're calling it?

Vice President Nicklas responded: That's a good question and we will need to test that experience as the fall semester ensues. We will have cold weather before the end of the fall semester obviously and we will see how popular this particular route and this system will be.

Trustee Boey continued: CFO Sutzenfield, the \$270,000. Help me again. Where would that come out of?

CFO Sutzenfield replied: Institutional local funds have been identified. Local funds are funds that are not appropriated funds, not tuition funds, not auxiliary income funds, they're unrestricted funds that come to us from other operating sources.

Trustee Murer then stated: First of all I want to tell you how excited I am about this. I think that this is really substantive. It really starts to address the things we talked about in Finance Committee in terms of how to enhance enrollment. It's very practical. I couldn't be more excited about this than any other type of bike routes and anything that we're doing to make this campus much more accessible to our students. I guess if you say it often enough, it must be Huskie Puppies right? But I did have a couple of questions and my question was also what Bob had asked about the weather, but I take it this is not a new company or a new technology and the follow-up on that is what experiences have they had in any other environment? And the other follow-up question in regards to this is do we have sufficient electricity capacity and what's the differential on the cost of that to any fuel vehicle.

Vice President Nicklas responded: I'll take them in some order. They're all good questions. There are two companies here. One is Veolia Transportation which currently has an operating contract with NIU to provide the Huskie bus system as we know it today. We worked with them to come up with a prototype which we've asked you to approve today, the test version. In compliance with state procurement rules, we will have to request proposals for the three Phase II trams. The result may be Veolia working with the manufacturer who has mostly used these vehicles in the Pacific Northwest and on the west coast but also successfully in some Snow Belt states, but we'll have to go through the process. However we can proceed with the purchase of the one vehicle and the concrete repairs before we go to the RFP which we would do with the results of the beta test. The manufacturer is a known company. They have produced buses; this is the Cit-E-cars which you see in the specs. This particular one has doors and windows. On the west coast, they ship another model which has canvas flaps that come down. That would not work here. We would have a very quick test of the use in cold weather and it would not be a good ending, but the version in the specs has heat and air conditioning. It also has the ability to have solar panels for auxiliary power which we intend to use. That would be part of the \$55,000. The size of the unit is actually narrower than a Tahoe when unloaded without passengers and just the driver; it's lighter than a Suburban. We will have to see as part of this test what damage, if any, it does to brick inlays in some of our concrete sidewalks and that's included in the estimate of repair costs and improvement costs.

Regarding the cost differential using electricity versus fuel, there should be very significant saving. To operate and maintain these trams, there's an oil filter and you have to check the oil, but you basically plug it into a standard house 120 circuit. The trams are billed as having a range of 50 miles on a charge which we will be testing. We'll see how that goes depending on the loading and how many passengers

they're running on a circuit. So the trams are very, very cheap to operate. The main operating cost would be the driver and whoever responds successfully to the RFP will give us a price on that. We think we have that included in the cost.

Trustee Marshall stated: I'm thinking about some of our extracurricular events like homecoming. Would there be any availability on some of the weekends with no class schedule to utilize those for some of the bigger events that are held on campus?

Vice President Nicklas responded yes. Also we have I think with good intentions proposed the possibility on occasion of connecting the campus with the downtown with the trams and maybe on a Saturday if there was a farmer's market. This proposal created some consternation in the neighborhoods, but it was intended as a nice, very quiet operating vehicle coming down Locust or College and into the downtown square by the Egyptian Theater to drop a few people and pick up a few people. So there are lots of possibilities here. We have just proposed one route for this particular test.

Trustee Echols had one more question: When it comes to maintaining the buses and the infrastructure, does that fall back onto the Student Association, who takes care of it?

Vice President Nicklas responded no. This is proposed to be a university funded initiative and a presidential initiative. We are not proposing to put the cost on the Student Association for operation.

Chair Strauss said: Let me ask a few questions then and we'll come back and see whether there are any more. I'm certainly aware that the design thesis goal is being able to make the commute from east to west one that's more enjoyable and rapid. That makes sense. My concern is whether this is the best way to be able to accomplish it. I've struggled with how to try to process this request. As I understand when this is at its maximum scale then, what we're asked to approve today, we're going to have four vehicles which will transport 44 people? Is that essentially correct? What is the forecasted demand for the service?

Vice President Nicklas responded: We predict 48 or 50 including standing passengers. It's difficult to forecast demand now without a little bit of a test and that's what we're proposing to do. You've hit on the possibility of so much in a cycle and then we're trying to run the cycle every ten minutes for a complete cycle and we know that the people that we drop off probably won't be picked up for an hour, fifty minute classes and so forth, so we plan to run it continually all day long, from the earliest classes into the evening.

Chair Strauss continued: So the scenario that I had envisioned is that for nine o'clock and ten o'clock classes the high rise residence halls are going to empty out and everybody's going to go looking for their five or ten minute assist to be able to get to their classes on the east side of campus. Then you'll have 500 people waiting for one of these to arrive and if they don't get to their destination within five or ten minutes they're probably not going to be very happy customers and we've committed \$450,000 to the enterprise. That was the basis for my first question. Have we examined whether at scale this actually accomplishes the intended purpose?

Vice President Nicklas replied: If I may, someone earlier asked if this is the only route or have we given thought to other possibilities. Earlier iterations of that map showed five spin-offs. One or two heading in the direction of the New Hall for instance and making a loop around the residence halls and another one going east and north on Garden or maybe a path that we would create behind the Business and Engineering Colleges because students often say that's a long trek and it's not something that's easily serviced by our current system. I think if we have the demand we can accommodate the demand but at this point we're not asking you to aim too high, just to aim at what we think is a place to start and then a second phase which is to get us to a regular schedule and then the forecasting can be more accurate at that point. We can come back and tell you where we stand. The vehicles, if it's a bust, the vehicles can go back and we can look at some other ways. But we know for a fact going in that the heavy large buses cannot serve key areas of the campus. They're just not passing by the buildings and this tram seems to

knit people together from classroom to office space to recreational space or at least has a promise of doing that.

Chair Strauss followed up: So if we're going to run this experiment is there a reason why we couldn't lease the equipment instead of buying it?

Vice President Nicklas responded: With this particular vendor we weren't able to negotiate a lease. The vendor has to purchase the vehicles from the manufacturer; I think in other words they're going to be specially made. There's one right now that is going to be shipped to us for the beta that they happen to have available. Like a lot of companies, they don't stock large inventories; they basically make them to order so we have to purchase rather than lease.

Chair Straus stated: My last question is since we've identified a particular product and vendor, is this purchase exempt from the procurement process then?

Vice President Nicklas replied: This one is exempt. It's right at the limit; we are able to do the one, but we can't do four. We have to do an RFP then and see. We've done a pretty exhaustive search of the market for this unique kind of vehicle and we may discover in the course of the RFP search that there are others that we haven't seen, but we're pretty confident that this is the one that's most adaptable to the need that we projected.

Trustee Murer stated: One of the things that seem attractive about this model of tram is that they're small and they're relatively manageable in terms of cost. It would seem at \$55,000, the \$50,000 dollar range might be something that could be very attractive to donors for advertising purposes. I just want to put that in everyone's mind because \$50,000 is a very nice threshold to have as a donation that could also provide some advertisement with it. And so by looking at revenue sources I'm looking at it the other way, I'm looking at it as an expense but also it may have much more revenue opportunity than the big buses which may possibly cost a couple hundred thousand dollars. So let's keep that in mind as we look at any expense let's see if there is any revenue opportunity that we can attach to this expense.

Trustee Boey agreed and said: I mean I keep thinking back that a golf cart costs \$10,000 and this is a lot more useful than a golf cart to me anyway. \$50,000 is a good price. That's how I relate to it.

Vice President Nicklas added: Since you mentioned that, one of the types of vehicles we looked at was something like a supersized golf cart. We have some that we use on game day for instance, they might seat six or eight but they're not covered and so forth, so this is how we got to the larger vehicle.

Trustee Butler said: Trustee Strauss, the response that I would have to the five hundred students and the 40 seats quandary is routed in the existing bus service route schedule. I'm sure that Mr. Frascello is dying to point out that there are buses waiting for those students that could take them to DuSable Hall and then could take them to the student center. So there are alternative routes. I think what we're talking about here is not so much where the students might start at the Rec Center as much as it might be a constant flowing tram service on the campus proper to move people who need to move at that particular time and have no other option to do so.

In response, Chair Strauss said: While I appreciate your insight, I think where I'm coming from is maybe just a different perspective. Again, I think there's a need for something to be able to accomplish this purpose. I remain unpersuaded from our conversation today that we've found it, but I'm certainly willing to listen to additional input and we need to conclude our conversation and act here. My vote's going to be no today, but I hope that there will be some more information that will bring me something that I can vote for because I think the end goal is a good one.

Student Trustee Echols interjected: Trustee Strauss, is there any way we could move this to our last meeting because I don't want to say no. I want to have some more time to talk with Joe and get some more ideas because I have interest to see how these things operate in the cold times and I want to see

how we judge success and see exactly who has the oversight of it, is it the Student Association, is it the university, and who receives those funds from advertising, because the SA now has a system set up where they do advertise and I want to know exactly how those things will go. I like the project but I just want to be clear on it before we move forward?

Vice President Nicklas responded: If I may, and I don't know if this will figure into your thinking or not but the last regular meeting is June 19th and we're about three weeks away from that. September 1st is a tight timeline and if we could order them tomorrow we would. If we wait until June 19th, we're probably not going to get the kick off. That's the only consideration I would throw out.

Chair Strauss summarized: Well, my understanding is that this is on the agenda for the special board meeting today so we'll have another opportunity today to talk about it regardless of what happens here in the committee. So if there are other comments that we want to receive now we can, if not then I propose we take a vote and move on. If there are no other comments now, there is a motion and a second before the committee, all those in favor? All trustees present, except for Chair Strauss, voted aye in favor. Chair Strauss voted aye in opposition. The motion carried.

Agenda Item 7.n. – FY15 Open Order for Elevator Services and Maintenance

This item was placed on the approved consent agenda.

Agenda Item 7.o. – Graduate Application Fee Increase

The university recommends approval of an increase of \$60 in the graduate application fee for international students. CFO Nancy Suttentfield indicated that this fee increase request was developed in appropriate consultation with stakeholders.

Chair Strauss asked for a motion to approve the recommendation. Trustee Boey so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.p. – Benchmarking Review and Modifications to Achieve More Timely and Efficient Contracting and Procurement: Resolution to Approve Modifications

General Counsel Jerry Blakemore began by saying: Thank you, Mr. Chair, Members of the Board. If you don't mind I'm going to go here. In the interest of time, I'm going to sort of short circuit this discussion by way of a preliminary sort of process. What we are proposing for the Board is to acknowledge and implement the process that you have in your *Bylaws* for bylaw changes. Your current *Bylaws* require that for any change in the *Bylaws* there be a first reading at a regularly scheduled meeting of the Board and unless the Board takes exemption to that by virtually unanimous vote, you cannot take action until the second regular meeting of the Board. The deliberation by this committee must then take place and therefore I am requesting deliberation on the issues and I will lay out the major issues with this proposed bylaw change. Then based on whatever consensus the Board reaches, the university will come back, obviously after consultation with the President, the CFO, the Provost, and others, with a proposal for your first reading. So right now we're looking to identify the issues, get some consensus and move forward. If we don't do that, then we will be looking at the next scheduled committee meeting to start the process.

If we could go to the next slide. The goals are pretty self-explanatory and I want to put these goals in context. You started the meeting off with a significant discussion about what is happening at the state level. Every president, every chancellor in this state has gone on record and supported procurement reform because of the impact it has on our institutions. I believe that we have an obligation within our own house to do streamlining so that we can be more efficient. We've worked very closely with the CFO's office and others on this, particularly the Provost and our Vice President for Research; because there are areas in the procurement process that really hold us back as an institution. The Provost may, or the Vice President for Research, may want to talk about one particular exemption when we get to that regarding research in particular.

Let's go to the next slide. What we're specifically asking for is for a change in the threshold for the presidential authority. We're asking for a change with respect to approval of change orders and I will talk about that. We're actually asking to expand, particularly in the research area and in those areas where there are not what I refer to as university dollars appropriated or tuition dollars approval, an exemption from our procurement process.

Let's go to the slide where we identify the thresholds. Okay. What you're seeing here are thresholds for other public institutions in the state of Illinois. Our thresholds have not changed since 2002. So we're operating in the same way today, notwithstanding all of the challenges we have on the procurement side that we were in 2002, and if you look at this list, it tells you explicitly where other public institutions are in this state. I would submit that we need not be in the bottom tier of this list given the size, the nature and just the very essence of who we are, that we really should move forward and be in that top tier. Let me speak specifically about Southern Illinois University. Even though Southern Illinois University has a \$500,000 dollar threshold, they have an executive committee structure that allows the executive committee, based on the recommendation of the president, to take action electronically on any item irrespective of the amount of the item. So when we have emergency situations, we have to call a full board meeting and we don't have the option of going forward with the executive committee. I am not recommending that we provide this kind of authority to our executive committee, but I am saying to you that in regard to how other institutions operate, their president and others have a lot more flexibility and there are significant costs associated with that flexibility when you don't have it.

As we go to the next slide, we see what is not here is that our sister MAC institution of Central Michigan University provides, not for their president, but for their vice-president for finance and administration, a \$500,000 dollar threshold to take action on issues with respect to capital purchases, deferred maintenance, etc. even if that \$500,000 is outside of the board approved capital budget. The president can take action up to a million dollars. So if we look at our sister entities here in the state of Illinois and we look at one of our sister entities within the MAC, the president and vice president already have significantly higher thresholds. This slide lays out the current practice and what we propose.

Let's go to the next slide. So, on the exemption side, if there is consensus, whether that consensus is at the million dollar assessment proposed or its \$750,000 or \$500,000, we can move forward with a revision to the *Bylaws*, and it would be presented to the Board. So that's the first major issue with respect to this. The second is the exemptions. Right now the *Bylaws* do have certain exemptions from the threshold issue that we talked about before. What we are proposing is a specific and explicit exemption for sponsored research and other sponsored activities. We also are proposing that if funds are used solely from the NIU Foundation or other funds external to the university, that they not come beforehand. And let me point out a couple things in this regard and then I may call on my colleagues to provide some examples. This exemption is not one where action was taken without significant accountability already being in place. The federal government has its own compliance requirements and Provost Freeman has spoken to the Board about those and in fact it was approximately a year and a half ago those compliance requirements were updated and approved by this Board. So we're not looking to diminish accountability or transparency in any way. The Board would still be getting reports on all of these activities but we are looking to be able to move expeditiously. I will turn it over to Dr. Freeman if you want us to provide examples at this point and then I want to talk about what I refer to as the Orange Bowl emergency exception.

Provost Lisa Freeman stated: In the interest of time, I won't go through a large number of specific examples unless I'm asked to, but without trying very hard I was able to find half a dozen examples of major sponsored research contracts from federal sponsors that were in excess of either \$500,000 or a million dollars. Some of these are examples that are familiar to the Board because I irritated you when I was the Vice President for Research by asking aggressively for a special meeting because the failure to have authority over \$250,000 to allow money to flow essentially from a federal sponsor through NIU to a subcontract partner or collaborator resulted in failure to meet deadlines, put us at risk of having to return money, prevented faculty from doing the work that the government asked them to do in

conjunction with their collaborator, and stressed and aggravated relationships with partners who were threatening not to complete the work unless the payment was advanced in a timely fashion. When we're identified by the institutions that collaborate with our very talented faculty as a bad partner because we don't do timely subcontracts, it makes those institutions less likely to work with us; it makes us not a desired primary; it makes us rather more desirable as secondary; and most of all, it makes those other institutions understand that our faculty struggle here sometimes because of the regulations which make them poachable. We have faculty who could work at any university. They choose to work here because of the environment, the student centeredness, and when we fail to allow them to do their work in a timely fashion, these are mobile faculty and they have the opportunity to work elsewhere and we should always be mindful of that. I'll stop there unless you want specific project examples and amounts.

General Counsel Blakemore continued: I have one final point, my emergency circumstance example; a couple of years ago this Board approved unanimously the agreement for NIU to go to the Orange Bowl. We got lucky, not in terms of the game, but we got lucky because a regular board meeting was already scheduled. The contract that we received on Sunday, right before the public announcement, required us to have approval within 48 hours, if we didn't they were going to go to the next institution on the list. That emergency situation was resolved only because we had a previously scheduled meeting, because there were no emergency procedures in place for the President to act. We didn't have any way to technically call a meeting without the 48 hour notice requirement under the Open Meetings Act.

What we're proposing here is to provide, and the President is laying out, guidelines that this Board would be asked to approve that would establish parameters for any emergency circumstance for the President to be able to act. We certainly would not want to have missed the Orange Bowl or the Rose Bowl. So what we've done, in addition to the change in the thresholds, is to spell out for the world to see the parameters under which the President would be authorized to act and the obligations that the President would have to the Board to inform them specifically prior to taking action in three very specific areas. I will refer you to page 50 under the proposed Guidelines for Presidential Contracting, Section #2 under Provided, however, that the President: and I'll quote, "If there are significant financial implications, if there is substantial public interest or ethical considerations, or if there's a material change or deviation in the standard contractual provisions and obligation." The President would inform the board prior to taking any action. So we maintain transparency; we maintain accountability to this Board. Summary: 1) threshold change, 2) an exemption expansion, and 3) guidelines for public consideration and for presidential accountability to the Board. I'm open for any questions that you might have on this issue and particularly related to either the substance or the process going forward. The motion was opened to discussion.

Trustee Butler asked: Would you clarify the process, so I've got some substantial concerns about this proposal and I'll express those in a few minutes, but what do we specifically have to do in this committee and does that require an affirmative vote?

General Counsel Blakemore stated: It would require an affirmative vote to present to the full Board. That vote I believe should encompass whatever the consensus of the Board would be on the three major issues I outlined. If the threshold issue is something that you would want some modification to, if you don't like the exempted categories that we have recommended, or the 20% change order issue which is the part here where the university would be able to make changes to a contract so long as it was less than a 20% change. If any of those would change then we would come back to the Board for that next regularly scheduled meeting with a revised proposal.

Trustee Butler asked: Would that constitute the first reading?

General Counsel Blakemore responded: Then that would be the first reading, yes. So the way the *Bylaws* are written, which is somewhat of a mistake in my opinion, it says regularly scheduled meeting. So technically, at a special meeting the Board couldn't take up bylaw changes. That is something we need to deal with going forward because of the obvious challenges associated with that. But that would be the first reading, the Board would have yet another discussion and deliberation on the matter and then at the

next regularly scheduled meeting unless you change the rules, you would then take some final action. So this really jump starts that discussion.

Trustee Butler inquired further: So we're not committed to anything by voting yes today?

General Counsel Blakemore responded: You're not committed to anything. I would like to hear whether there is consensus on any of the major issues: 1) threshold amount – million dollar versus \$750,000 or \$500,000, 2) the 20% issue and 3) most significantly it is really critical for us particularly in the sponsored research area to reach a consensus on the proposed exemptions. If there is not support for any one of those, but particularly the proposed exemptions, it would be helpful to know that so as we go about making the proposal for the next meeting, it will incorporate the consensus of the Board.

Trustee Murer stated: Conceptually, I support this. During my chairmanship we had several issues that came up, Orange Bowl type things. We're going from \$250,000 to a million dollars, that's a big jump. I think there are other things I'd really like to talk through a little bit more. I have a question to the vice president of sponsored projects regarding timeliness in terms of knowing what is forthcoming, can we do a better job in identification of what is forthcoming to make these requests? I agree with you in terms of the ramifications, we don't want to look like we don't pay on time, but is there a timeliness of process that might help to address that issue? That's one question. And I think that as we look to these things I would like to bring back the prior discussion of the utilization of electronic voting that can be ratified at a subsequent meeting. It's rather unpopular so it may not go anywhere but I think that some of the problems we're having are logistical problems and if we had the opportunity to have any type of electronic voting that is then subsequently ratified at the next appropriate meeting, it might deal with the issues of emergency and expediency.

Trustee Boey asked for an explanation of the 20% matter. General Counsel Blakemore responded: Okay, if you go to page 51 of the Guidelines, Item #4. What we were trying to do here is our proposal provides for a million dollars authority of the President and let's say for example in a capital project you have change orders. This would say that the President can within that 20% amount be able to approve a change order. And so the 20% amount is what we use basically across the board. Again the Board may say 10% or 40% is better.

Chair Strauss said: I have one legal question before we come back to maybe get a motion to have a framework to discuss the proposition that's going to be before us. In the discussion about electronic voting, my understanding is that we have an Open Meeting Act problem with electronic voting. Do you have a different opinion or do you have some framework that we should be thinking about with respect to electronic voting?

General Counsel Blakemore replied: I'm hesitant to give an opinion on that particularly in this forum without additional research on this. You've got federal statutes that provide for electronic voting and signatures, etc. so I'd have to look at that. However, I crafted for SIU their electronic voting. It has never been questioned by audit and it's never been challenged. Although electronic voting was not the purpose of today's discussion, I will do further research and report back to the Board.

Chair Strauss asked for a motion to approve the recommendation contained in the printed materials which would for the purpose just of being able to serve as a framework for our discussion include the approval of the modification that have been drafted by the General Counsel. Trustee Boey so moved, seconded by Trustee Butler. The motion was opened for discussion.

Trustee Butler stated: I appreciate the work that's been done here and I've conveyed that to both Mr. Blakemore and Ms. Sutfenfield and I know that you consulted at an initial point with the chairs of the Finance and Facilities Operations Committee and the chair of the CARL Committee, Trustee Boey who's sitting next to me, and I understand that there was a good deal of discussion about what you were interested in presenting and so I think all of that is very important.

Here's what I would be willing to be open to and what I wouldn't. I would not be supportive of a million dollars. I would be open to \$500,000 with further discussion. I would be open to quarterly reporting as opposed to semi-annual reporting. I would want to see some modifications of the exemptions. I'm completely in favor of permitting the movement of funds under sponsored projects to appropriately administer grants. I would not want to give up the opportunity to participate in any matters that would cause the university to incur debt or to use local funds even if they could be characterized as activity under grant funding. I'm concerned about the projects solely funded from the foundation and external sources because to me that opens up a loophole that's rather significant. I would want to see and I'd be willing to suggest some language to limit that so that it was not activity that was of a substantive programmatic nature, something that the Board would want to have some input on with respect to the university programming.

The other matter is more of an issue of consultation. I'm a little bit unsure as to what classifies a personnel action and whether or not that would include the actual decision to hire someone at the vice presidential and dean level or whether that concept of personnel action means something different and I would want to make better use of this notion of reputational implications and probably move that up as a criteria under number two under the consultation provisions that are on page 50 as well as the ones that are listed there. I applaud and appreciate that the President is obligated to bring to the Board these measures and that we're not specifically identifying the chair of the Board or the chair and the vice chair, but I'm still concerned as to how that actual process will occur and I've got some issues with regard to the Open Meetings Act there as well in terms of e-mails and what would constitute perhaps something that was counter to the spirit of transparency when it comes to that sort of consultation. So I'd like to talk a little bit more about that. But I would vote to move this forward on the grounds that we'd have an opportunity to have those conversations, but you have a sense I think now of where I stand on some of these issues.

Mr. Blakemore responded: Very much appreciated, which was the whole purpose for the committee deliberation.

Trustee Boey commented, \$250,000, I think that came from the original *Bylaws* when we first established the Board of Trustees. I seem to remember that number and that was 18 years ago in 1996 when we first started. I understand a million dollars is a lot of money, but going back 18 years when we started at \$250,000 in the interim of everything else changing, I have no particular concern if that's the right number. I'm for it. A million dollars is okay. I got lost in the foundation part of it, Chair Butler. I'm not quite sure what you're referring to.

Trustee Butler responded: It's an exemption under the provision. So let's say that the provision was \$500,000 which is what I would be willing to have it at. If the expenditure was above \$500,000 but it was a foundation expense, then it would be exempted from Board consideration.

Trustee Boey asked: And you're against that or you're for it?

Trustee Butler responded: I'm in favor of modifying it so that we make sure that we don't exempt some major programmatic activities funded by the foundation that could change the character and the overall offerings of the university in some way.

Trustee Boey stated: Here's the way I look at it, John. The foundation has its own board of directors and if they see fit on the \$600,000 or whatever it is, and it's their money, why would we say no.

Trustee Butler continued: Well, it's not that we would say no. We have the authority as a board to exercise oversight over the university's programming and I think there is a status quo in which we are permitted to say no. It hasn't been a problem in the past. We've been very supportive of foundation expenses, but I'm saying as a matter of limiting that exemption, I don't want to create a loophole that would permit the conduct of university business through a foundation account without the Board's oversight in some manner.

Trustee Boey continued: I'm reacting to the other way around from the viewpoint, and you have a point I understand that, but the history of the foundation relationship with the Board and with the university has been, everything is above board, and what the foundation does is usually to the benefit of the university. I certainly don't want to start giving the wrong impression to the board of directors of the foundation and say we're going to be overlooking you. I think that is the wrong message to send. That's the only concern I have is that I don't want the board of the foundation and I sit on that board so I understand what goes on in there a little bit anyway. That is very important because those folks work very hard too and they give us some generous gifts. It's very important that we sent the right message of thank you and not questioning.

Trustee Butler said: Well, my message is thank you and I've never questioned a foundation expense that's come through the Board but this exemption also includes other external funding sources and so I think there's a certain loophole here that I would want to tighten just a bit so that we would retain our traditional control over the university programming particularly academic programming.

Trustee Boey said: Maybe it's a matter of language. Trustee Butler agreed. Trustee Boey continued: I would be very careful and I would certainly jointly look at this thing together.

General Counsel Blakemore responded: That's fine. We can certainly do that if I may make a point of clarification. There's a distinction between board approval and board or university participation. And what we're looking to here is to not have the formality of the board approval when there are exclusive funds not board funds, that does not suggest in any shape, form, or fashion that given the agreement that the university has with the foundation, when we have an agreement with them where their activities really are in many ways if not controlled by but certainly, they serve to the benefit of the university. So we're not talking about being excluded from a major project, etc. as much as it is the approval.

Trustee Boey concluded: There is always going to be a member of the board of the university sitting on the board of foundation board. The Board is represented in that sense.

Trustee Murer stated: Conceptually I really think that expediency is really important. I would like an opportunity to be able to have some further dialog, certainly counsel with Mr. Blakemore. I think the issue of the foundation is one that we've just opened the door. To me it's not just a matter of how we respect and how we respond to the foundation, it's a legal matter because there's case law that identifies the separateness of the foundation and university funds. There was a period of time when the governors of states were trying to capture foundation money and they were doing it by talking about the assimilation with the university that it all belonged to the state. This was not just in Illinois this was on a multi-state basis. That's a really pretty important issue even as we start to write language. I really feel very uncomfortable about voting about anything on it. I need further clarification and I would ask permission to meet with the general counsel with my colleagues if one or two of us need further clarification on some of these points.

Trustee Marshall asked: Mr. Blakemore, back to your role as parliamentarian, would I be correct in saying that if this is forwarded to the regular board meeting that there is an opportunity for amendments at that meeting?

General Counsel Blakemore stated: Even before that meeting. What I would do and this was the plan all along is, I will literally meet with every individual of the Board to discuss where the consensus may be, I will provide some clarification. For example the debt issue is one that I will clarify because this does not authorize anybody to put the institution in debt, but I will clarify that. So we will do those and what you will get for your first reading will be some revision of this, particularly dealing with the clarification issues and we will have that and you could then even have amendments after that.

Chair Strauss stated: So, Trustee Murer, I have empathy for the amount of time that we've taken on these issues. What I'd like to do is see first whether we can just give everybody an opportunity to provide

some fundamental inputs so that Jerry has some idea and can work at building a consensus when he meets with people and then we can talk about what we'd like to do today, if anything, in terms of moving this along.

In that spirit let me say that I would adopt the suggestions made by Trustee Butler personally and also encourage you to think about two other things. In terms of the drafting, I would feel more comfortable if the guidelines were actually incorporated into the *Regulations*. My concern is that otherwise third parties might look only at the *Regulations* and we would be bound by actions that would be inconsistent with the guidelines and somebody wouldn't have had the opportunity to take a look at the guidelines. And second, with respect to the change order request, my interest is in clarifying whether that 20% figure is per change order or is an aggregate figure? My preference is that we have an aggregate number. If we have an aggregate number, I don't know whether 20% is the right number anymore, I'm not necessarily wedded to that, but I believe we should clarify that it's an aggregate limit and not a per change order.

General Counsel Blakemore responded: We will do that and the intention was aggregate.

Trustee Echols stated: Just to go on record, Marc, my opinion is in line with Trustee Strauss and Butler as well. I just wanted to make that comment.

Trustee Butler stated: I just want to be clear. I'm very willing to table this if that's the will of this committee as well. I have no issues with that. I'd like to hear from President Baker on that and Mr. Blakemore as well. Trustee Murer I have no need to move forward with this at all today. I think Trustee Strauss wanted to offer the opportunity to have this discussion. It was important to the staff and we were happy to do it. I'm completely open to whatever the committee wishes to do.

Chair Strauss stated: So let me weigh in on this, if I could, before we come back to you Dr. Baker. When this was presented it was important that we have the initial conversation. The people who are present today are going to be present at the board meeting as well where this is considered. So to bring it back to the committee again and then in light of the feature that Mr. Blakemore talked about in the *Bylaws* that would require us to have two more meetings. I'm not presuming where we're going to wind up in this conversation, but I personally don't see the purpose for bringing it back again to this committee. We might as well advance it to the Board, let Mr. Blakemore do something in the interim to see whether he can address the concerns that we have voiced today, meet with people and see whether he can develop a draft that maybe has more consensus than we've had this morning. Then we'll have the opportunity to talk about it in the setting of the Board so we're not rushing to a conclusion on anything. We're not waiving either of the second readings. Obviously I have significant concerns personally with the draft that we have in front of us today, but we can see what happens with the schedule for this committee with the number of things that come in, so sending it back to this committee again is going to screw us up again at our next meeting. I personally would favor advancing it from here.

Trustee Murer stated: You know I never like to hold anything up. I really don't I just want to make sure nothing gets put in that we find ramifications down the road because we didn't put enough attention to the specificity of it. So I certainly will support moving forward. You're right; the same people sit on the Board so it doesn't matter. As long as we have opportunity for discussion, as long as by the time it gets to the Board it's not do we vote on it? I want some time to have conversation about it but this morning I'll vote to move it along. I don't want to have it stymied in a committee. We can move it along as long as we have opportunity to have discussion and thought about it.

President Baker stated: Thank you. Trustee Murer, I concur it's complex stuff and that's why we wanted to get it into play today knowing that it would be six months at the earliest before we would vote on this in its final form because it has to go through two full meetings with a first reading and then a vote. We wanted to get this into play, get a sense of the Board, what the issues are, that would allow Mr. Blakemore then to have these individual conversations with you and see what the consensus is, allow you to ask specific questions. I'm suspecting you're going to want to know some case examples, what were the implications of having it at \$250,000 or \$500,000 or \$750,000 or a million? Where did it slow us

down? What were the implications? I'm sure you're going to want to know those kinds of things and we can sit down with Mr. Blakemore in individual cases and go through those with you and we can come to a logical conclusion.

I just want to compliment the Board for taking this on today and having a good discussion, giving us a sense of it. That lays the groundwork now for Mr. Blakemore to come back and have these conversations with you and then we'll bring you a more polished product at the first reading and then I'm sure we'll have more feedback at the first reading and we'll have three more months after that to make a final run at this if we're ready to make a final run at it.

Chair Strauss stated: Thank you. Are there any other comments from the committee? If not, we have a motion and a second. The motion was approved.

UNIVERSITY REPORTS

Agenda Item 8.a – Summer Improvements Update

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

Agenda Item 8.c. – Periodic Report on Investments

Agenda Item 8.d. – Semi-Annual Progress Report of Active Capital Projects

NEXT MEETING DATE

The Chair announced that the next meeting of the Finance, Facilities and Operations Committee is scheduled for Thursday, August 28, at 12:30 p.m.

ADJOURNMENT

Chair Strauss asked for a motion to adjourn. Trustee Murer so moved, seconded by Trustee Boey. The meeting was adjourned at approximately 2:03 p.m.

Respectfully submitted,

Cheryl A. Ross
Interim Recording Secretary

In compliance with Illinois Open Meetings Act 5 ILCS 120/1, et seq, a verbatim record of all Northern Illinois University Board of Trustees meetings is maintained by the Board Recording Secretary and is available for review upon request. The minutes contained herein represent a true and accurate summary of the Board proceedings.