

Minutes of the
NIU Board of Trustees
FINANCE, AUDIT, COMPLIANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
June 14, 2018

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:23 a.m. by Committee Chair Tim Struthers in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Cathy Craddock conducted a roll call of the trustees. Members present were Trustee Dennis Barsema, Trustee John Butler, Trustee Wheeler Coleman, Trustee Eric Wasowicz, and Committee Chair Tim Struthers. Members absent were Trustee Veronica Herrero and Trustee Giuseppe LaGioia. Also present were Acting President Lisa Freeman, Committee Liaison Sarah McGill, Acting Vice President and Provost Chris McCord, Deputy General Counsel Greg Brady, and Board Liaison Matt Streb.

VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

General Counsel Greg Brady indicated the appropriate notification of the meeting has been provided pursuant to the Illinois Open Meetings Act. At Mr. Brady's request, the Recording Secretary read off the roll call to ensure a quorum was present.

MEETING AGENDA APPROVAL

A motion to approve the agenda was made by Trustee Wheeler Coleman; seconded by Trustee Dennis Barsema. All were in favor. The motion carried.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Struthers recognized the UAC committee members.

Barb Andree commented on the presentation that was given at the Monthly Leadership meeting thanking senior leadership for taking the time to listen and implement changes that show a clear understanding of top concerns for constituents.

PUBLIC COMMENT

General Counsel Brady indicated that there was no request for public comment.

UNIVERSITY RECOMMENDATIONS/REPORTS

Action Item 6.a. – Marketing and Support for Undergraduate Recruitment

Sarah McGill indicated the Division of Enrollment Management, Marketing & Communications (EMMC) is seeking proposals for a third party service provider who specializes in student search fulfillment and recruitment communication in order to expand the University's outreach efforts to prospective freshmen. This contract will not exceed \$3.75M over five years, or \$750,000 per year.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and ask that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 14, 2018.

A motion was made by Trustee Dennis Barsema; seconded by Trustee John Butler.

A discussion followed focusing on the materiality of the expense and understanding that we are confident in the ability to achieve a break-even yield of new students. The committee members shared that there was extensive review of this item with the staff. The committee asked for follow up results with key measures as the program is executed to validate the appropriateness of this investment.

All were in favor. None were opposed. The motion carried.

Action Item 6.b. – Differential Tuition for Master of Science and Certificate of Graduate Study in Data Analytics

Sarah McGill indicated the request to charge a differential tuition rate of \$400 per credit hour for a new program offering a Master of Science and Certificate of Graduate Study in Data Analytics. This program is anticipated to begin in January, 2019, and this request is seeking approval for the differential tuition to also begin at that time.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and ask that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 14, 2018.

A motion was made by Trustee John Butler; seconded by Trustee Wheeler Coleman.

A brief discussion followed.

All were in favor. None were opposed. The motion carried.

Action Item 6.c. – FY19 Internal Budget

Sarah McGill explained that the University annually seeks the Board of Trustees approval of the internal budget for the next fiscal year. The University will receive a state appropriation of \$83.6 million in fiscal year 2019 and is now bringing a balanced internal budget of approximately \$425 million dollars to the Board for approval. The \$5M gap that was presented in May has been closed by a combination of the increased state appropriation, implementation of fund-raising targets, and finalizing divisional targets and action plans.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and ask that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 14, 2018.

A motion was made by Trustee Wheeler Coleman; seconded by Trustee John Butler.

The committee discussed the state appropriation amount and confidence in the number. The amount received was a two-percent increase over what was received in FY18, however, this amount was less than the amount requested. Acting President Freeman recognized State Relations Liaison Matt Streb, Acting Executive Vice President and Provost Chris McCord, and Vice President and CFO Sarah McGill and made further comment stating there was a bipartisan interest in helping higher education recover from the challenges over the last few years.

Additional comments were made by the committee chair and co-chair thanking everyone across campus for their part in closing the budget gap after already making budget cuts. There was further discussion on the need to hold, and grow revenue, and become more efficient. The budget results on revenue and expenses will be monitored closely.

All were in favor. None were opposed. The motion carried.

Information Item 7.a. – FY17 External Audit Corrective Action Plans Update

Sarah McGill explained there is a written update provided that addresses the findings as well as the corrective action plans from the FY17 financial audit and compliance examination. The full report is available at the Illinois Auditor General website. In summary, there were 14 material findings, which is two above FY16. Ms. McGill stated while disappointed with these findings, she, Acting President Freeman, and Acting Provost McCord take these very seriously and are committed to implementing corrective actions in a timely manner.

Chair Struthers was pleased to see the University's transparency, but pointed out that NIU has gone backwards. Acknowledging that there has been significant turnover in key positions, which make things more challenging, he was thankful that this has risen to a much higher level of focus.

Ms. McGill transitioned to a discussion on the financial results specifically between July 1, 2016, and June 30, 2017. She explained that these results reflect a critical moment in time just prior to the end of the 700-day state budget impasse.

Shyree Sanan, Acting Associate Vice President for Finance and Treasury, presented the FY17 audit financial statements for the University (did not include NIU Foundation, Alumni Association, or the Research Foundation). The University received an unqualified opinion from Clifton Larson Allen, which is the best possible outcome one can receive. Ms. Sanan reviewed the University balance sheet and income statement as well as the working capital and outstanding debt obligations. She also offered information about the difference between generally accepted accounting principles (GAAP), which is the basis of the audited financial statements, versus budget results, which are prepared on a cash basis. Revenues declined by a total of \$17 million, and operating expenses increased by \$11 million due in part to the uncontrollable increases in pension and health insurance costs, which are offset by the state on behalf of appropriation reported under non-operating revenue activities. Overall, the University's controllable operating expenses actually decreased by \$8.9 million due to program prioritization and other expense reduction initiatives.

Sarah McGill reiterated, NIU's reporting process is a work in progress that is continually being refined. The differences between generally accepted accounting principles GAAP and budget can be attributed to a handful of items. While most corporations manage their operations on a modified GAAP basis, very few higher education institutions budget on a GAAP basis. In the next year, NIU is committed to completing this analysis of GAAP versus budget and applying those findings in FY18 and beyond.

Trustees thanked Sarah and Shyree as well as the rest of the team for the efforts that went into this reporting. Chair Struthers specifically reinforced that the recognition of the appropriation for FY18 in the current fiscal year will provide a significant improvement in our income statement and balance sheet. There is still a lot of ground to make up from previous years, and NIU's resources remain very, very thin. He also pointed out that the State of Illinois is funding \$179 million for fringe benefits and pension obligations and such should be considered when reviewing our financial results. Acting President also offered thanks to all those involved in the preparation of this report.

OTHER MATTERS

No other matters were discussed.

NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be Thursday, August 16, 2018

ADJOURNMENT

A motion to adjourn was made by Trustee Eric Wasowicz; seconded by Trustee Wheeler Coleman. The motion carried.

The meeting adjourned at 9:05 a.m.

Respectfully submitted,

Cathy Craddock/Vicky Rippberger
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.