

Minutes of the
NIU Board of Trustees of Northern Illinois University
Finance, Audit, Compliance, Facilities and Operations Committee
November 14, 2019

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:18 am by Committee Chair Eric Wasowicz in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Vicky Rippberger conducted a roll call of the Trustees. Members present were Trustee Rita Athas, Trustee John Butler, Trustee Montel Gayles, Trustee Madalynn Mershon, Board Chair Dennis Barsema, and Committee Chair Eric Wasowicz. Trustee Bob Pritchard joined the meeting at 11:19 am. Trustee Veronica Herrero joined the meeting at 11:20 am. Also present were President Lisa Freeman, Committee Liaison Sarah McGill, General Counsel Bryan Perry, and Board Liaison Matt Streb.

2. VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

General Counsel, Bryan Perry, indicated the appropriate notification of the meeting had been provided pursuant to the Illinois Open Meetings Act. Mr. Perry also advised that a quorum was present.

3. MEETING AGENDA APPROVAL

A motion to amend the agenda moving item 7.c. to the first item on the agenda was made by Board Chair Dennis Barsema; seconded by Trustee Rita Athas. All were in favor. None were opposed. The amendment was approved.

A motion to approve the amended agenda was made by Trustee Montel Gayles; seconded by Trustee Bob Pritchard. All were in favor. None were opposed. The agenda was approved.

4. REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the August 15, 2019 meeting was made by Trustee Montel Gayles; seconded by Trustee Veronica Herrero. All were in favor. None were opposed. The minutes were approved.

5. CHAIR'S COMMENTS/ANNOUNCEMENTS

Committee Chair Eric Wasowicz commented on the official opening of the Holmes Student Center that took place on October 26. It is fulfilling its mission as a central location on campus where students, faculty, and staff are excited to come together. The NIU letters that are between the library and the Student Center have become a main photo attraction. He publicly thanked and commended the NIU team responsible for the Holmes Student Center project, mentioning key individuals from all around campus. Committee Chair Wasowicz also commented on the NIU football team and the women's cross-country team, which finished second in the MAC.

Jeffrey Royce, Operating Staff Council President, congratulated the Board for their vote on the faculty CBA earlier that morning, citing excitement for the enhanced security and benefits it will provide. He also mentioned the hope that those employees who are not covered by a Collective Bargaining Agreement can continue to work in good faith with the understanding that NIU Administration and Board will be open-minded to implementing some bridge to help fill the gap. He further made positive comments about building improvements as well as the opening of the newly remodeled Holmes Student Center.

6. PUBLIC COMMENT

There were no public comments.

7. FINANCIAL UPDATE

Information Item 7.c. – Series 2010-2011 Bond Reissuance Update

Sarah McGill explained the August meeting did not include a financial update, so a full financial update would be provided, including an amended agenda to include the Series 2010-2011 Bond Reissuance Update. Ms. McGill invited Michael Boisvert, Founder and President of Longhouse Capital Advisors, to join the conversation.

Ms. McGill and Mr. Boisvert briefed the Committee on the opportunity to reissue the bonds and discussed the overall approach, market conditions, partners necessary to execute the refinancing, and timeline. Ms. McGill and the bond reissuance team, led by Shyree Sanan, Associate Vice President for Finance and Treasury, presented the update to solicit feedback from the Committee to ensure all questions are asked before seeking full Board approval to execute the refinance.

Ms. McGill explained the 2010-2011 auxiliary facility system bonds are roughly \$175.5 million outstanding, eligible for refinancing as of January 1, 2020. The refinance will not include any additional money for new projects, and new debt payments will not extend beyond the April 1, 2041, maturity date. The refinancing will be structured to maximize savings in fiscal years 2020 to 2023 to mitigate budgetary impact of closing the institution's structural budget gap.

Mr. Boisvert noted a potential savings of 1-1.5% in interest rates if the market remains favorable through the close of this reissuance. An RFP for bond underwriters is underway and nearly finished, and an optimistic number of proposals came in from a diverse pool of vendors. The bond sale is expected to be completed by the end of January 2020.

Trustee John Butler inquired about the modernization issues. Mr. Boisvert provided a few examples of modernizing policy to increase flexibility in future financing transactions and reconsidering how the institution views public-private partnerships and building use. Mr. Boisvert also included the intent to pursue a portion of the refinance as variable rate bonds to offer the opportunity to prepay loans without penalty.

Committee Chair Wasowicz voiced strong support for the flexible approach as it encourages good fiduciary responsibility. Trustee Gayles agreed. Ms. McGill added the savings could reach \$20-\$27 million worth of savings for the 1-1.5%. Mr. Boisvert noted previously, illustrating the fiduciary responsibility comment from Committee Chair Wasowicz.

Board Chair Dennis Barsema asked about the impact to current bond holders, to which Mr. Boisvert responded they would be paid off as part of the refinancing efforts.

Trustee Gayles commended the team on the refinance efforts and thanked the group for their attention to the inclusion of BEP vendors in the process.

Ms. McGill thanked the group for the discussion and committed to return at a future meeting to seek formal approval and move forward with the refinance.

Information Item 7.a. – Annual Financial Summary and Budget to GAAP Reconciliation as of June 30, 2019

Sarah McGill confirmed the institution ended FY19 with total revenues of \$408.9M and expenses of \$408.2M, resulting in a positive budget of roughly \$644,000. The budget balanced, and the target was met. Total revenues were \$16M less than the budget due to variances in tuition, student fees, gifts/grants/contracts, rental and room income, and gate receipts among other things, but the university managed expenses to align with the actual revenue received. New methodologies are

being deployed to better align tuition and fee revenue projections with enrollment targets for more accurate planning.

Despite revenue shortfalls, the university was able to advance initiatives in support of the Strategic Enrollment Management Plan and facilities' needs.

Trustee Rita Athas posed a question about scholarships. Ms. McGill explained financial aid is recorded on both the revenue and expense sides of a budget as the expense of scholarships is typically down when variations occur in enrollment.

Trustee John Butler asked what the Board would be voting on, as the item is listed as an action item. Ms. McGill acknowledged the error and confirmed the quarterly update would be adjusted to reflect it is an informational item at future meetings.

Board Chair Barsema asked for details behind the GAAP reconciliation. Ms. McGill provided an explanation of what the budget to GAAP figures mean and why certain figures between the budget and financial statements differ. The Finance and Treasury team is fully staffed and, therefore, able to evaluate financial reporting documents more closely and to identify ways to adjust their reporting processes and better determine base figures for reporting. Given previous staffing shortages, one-time adjustments were often made to account for audit findings, whereas now, the staff is able to identify means to more permanently address the reporting methodology.

Board Chair Barsema requested an example of one of these changes in methodology. Ms. McGill noted enrollment as a driver for change. Accounts Receivable once anticipated a larger base which required adjustments based on the SEM Plan. Shyree Sanan added the methodology for accounts receivable/bad debt was ten years old, so the methodology was adjusted to account for bad debt in the budgeting process.

Board Chair Barsema commended these adjustments. Trustee John Butler voiced appreciation to the university community at-large for their participation in resolving budget gaps and aligning actual revenues to expenses.

Information Item 7.b. – Quarterly Financial Summary Fiscal Year 2020 – First Quarter as of September 30, 2019

Sarah McGill briefed the Board on FY20's first quarter financial performance. FY20 is the first in the transition to multi-year planning and budgeting, a model which allows leadership to serve in their fiduciary roles and assess financial risks and opportunities now and in the future. At the end of the first quarter, the university recorded a positive performance of roughly \$70M. This is a slight increase over the previous time in FY19, but it is roughly \$983,000 worse than budget. Revenues for FY20 are tracking in line with budgeted targets, though budgeted expenses are tracking higher.

The university remains committed to ending the year aligned with the budget approved by the Board, and efforts are under way to align expenses with revenues.

Committee Chair Eric Wasowicz acknowledged the local control efforts and inquired about debt service and how bond refinancing will have an impact. Ms. McGill confirmed the first quarter figures do not factor in any potential refinancing savings, an intentional move to make sure the bond issuance closes before relying on any savings or restructuring.

Trustee Rita Athas asked about local control efforts. Ms. McGill provided a summary of the local control switch. Budgets were previously more centrally governed whereas the transition is moving control and management of budget back to the divisions and colleges. Local areas have the ability to make decisions and support university priorities knowing what their individual financial targets are.

President Lisa Freeman provided background that some centrally-governed practices were put in place during the budget impasse as a means by which to ensure certain priorities came first.

Ms. McGill concluded with the first quarter budget to GAAP reconciliation explanation. Looking ahead to FY20, it is expected the university's net position would experience a decrease of \$23M, subject to change based on actual figures as the year continues.

8. UNIVERSITY RECOMMENDATIONS

Action Item 8.a. – Fiscal Year 2021 Undergraduate Tuition Pricing Recommendation

Sarah McGill explained the Fiscal Year 2021 Undergraduate Tuition Pricing Recommendation is to hold base tuition flat for the fifth year in a row. Additionally, there will be no change to the differential tuition rates.

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 asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on December 5, 2019.

A motion was made by Board Chair Dennis Barsema; seconded by Trustee Veronica Herrero.

Positive comments were made by trustees recognizing this achievement.

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

Action Item 8.b. – Fiscal Year 2021 General Fee Pricing Recommendation

Sarah McGill explained the Fiscal Year 2021 General Fee Pricing Recommendation includes the introduction of an arts and culture fee and also provides a decrease in the overall fee rate of \$3.67 per credit hour from Fiscal Year 2020 to Fiscal Year 2021. This will be the third year of decreasing fees.

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 asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on December 5, 2019.

A motion was made by Trustee Montel Gayles; seconded by Board Chair Dennis Barsema.

Positive comments were made by trustees recognizing the reduction in fees as well as the opportunity for students to experience cultural activities on campus through the new fee. President Freeman pointed out that relationships and partnerships within the community such as Northwestern Medicine, and the City of DeKalb help reduce student fees.

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

Action Item 8.c. – Fiscal Year 2021 Room and Board Pricing Recommendation

Sarah McGill explained the Fiscal Year 2021 Room and Board Pricing Recommendation remains consistent to Fiscal Year 2020 with the following exceptions: Increase to Neptune of 1.3%, reduction to Stevenson of 1%, and a change in the dining meal plan structure.

Ms. McGill read the following recommendation for consideration by the committee: We are asking 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 December 5, 2019.

A Motion was made by Trustee Veronica Herrero; seconded by Trustee Montel Gayles.

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

Action Item 8.d. – Fiscal Year 2021 Graduate and Law Tuition Pricing Recommendation

Sarah McGill explained the Fiscal Year 2021 Graduate and Law Tuition Pricing Recommendation holds base tuition flat in Fiscal Year 2021 for the fifth year in a row, with modest adjustments to differential rates in both the College of Health and Human Sciences and the College of Education.

Ms. McGill read the following recommendation for consideration by the committee: We are asking 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 December 5, 2019.

A Motion was made by Trustee Montel Gayles; seconded by Trustee John Butler.

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

Trustee Gayles mentioned he hoped NIU would get some positive press out of keeping these rates flat across the board, showing we have a commitment to accessible education.

Action Item 8.e. – Student Success Collaborative and Academic Performance Solutions

Sarah McGill presented the purchase of membership in the Educational Advisory Board Student Success Collaborative and Academic Performance Solutions, for a cost of \$1.2M over five years. These programs provide access to best practice research, data analytics, and technology platforms that support student retention efforts and resource allocation decisions.

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 December 5, 2019.

A motion was made by Trustee Veronica Herrero; seconded by Trustee Rita Athas.

Board Chair Dennis Barsema requested additional information as to what this would do for NIU.

Ms. McGill and President Freeman explained EAB is an existing vendor partner of NIU. The current technology platform, Navigate, is a student success management system, which aids in identifying students where intervention will benefit most. The desire is to continue with Navigate and expand to include Academic Performance Solutions, an additional platform to allow more data analytics and more data-informed decision making. In particular, academic leaders will use the platform to gather information about class size, class and program enrollment, and class utilization.

Board Chair Barsema asked if the product was managed by the Provost's Office. Beth Ingram, Executive Vice President and Provost (EVVP), explained it will be a joint effort combining finance, human resources and student information data. Questions arose about NIU's technological capabilities and change management needs to support this system. EVVP Ingram affirmed the technical specifications were in place, and EAB provides both the platform and onboarding/change management support. The platform will also provide benchmarking data for student class sizes, cost data, and use of the program, as a member institution. Trustee Bob Pritchard asked if it was reasonable to quantify the value to see if it pays for the investment we would be making. Ms. McGill explained it could be calculated but it would be difficult to do in the moment, and the real value is found in the platform's ability to aid in multiyear planning efforts and data-informed decisions for aligning resources with priorities.

The five-year contract allows ample opportunity for setup and adoption. Trustees voiced support for technological advancements and better data collection for resource management.

All were in favor. None opposed. Motion was passed.

Action Item 8.f. – Holmes Student Center Tower Elevator Upgrades

Sarah McGill explained the three elevators on the west side of Holmes Student Center service all levels of the 16-story tower portion of the building. They have been in service for 52 years and require significant updates to improve reliability, in the amount of \$1.5M.

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 December 5, 2019.

A motion was made by Trustee Montel Gayles; seconded by Board Chair Dennis Barsema.

A question was put forth by Board Chair Barsema asking when the repairs would be made. Ms. McGill expected them to be made this academic year, as soon as they had Board approval.

All were in favor. None opposed. Motion was passed.

Action Item 8.g. – Burma Art Collection Compact Storage

Sarah McGill explained the Center for Burma Studies displays a unique collection of donated art objects. They were awarded a grant from the Department of Education Institute of Museums and Library Sciences to improve the storage accommodations for their collection. This would require relocating from Swen Parson to space in Founders Memorial Library. This grant would be augmented with NIU funds to accommodate the installation and space accommodations to improve accessibility for all of campus.

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 December 5, 2019.

A motion was made by Trustee Veronica Herrero; seconded by Board Chair Dennis Barsema.

The question was asked by Trustee John Butler as to why this was coming to the Board. Ms. McGill explained the total cost was \$350,000. The majority of the money would come from the grant, but NIU is a pass-through for the grant funding. Trustee Butler asked if the continual repurposing of the library was a concern. Dr. Jerry Blazey, Vice President for Research and Innovation Partnerships explained the lower basement of the library was already housing some of the student art collection, and by taking advantage of this new compact storage, it would present as more professional and safer. Currently Dr. Blazey feels moving the collection to this location is more in line with the mission of the university and the library.

All were in favor. None opposed. Motion was passed.

Action Item 8.h. – Fiscal Year 2020-2024 Fire Services Agreement with the City of DeKalb

Sarah McGill explained the Fire Services Agreement with the City of DeKalb had expired and was temporarily extended six months to allow additional time for both the City and NIU to determine a reasonable cost-share strategy. After several discussions with the City and in researching other university arrangements, a five-year agreement for fiscal years 20-24, in the amount of \$4.9M, was proposed. Funding includes \$50,000 for possible equipment purchases and \$125,000 for planned ambulance support at university events.

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 December 5, 2019.

A motion was made by Trustee Montel Gayles; seconded by Trustee John Butler.

There was discussion as to whether the \$125,000 would cover all events for NIU. Ms. McGill explained how it had been handled in the past and the highest spend was \$96,000. The \$125,000 figure is justifiable and provides operational flexibility to ensure the coverage needed for campus.

Trustee Gayles thanked Ms. McGill for her work in getting the deal from the city for these services and felt the cost was fair. Ms. McGill then commended John Heckmann, Associate Vice President, Facilities Management and Campus Services, for his leadership in serving as point for this agreement.

All were in favor. None opposed. Motion was passed.

Action Item 8.i. – Internal Audit Department Charter

Sarah McGill explained the Internal Audit Department Charter must be periodically reviewed and presented to Senior Management and the Board of Trustees for approval. The last time the charter was reviewed and approved by the board was 2016. There was a comprehensive review of the charter this year by the Internal Audit Director, and only minimal formatting and minor content revisions were made.

Ms. McGill read the following recommendation for consideration by the committee: The university recommends that the Finance, Audit, Compliance, Facilities and Operations Committee approve the Internal Audit Charter 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 December 5, 2019.

A motion was made by Trustee Veronica Herrero; seconded by Trustee Montel Gayles.

Board Chair Dennis Barsema asked who the Chief Audit Executive and President Freeman answered Danielle Schultz.

All were in favor. None opposed. Motion was passed.

9. UNIVERSITY REPORTS

Sarah McGill indicated there were five university reports which are informational items, not action items. Ms. McGill stated she did not have planned discussion for these items due to the comprehensive write-ups, but she would be happy to answer any questions.

Information Item 9.a. – Quarterly Summary Report of Transactions in Excess of \$100,000 for the Period July 1, 2019 to September 30, 2019

Committee Chair Eric Wasowicz again commended President Freeman and EVPP Beth Ingram on the recommendation to keep tuition flat and overall recognizing the affordability issues of higher education in Illinois.

Information Item 9.b. – Periodic Report on Investments for Period Ending September 30, 2019

Information Item 9.c. – Fiscal Year 2019 Annual Report of Transactions Involving Real Property

Information Item 9.d. – Fiscal Year 2019 Report on Facilities and Infrastructure Capital Investment Activities

Information Item 9.e. – Fiscal Year 2019 Internal Audit Update

10. OTHER MATTERS

Chair Wasowicz asked for any other matters to come before the committee, no other matters were discussed.

11. NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be February 13, 2020.

12. ADJOURNMENT

Committee Chair Wasowicz asked for a motion to adjourn.

A motion was made by Board Chair Dennis Barsema; seconded by Trustee Rita Athas.

All were in favor, none opposed.

The meeting adjourned at 12:37 p.m.

Respectfully submitted,

Sandy McCartney
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