



Board of Trustees

Finance, Audit, Compliance,
Facilities and Operations
Committee

February 7, 2019

BOARD OF TRUSTEES OF NORTHERN ILLINOIS UNIVERSITY
Finance, Audit, Compliance, Facilities and Operations Committee
10:00 a.m. – Thursday – February 7, 2019
Board of Trustees Room
315 Altgeld Hall

AGENDA

1. Call to Order and Roll Call
2. Verification of Quorum and Appropriate Notification of Public Meeting
3. Meeting Agenda Approval..... *Action*..... i
4. Review and Approval of Minutes of November 15, 2018..... *Action*..... 1
5. Chair's Comments/Announcements
6. Public Comment*
7. Financial Update
 - a. Quarterly Financial Summary – FY19 Second Quarter
 as of December 31, 2018 *Information*.....9
8. University Recommendations
 - a. Stevenson Complex - Franchise Agreement Approval..... *Action*.....13
 - b. Stevenson Complex - Renovate Dining Area Capital Project *Action*.....14
 - c. Holmes Student Center - Phase I Redevelopment
 Capital Project Amendment *Action*.....15
 - d. Intercollegiate Athletics Apparel Sponsorship Package *Action*.....16
 - e. FY20 Intercollegiate Athletics Air Charter Services for Football Team *Action*.....18
 - f. FY20 Master Agreement Facility Open Order Contract Renewals *Action*.....19
 - g. FY20 Consumable Commodities Open Order Contract Renewals..... *Action*.....21
 - h. FY20 Division of Information Technology Campus Copier Program
 Contract Renewal..... *Action*.....22
 - i. FY20 Division of Information Technology Microsoft Enrollment
 Contract Renewal..... *Action*.....23
 - j. FY20 Student Health Insurance *Action*.....24
 - k. FY20 International Programs Division Expenditures..... *Action*.....25
9. University Reports
 - a. Periodic Report on Investments for Period Ending Dec. 31, 2018..... *Information*.....26
 - b. Quarterly Summary Report of Transactions in Excess of \$100,000
 for the Period October 1, 2018, to December 31, 2018 *Information*.....29
 - c. Facilities Update *Information*.....32
 - d. Clery Report Update *Information*.....36
 - e. FY18 Internal Audit Update *Information*.....38

10. Other Matters

11. Next Meeting Date

12. Adjournment

*Individuals wishing to make an appearance before the Board should consult the [*Bylaws of the Board of Trustees of Northern Illinois University*](#), Article II, Section 4 – *Appearances before the Board*. Appearance request forms can be completed [online](#) in advance of the meeting or will be available in the Board Room the day of the meeting. For more information contact Chelsea Duis, cfrost1@niu.edu, Recording Secretary to the Board of Trustees, Altgeld Hall 300, DeKalb, IL 60115, 815-753-1273.

Anyone needing special accommodations to participate in the NIU Board of Trustees meetings should contact Chelsea Duis, cfrost1@niu.edu or (815) 753-1273, as soon as possible.

Minutes of the
NIU Board of Trustees of Northern Illinois University
Finance, Audit, Compliance, Facilities and Operations Committee
November 15, 2018

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:20 a.m. by Committee Chair Tim Struthers in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sandy McCartney conducted a roll call of the trustees. Members present were Trustee Dennis Barsema, Trustee John Butler, Trustee Nathan Hays, Trustee Bob Pritchard, Trustee Eric Wasowicz, Board Chair Wheeler Coleman, and Committee Chair Tim Struthers. Members absent were Trustee Veronica Herrero. Also present were President Lisa Freeman, Committee Liaison Sarah McGill, Acting General Counsel Greg Brady, and Board Liaison Matt Streb.

2. VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

Acting General Counsel Greg Brady indicated the appropriate notification of the meeting has been provided pursuant to the Illinois Open Meetings Act. Mr. Brady also advised that a quorum was present.

3. MEETING AGENDA APPROVAL

Chair Struthers noted that the agenda will look a bit different going forward. A section on Financial Reports will be presented prior to the Recommendations and Reports sections in order to provide a benchmark as University business is considered. A motion to approve the agenda was made by Trustee Eric Wasowicz; seconded by Trustee Wheeler Coleman. All were in favor. The motion carried.

4. REVIEW AND APPROVAL OF MINUTES OF AUGUST 16, 2018

A motion to approve the minutes of the August 16, 2018, meeting was made by Trustee Eric Wasowicz; seconded by Trustee Wheeler Coleman. All were in favor. None were opposed. The motion carried.

5. CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Struthers had no comments but recognized the members of the University Advisory Committee.

Holly Nicholson, Operating Staff Council President, began by recognizing the NIU employees affected by the proposed contract with Northwestern Medicine for Health Services affirming their deep student connection and commitment to serving NIU. Most employees were able to find positions on campus or begin to enjoy their retirement. Ms. Nicholson thanked the employees who will be leaving NIU. She further addressed the benefits of the contract with Northwestern Medicine for Health Services stating the expanded services, lower costs, longer hours, and the benefit of walk-in appointments. She also addressed employees concerns relating to differential tuition rates. This can be a deterrent for employees desiring to continue their education due to the financial burden.

Cathy Doederlein, Supportive Professional Staff Council President, also spoke about the proposed contract with Northwestern Medicine contract stating concerns about mental health care offerings, stressing that tending to the mental health needs of NIU students should continue to be a top priority. Ms. Doederlein also commented on administration's need to review outsourcing decisions with great caution and care, always considering the impact on human capital as much as the

financial bottom line. Finally, she expressed thanks to the founders of the CHANCE Program as it celebrates its 50th anniversary. This program addressed points such as equity gaps and diversity and inclusion long before those terms were ever spoken on college campuses.

6. PUBLIC COMMENT

Acting General Counsel Greg Brady indicated there were five public comments

Dr. Joseph Baumgart, Staff Physician at NIU Health Services, expressed concern about Northwestern Medicine's having no position handling women's healthcare as well as cutting 31 current positions down to 11. He further expressed concern over the ratio of doctors to students and offered comparisons to other state universities stating they all have more than twice the amount of doctors that NIU will have once Northwestern Medicine is on site.

Kevin Poorten, President of the West Region for Northwestern Medicine, introduced his colleagues and thanked the Committee and the Board for the opportunity to speak. Mr. Poorten spoke about the efforts made to create a program that positions NIU to be a national leader in the quality and breadth of services provided to, and made available for, students and student athletes. He provided information about Northwestern Medicine stating it is the number one rated healthcare system in Chicago and the state of Illinois for the past 13 years as well as being a nationally ranked leader in healthcare services. The clinic that will be opened on campus will be fully integrated into the Northwestern Medicine platform, clinically, operationally, and technologically.

Dr. Pat Towne, President of the Regional Medical Group for Northwestern Medicine and a practicing Internist, stated he would be the accountable executive charged with making sure the clinic is held to the highest standards. He explained that Northwestern Medicine makes three implicit promises to the students: they will create a safe environment with high quality care; they will work on wellness programs to keep them well and heal them; and, they will be kind, understanding, and express genuine interest in the students.

Jay Anderson, President of Kishwaukee and Valley West Hospitals, confirmed the commitment of Northwestern Medicine to the students; confirming they are advancing the care that they provide. Northwestern Medicine currently has a "Better" campaign, which means that they will continue to improve upon themselves, year after year. He explained that there may be many students who are currently patients of Northwestern Medicine and their records will be easily accessed at all clinics. Northwestern Medicine will allow students to be seen on a walk-in basis, which will be a true advantage to their services. Mr. Anderson also addressed the question of services for faculty and staff; that may come in the future, but they currently are focused on the student experience first.

Professor Virginia Naples addressed the Board regarding salary equity task force reports. The most recent study was conducted in 2017. These reports showed that there was a systemic pattern of sex-based salary discrimination and protected minority category-based discrimination. She asked the entire Board and the administrative team to commit to end this illegal pattern of discrimination within the next year.

Acting Deputy Counsel Greg Brady mentioned that with the faculty union, faculty salaries are a term and condition of employment and by law need to be collectively bargained.

7. FINANCIAL UPDATE

Action Item 7.a. – Annual Financial Summary – FY18 Year End & Budget to GAAP Reconciliation

Action Item 7.b. – Quarterly Financial Summary – FY19 First Quarter

(Items 7.a. & 7.b. were combined in discussion)

Sarah McGill reviewed the two financial summaries, the annual financial summary for fiscal year end 2018 and the first quarter results for fiscal year 2019, with the committee. The University ended the year with a positive performance of approximately \$15 million relative to budget, which is down about \$12 million from the same time last year due to decline in enrollment. NIU did receive the full year of appropriations, approximately \$82 million, on time, contributing to an annual revenue of about \$410 million. On the expense side, the University ended the year approximately \$34 million better than the expected expense budget. Ms. McGill thanked NIU faculty and staff for their diligence and fiscal responsibility in fiscal year 2018.

Ms. McGill noted that in order to improve transparency and accountability, a year-to-date forecast column on the first quarter report has been added. At the end of the first quarter, the University had a net revenue of approximately \$69 million. NIU forecasts ending the year with a balanced budget; projecting to end the year \$2.6 million under the original revenue budget. Investments in campus facilities and vehicle purchases will now be phased over a longer time horizon, which will result in a forecasted expense of \$422 million, aligned with revenue projections.

Shyree Sanan presented information that showed reconciliation with the budget performance and the gap-based financial statements. This new reconciliation model shows two main reconciling items between budget and gap results and depreciation expense and debt principle. The net revenue per budget totals \$15.1 million, arriving at an increase per the draft financial statements of \$40.1 million. A new accounting standard related to post-employment benefits became effective for fiscal year 2018 which required the University to report a liability for its share, \$44.3 million, resulting in the change in net position from \$194 million to \$150 million and making the anticipated net position, as of June 30, 2018, \$190.6 million, an overall decrease of \$4 million. Although the first quarter of fiscal year 2019 is estimated, the second and third quarters are actual. Going forward, there will be actual depreciation expense and actual principle represented.

Chair Struthers further explained what the GAAP report represents. He pointed out that the University received 100% of the \$82 million appropriation in fiscal year 2018, which led to a \$15 million surplus. Chair Struthers noted that there was a \$12 million reduction in tuition and fees from 2017 to 2018, which was countered in 2018 largely due to reduction in capital repairs.

Comments were made applauding the efforts of the team that prepared these reports. Clarification was provided as to what a net position is – assets minus liabilities. Reserves was also further explained as a “cash” term, referencing funding available in the bank. The University is required to maintain a certain amount of money in the bank in cash and investments in order to be in compliance. There is an ebb and flow of cash on hand on any given day. Chair Struthers pointed out the need for a balance sheet that will indicate working capital and fixed assets. Further conversation took place relating to comparison of NIU to other colleges in the state. ISU is probably the most comparable in terms of student enrollment and the size of assets; however, they have more assets, less liabilities, and a stronger net position. NIU’s balance sheet is generally weaker than its peers.

8. UNIVERSITY RECOMMENDATIONS

Action Item 8.a. – Services and Lease in Support of Health and Student Athletic Care

Sarah McGill indicated the need for NIU to collaborate with an external service provider to operate the Health Services function and provide student athlete care. Northwestern Medicine has the resources, expertise, and capabilities required to provide excellent care for NIU students. This proposed, five-year agreement with Northwestern Medicine has an option to renew for an additional five-year term. NIU will pay Northwestern Medicine \$825,000 for the period of January 1 through June 30, 2019. In FY20, payment will be \$1.94 million for a total valuation of \$9.56 million. Student athlete care would be approximately \$450,000 payable over the five-year term. In addition to approving this partnership, the University is requesting that the Board of Trustees

delegate to the president or designee authority to approve changes to the contract terms and pricing during the initial term of this agreement as well as future changes regarding service provision enhancements.

Ms. McGill provided a presentation about the partnership with Northwestern Medicine. Northwestern Medicine has been providing services to NIU student athletes since July 1, 2018 and currently staffs the medical director position in the Student Health Clinic. She assured the Board that all services currently being provided will continue to be offered – everything covered under the student fee will remain. Ms. McGill pointed out that there will be a flexible schedule during the week, and the clinic will remain open during lunch hours. In addition, the new clinic will see students on a walk-in basis. This clinic will be part of Northwestern Medicine's network, meaning their records will be available at other Northwestern Medicine locations. Payment of the student fee will allow students to access the Naperville and Chicago location under the terms of their student fee. At the minimum, quarterly meetings will be held between NIU and Northwestern Medicine to discuss operations issues, review benchmarks, and generally stay up to date with how the partnership is progressing. Ms. McGill also provided information about the financial aspect of this partnership noting that this partnership will enable NIU to lower the student health fee from \$7.88 to \$7.49 per credit hour; roughly an \$11-\$12 annual savings. She further explained that it currently costs NIU approximately \$2.7 million to fund the Health Services Clinic. Going forward, that cost would drop to roughly \$2.3 million. \$1.9 million would go to Northwestern Medicine in support of the clinic and NIU would retain about \$400,000 for operations costs.

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 for approval of the agreement, annual reporting commitments to the Board and associated delegated authority as described before and ask that the President forward it by means of the President's Report to the Board of Trustees for approval at its special meeting on November 15, 2018.

A motion was made by Trustee Dennis Barsema; seconded by Trustee Eric Wasowicz.

A lengthy discussion took place. Women's healthcare was the first topic and the point was made that there will no longer be an OB-GYN at the clinic. Northwestern Medicine explained that this type of care falls under the scope of a highly trained family medicine physician. In the future, there may come a time when it is necessary to expand these services, and the contract allows for needed expansion. It was pointed out that all but two of the state universities in Illinois utilize a family medicine practitioner and/or nursing staff model, comparable to the model provided by Northwestern Medicine. The second topic centered on the students-per-doctor ratio. When compared to other universities, the ratio presented seemed high. Assurance was provided that this number will be reviewed. Also mentioned was the increase in cost if the original ratio is inaccurate and more staff needs to be hired. The request was made that the metrics and measurements that have been agreed to are posted so the public and students can see NIU and Northwestern Medicine have lived up to their agreement. It was also mentioned that the current student athlete contract will be combined into the new contract. A third concern was raised about what happens if this partnership turns out to be not at all what it was thought to be. Confirmation was provided that there are "out" provisions in the contract for both sides for different conditions within 180 days following the first year of the contract.

Further discussion took place about the actual student health insurance that each student is automatically enrolled in if they have 9 credit hours or above. This does not apply to online students. If a student has other insurance, they can opt out with proof of coverage. The concern was raised about when something happens to a student beyond the scope of what the clinic can accommodate. Northwestern Medicine assured that they would help a student navigate further care whether it be with Northwestern Medicine or some other provider. Because Northwestern

Medicine already accepts most insurance providers, a great majority of NIU students use insurance providers that Northwestern Medicine currently honors. The request was made to track any fall-through-the-crack situations for NIU students. Briefly mentioned was the issue of mental healthcare and the opportunity to expand services to better meet student needs.

In response to a question, confirmation was offered regarding a procurement exemption that allowed NIU to work directly with Northwestern Medicine without engaging in an RFP. The process started with Student Affairs. Prior year's student surveys were used and Northwestern Medicine provided information on best practices and outcomes.

Final clarification was provided that at the end of the first year, compensation for services will be negotiated based on need and utilization. There is a risk that the cost of the contract could change.

A roll call vote was performed. Trustees Dennis Barsema, John Butler, Nathan Hays, Bob Pritchard, Eric Wasowicz and Board Chair Wheeler Coleman voted yes. Chair Struthers abstained. The motion carried.

Action Item 8.b. – Fiscal Year 2020 Undergraduate Tuition Pricing Recommendation

Sarah McGill explained that this recommendation holds the base tuition flat, at \$9,466, in FY20 for the fourth year in a row while making modest adjustments, both up and down, to 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 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 6, 2018.

A motion was made by Trustee Dennis Barsema; seconded by Trustee Bob Pritchard.

Some brief comments were made stating that this pricing puts NIU in the middle of the list of peer institutions in Illinois.

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

Action Item 8.c. – Fiscal Year 2020 General Fee Pricing Recommendation

Sarah McGill explained that the University has numerous student activities, programs, services, and operations that are supported to various degrees by the assessment of dedicated use student charges. This recommendation includes a reduction to the total fees paid by students reducing the Health and Wellness charge through the agreement with Northwestern Medicine Health Care. The total of all other fees remains constant while making very modest adjustments for the distribution of 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 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 6, 2018.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Dennis Barsema.

Ms. McGill, in answer to an inquiry, confirmed that the overall health fee is going from FY19 to FY20. She also confirmed there were a couple of reallocations of student support fees, but those are not expected to change in FY21. Further conversation took place around the room and board that NIU charges versus ISU, NIU's biggest competitor. NIU reports their most popular cost, while other universities may report their lowest cost. When totaling the cost of room and board and student fees, NIU is actually lower than ISU or U of I Chicago.

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

Action Item 8.d. – Fiscal Year 2020 Graduate and Law Tuition Pricing Recommendation

Sarah McGill explained this recommendation holds base tuition flat in FY20 for the fourth year resulting in an annual cost of \$11,897 for graduate tuition and \$21,970 for law tuition while making modest adjustments, both up and down, to the differential tuition rates. Ms. McGill proposed an amendment to this item stating that Public Administration is seeking a differential tuition of \$90 per credit hour for the graduate certificate in Public Administration. The amount matches the differential tuition request for the MPA, which is part of this item.

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 6, 2018, noting the addition of a \$90 per credit hour differential tuition amount for the graduate certificate in Public Administration.

A motion was made by Trustee Dennis Barsema; seconded by Trustee Bob Pritchard. All were in favor. None were opposed. The motion carried.

Action Item 8.e. – Fiscal Year 2020 Room and Board Fee Recommendation

Sarah McGill explained these fees support housing and residential services as well as campus dining services, operations, and related revenue bond obligations. The room and board will remain consistent in FY20 to the rates for FY19, noting that there is also a proposal of the addition of flexible meal plan options in anticipation of new dining venues expected to open in the remodeled Holmes Student Center and under consideration in Stevenson.

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 6, 2018.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Wheeler Coleman.

A conversation arose regarding the idea of changing the room pricing to attract more students. Ms. McGill explained this type of analysis is reviewed frequently; however, it seems to be less about pricing and more about amenities. Efforts have been made to look at housing supplements or scholarship for key groups (i.e. band students) as well as some housing waivers.

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

Action Item 8.f. – Launch of Jobs for America's Graduates (JAG) Program in Illinois

Sarah McGill indicated the need for a purchase order to Iowa Jobs for America's Graduates for \$667,500 over the next two fiscal years. This is a new program to Illinois, however already exists in 34 states including Iowa. Iowa JAG will assist NIU in launching Illinois JAG. Iowa JAG is named in the agreement with the IDES, and the IDES will pay NIU \$800,000 over the period of two years. The Iowa JAG subcontract is for \$667,500. Over the term of the contract, NIU will retain \$132,500.

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 6, 2018.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Dennis Barsema.

Jon Furr, Director in the Education Systems Center, explained this is a program primarily for high school students mainly that are most at risk for not completing high school. There is a classroom

component as well as a student association that support the students to identify their goals and move forward. Mr. Furr noted that Iowa JAG currently operates sites in Illinois so they have some experience with Illinois context.

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

Action Item 8.g. – College of Health & Human Sciences – Cameras/Recording Systems

Sarah McGill indicated the necessity to purchase a new camera and recording system for the College of Health & Human Sciences clinics to record, review, and manage audio, video from client/patient appointments, therapy sessions, simulations and research studies.

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 6, 2018.

A motion was made by Trustee Bob Pritchard; seconded by Trustee Eric Wasowicz.

Clarification was made regarding the cameras are being used for instructional purposes and confirming that the people know they are being filmed.

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

Action Item 8.h. – Steam Isolation Valve and Expansion Joint Replacement

Sarah McGill explained, as part of an Illinois Board of Higher Education's mid-year inquiry on critical and urgent repair requirements that demonstrate the potential for a campus-wide impact, the replacement of the steam isolation valve and expansion joint were identified. Although the project is being managed by the Capital Development Board, there is a likelihood that funds would be advanced by the University before the funds are received, which is why this is coming before this committee.

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 6, 2018.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Wheeler Coleman. All were in favor. None were opposed. The motion carried.

9. UNIVERSITY REPORTS

Information Item 9.a. – Quarterly Summary Report of Transactions in excess of \$100,000

Sarah McGill stated that items 9a through 9d would not be addressed unless there were any questions. There were no questions.

Information Item 9.b. – Periodic Report on Investments

Information Item 9.c. – FY18 Annual Report of Transactions Involving Real Property

Information Item 9.d. – FY18 Report on Facilities and Infrastructure Capital Investment Activities

10. OTHER MATTERS

No other matters were discussed.

11. NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be February 7, 2019.

12. ADJOURNMENT

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

Meeting adjourned 11:51 a.m.

Respectfully submitted,

Vicky Rippberger/Sandy McCartney
Recording Secretary

QUARTERLY FINANCIAL SUMMARY – FY19 SECOND QUARTER AS OF DECEMBER 31, 2018

Background: The University has prepared a second quarter financial summary.

As of the end of the second quarter of FY19, forecasted net revenue is expected to be \$1.8M ahead of budget. Total revenue is expected to be ahead of budget while expenses outperformed expectations.

Revenues are short of budget by \$13.9M, or 3% and, excluding the State of Illinois, \$1.7M below last year. It is encouraging to report that core tuition and student fees are slightly above prior period, however, \$5.2M, or 3%, under budget tied to enrollment being less than planned. More significant is a shortfall to budget of \$12.9M, or 18%, for Gifts, Grants, and Contracts due to unrecognized revenue. Revenue in sales is slightly above budget by \$1.9M, as a result of an increase in sales with various operations on campus.

As mentioned, expenses are performing better than budget, however, expenses are higher than prior period. Total expenses are less than budget, primarily tied to capital repairs, noting that reductions in this category are deferments that will cause future stress on the budget. Other expense variances include savings in contractual services, travel, and commodities of \$4.8M. Expenses in these areas are expected to end the year better than budget due to effectively controlling expenses in order to keep in line with expected revenue. Scholarship expense is tracking better than budget for the period and is expected to end the year \$4.4M below the targeted budget and is a result of the declining enrollment.

As we look forward and anticipate the second half of the year, net revenue is estimated to be \$1.8M higher than budget. Revenue is expected to be approximately \$13.9M short of budget, and expenses will be \$15.8M better than budget.

Revenues

- 1. Tuition and Fees:** All tuition, including differential tuition, course and materials fees, athletics fees, bus fees, and health service fees.
- 2. Gifts, Grants, & Contracts:** Includes on-campus scholarships, research grants and associated indirect cost pools, Pell grants, and sub-contract fees for research.
- 3. Other Fees and Fines:** Includes parking, residential living-learning community fees, parking fines, transcript and commencement fees.
- 4. Sales:** Includes board plan and retail food sales, concessions sales, advertising/sponsorship, sales of services to off-campus entities (including, but not limited to: catering, child care, conference services).
- 5. Rental & Room Income:** Includes room fees for residential students, rental of on-campus and off-campus meeting and conference space, hotel revenues and Northern View apartment revenues.
- 6. Gate Receipts & Commissions:** Includes athletic ticket sales, performing arts ticket sales, commissions and concert/event revenues from the Convocation Center.

7. **Miscellaneous & Investment Income:** Includes athletics' game guarantees, NIU share of conference tournament revenues, rental of facilities, interest income from investments, gains and losses on disposals of fixed assets, and year-end transfers to mandated reserves in the auxiliary facilities system.
8. **State of Illinois:** Represents the annual state appropriation to public universities.

Expenses

9. **Cost of Sales:** Includes the cost of all items purchased for resale on campus such as food for dining units, parts and supplies to be charged out through the campus work order system, as well as paper for pay-to-print copiers and printers.
10. **Personnel Services:** Includes all salaries paid to faculty, supportive professional staff, civil service, graduate assistants, extra help and student employees. Also includes required payments for Medicare and employee health insurance.
11. **Contractual Services:** Includes annual software support, subscriptions, conference registrations, non-employee travel reimbursements, service contracts, repairs & maintenance, grounds, building service work charges, speaking fees, and other arrangements with outside contractors to perform services for the University.
12. **Travel:** Includes airfare, hotel rooms, mileage, meals (all up to limits set by the state and the University), and ancillary expenses for employees to travel to-and-from campus on official university business.
13. **Automotive:** Includes the cost to rent cars, vans and busses from the university transportation department.
14. **Scholarships:** Includes scholarships awarded, including Pell Grant funds disbursed (which, when netted against Pell Grant funds received, results in zero effect on the university's cash position).
15. **Telecommunications:** Includes the cost of providing phone, internet and other digital services to the University.
16. **Equipment & Library Materials:** Includes the cost of all items over \$100 with an estimated useful life of two years or more, as well as library books, journal subscriptions, manuscripts, films, music and video materials.
17. **Capital Repairs, Debt Service & Other:** Includes the cost of centralized capital repair funds, debt service payment on bonds, certificates of participation and performance contracts. Also includes refunds issued for on-campus external programming and other expenses not classified elsewhere.

Following is a financial summary of the University's operations as of the end of December of FY19 and a comparison perspective to December of FY18.

University All Funds Comparison
as of December 31, 2018
(\$ in thousands)

	Current Year FY19 Second Quarter			Prior Year FY18 Second Quarter		Current Year FY19		
	YTD Actuals	YTD Budget	Variance	YTD Actuals	Variance	YTD Forecast	Annual Budget	Variance
Revenue								
Tuition & Student Fees	\$ 163,077	\$ 89,154	\$ 73,924	\$ 161,357	\$ 1,720	\$ 173,077	\$ 178,307	\$ (5,230)
Gifts, Grants, & Contracts	27,687	35,161	(7,473)	27,520	168	57,375	70,321	(12,946)
Other Fees and Fines	5,035	4,282	753	4,958	77	10,070	8,564	1,506
Sales	21,004	16,327	4,677	18,840	2,164	34,509	32,654	1,855
Rental & Room Income	29,755	16,271	13,484	33,701	(3,947)	32,455	32,541	(86)
Gate Receipts & Commissions	3,538	2,747	791	1,535	2,002	7,075	5,494	1,581
Miscellaneous & Investment Income	890	6,679	(5,788)	1,348	(457)	12,781	13,357	(576)
State of Illinois	79,401	41,830	37,571	49,031	30,370	83,659	83,659	-
Total Revenue	\$ 330,388	\$ 212,449	\$ 117,939	\$ 298,291	\$ 32,097	\$ 411,000	\$ 424,897	\$ (13,897)
Expenses								
Cost of Sales	\$ 2,449	\$ 2,455	\$ (6)	\$ 4,046	\$ (1,597)	\$ 4,898	\$ 4,910	\$ (12)
Personnel Services	107,739	107,843	(104)	106,949	790	215,478	215,685	(207)
Contractual Services	40,354	43,791	(3,436)	36,344	4,010	80,709	87,581	(6,872)
Commodities	2,972	3,734	(762)	2,739	233	5,945	7,468	(1,523)
Travel	2,120	2,778	(657)	2,080	40	4,240	5,555	(1,315)
Automotive	641	632	9	637	4	1,282	1,264	18
Scholarships	26,822	29,033	(2,212)	25,658	1,163	53,643	58,066	(4,423)
Telecommunications	242	340	(98)	113	129	484	680	(196)
Equipment & Library Materials	4,520	4,968	(447)	3,606	914	9,040	9,935	(895)
Capital Repairs, Debt Service & All Other	5,715	16,877	(11,162)	5,639	76	33,430	33,753	(324)
Total Expenses	\$ 193,573	\$ 212,449	\$ (18,875)	\$ 187,812	\$ 5,762	\$ 409,147	\$ 424,897	\$ (15,751)
Net Revenue	\$ 136,814	\$ (0)	\$ 136,814	\$ 110,479	\$ 26,335	\$ 1,854	\$ (0)	\$ 1,854

To ensure that the amounts reported per the budget are in line with the University's anticipated financial statement results, a reconciliation between Budget (Fund Accounting) and GAAP (Generally Accepted Accounting Principles) has been prepared.

An explanation of Generally Accepted Accounting Principles (GAAP) versus Fund Accounting (Budget):

- GAAP - a common set of accounting principles, standards, and procedures that companies must follow when compiling financial statements.
- Budget - based on fund accounting, which is a method of accounting that emphasizes accountability rather than profitability. The focus is on fund balances that are set aside to achieve a specific goal with the organization.

The change in net position is estimated as of December 31, 2018, and was calculated using the FY18 draft financial statement figures.

Following is the reconciliation from the University's Budget to GAAP financial statements as of the quarter-ended December 31, 2018.

Budget to GAAP Reconciliation	
(\$ in thousands)	
Net Revenue, per Budget	\$ 136,814
Depreciation expense	(13,845)
Debt principal	<u>4,987</u>
Increase in Net Position, estimated per GAAP	\$ 127,956

**Unaudited*

As of quarter-end, the estimated increase to net position is \$127.9 M. However, annualized results yield a total estimated decrease to net position of \$15.9M. Based on the budgeted year-to-date forecasted net revenue of \$1.8M and estimated depreciation expense and debt principal totaling negative \$17.7M, this overall negative change in net position is expected to reduce net position from \$190.6M to \$174.4M at year-end. This reduction is primarily a result of depreciation, non-cash expense, and not the result of operational performance.

STEVENSON COMPLEX – FRANCHISE AGREEMENT APPROVAL

Summary: Enhancing the existing dining experience in the Stevenson residential complex is an important step in increasing the overall attractiveness and amenities of the Stevenson complex for student recruitment/retention and implementing enhanced meal plan options across campus for Fall 2019. The selected franchise brand will complement the overall meal plan options for students across the campus.

Background: The revised dining plan, as showcased in the Academic Affairs, Student Affairs, and Personnel Committee presentation, will provide more flexibility for students by adding nationally branded franchises with greater assortments and variety of offerings in addition to the all you care to eat residential dining locations currently available. This strategy is consistent with peer institutions and responds to student surveys, which indicated a desire for a mix of national and unique/local food brands, as well as a mix of food options. This retail food operation will be a nationally branded sandwich shop intended to replace the Dog Pound Deli service.

NIU will be the license holder for the franchise. As such, NIU is responsible for operating the location under the franchisor's standards and will pay a royalty of 5% of all sales to the franchisor. NIU will retain the remaining 95% of sales.

There is no upfront licensing fee for the intended franchise brand. While franchise royalty payments will depend on actual sales, the overall magnitude of this initiative, based on conservative estimated business volume, is expected to be approximately \$250,000 over a 10-year term (\$250k in sales x 5% royalty x 10 years).

Funding: Institutional - Auxiliary Operations

Recommendation: Board of Trustees approval is requested to enter into a franchise agreement with a selected firm for a term not to exceed 10 years. 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 the Special Meeting on February 7, 2019.

**STEVENSON COMPLEX – RENOVATE DINING AREA
CAPITAL PROJECT**

Summary: This project will renovate the existing dining areas at the Stevenson Residential Complex to enhance the dining experience at the Stevenson residential complex and augment the options to be available under the new meal plans intended for Fall 2019.

Background: This project will convert the existing dining and Dog Pound Deli areas into a grill station, a pizza station, a franchised nationally branded sandwich shop, and convenience store.

To establish this new food venue for Fall 2019, work will begin at the end of Spring 2019 and will be coordinated to ensure food service is available for summer camp operations. The project investment is expected to have a simple payback of approximately three years based on conservatively estimated sales.

Funding: Institutional - Auxiliary Reserves \$450,000

Recommendation: The University requests authorization to proceed with work orders, all necessary contracts with consultants, contractors, and suppliers as necessary to complete the project. 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 the Special Meeting on February 7, 2019.

HOLMES STUDENT CENTER – PHASE I REDEVELOPMENT CAPITAL PROJECT AMENDMENT

Summary: The Board of Trustees approved the Holmes Student Center - Phase I Redevelopment project with a budget of \$20M at the regular meetings held in June 2016 (design authorization) and December 2017 (construction authorization). Subsequently, at the August 2018 Finance, Audit, Compliance, Facilities and Operations Committee meeting, the University reported that the construction bids received were higher than expected. Value engineering efforts were employed to capture cost savings, which allowed the construction contracts to proceed, but the University is now requesting additional funding to move forward with essential components of this project, including the renovations required for a food venue build out and maintenance of the budgeted contingency reserves.

Background: The campus-wide dining strategy includes new meal plans for Fall 2019 which will provide more flexibility for students by adding retail food venues as dining options in addition to the all-you-care-to-eat residential dining locations currently available. The food venue in HSC will be a self-operated national brand that aligns with food choices identified by campus surveys conducted during conceptual design efforts. The authority to execute a franchise agreement for this food venue was previously approved by the Board in December 2017.

Standard project contingency amounts are typically budgeted around 10% of estimated construction costs. Currently, after the value engineering reductions, this project holds 2.9% in contingency reserve. While the project demolition phase, where most unforeseen conditions are typically encountered, is largely complete, the increase indicated below will bring the contingency level to 5.0% to help manage the remaining risk associated with the construction process.

Reinstated Food Venue Build-out	\$450,000
Increase Project Construction Contingency	<u>\$450,000</u>
Total Project Amendment	\$900,000

Upon approval, the University will make the appropriate amendment request to the IBHE at their March meeting.

Funding: Institutional – Auxiliary Reserve \$900,000

Recommendation: The University requests authorization to amend the project budget to proceed with work orders, all necessary contracts with consultants, contractors, and suppliers as necessary to complete the work. 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 the Special Meeting on February 7, 2019.

**INTERCOLLEGIATE ATHLETICS APPAREL SPONSORSHIP PACKAGE
(FY20-26, WITH OPTIONS)**

Summary: NIU Intercollegiate Athletics requires team athletic apparel, footwear and accessories for its 17 men’s and women’s sports programs, coaches, administrative staff and support staff on an annual basis, and seeks to enter into an exclusive athletic apparel sponsorship agreement with Adidas. Adidas can outfit all 17 sports programs, will offer the University the best quality merchandise at the most advantageous pricing structure, and offers the University the best overall athletic apparel sponsorship package.

To ensure the best-discount pricing and the most advantageous sponsorship package offering from Adidas, the initial agreement would be for a seven-year period of coverage, from FY20 through FY26, with up to an additional three one-year renewal options (through FY29).

Background: NIU Athletics is seeking NIU Board of Trustees approval to enter into an athletic apparel sponsorship agreement with Adidas. Adidas is a corporate conglomerate with various divisions, subsidiaries, and/or licensees, so purchase orders (or possibly sub-agreements, if required) may be issued to any of the various company names under the Adidas corporate umbrella. NIU Intercollegiate Athletics grants a sports apparel vendor the exclusive rights to outfit the University’s designated sports teams and staff and grants the vendor exclusive licensing rights to have their brand (logo) on all designated athletic apparel, footwear and accessories provided to the institution. In exchange for the purchase of apparel, footwear, and accessories, Adidas will be granted exclusive licensing rights for said merchandise and have additional opportunities for brand exposure and advertising. NIU Athletics is requesting that as part of the vendor’s apparel sponsorship package agreement that resulting discounted pricing would also be extended to other NIU Departments as requested.

The RFP process was conducted after the previous attempt failed in April of 2018, and the existing apparel agreement was extended for an additional year (FY19). The current RFP, #JMT110118, has concluded and as a result, NIU Athletics would like to enter into a master agreement with Adidas. Based on the proposed agreement, NIU Athletics would enter into a seven-year agreement worth a maximum of \$500,000 annually with additional performance incentives and miscellaneous bonuses. To ensure our best discount pricing and the most advantageous sponsorship package offering from Adidas, the initial agreement would be for a seven-year period of coverage, from FY20 through FY26, with up to an additional three, one-year renewal options (through FY29). NIU Board of Trustees approval is being sought for only the initial seven-year period of coverage. In the event the University wishes to renew the agreement beyond that timeframe, additional Board approval would be sought at that time.

For the initial seven-year period of coverage, the maximum anticipated spend is \$3.5M. This bid/RFP competitive selection has been advertised in the Illinois Public Higher Education Procurement Bulletin.

Funding: Institutional – Local Funds (based on the unit utilizing the discount)

Adidas - Initial 7-year contractual period \$3,500,000

Recommendation: 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 March 7, 2019.

**FISCAL YEAR 2020 INTERCOLLEGIATE ATHLETICS
AIR CHARTER SERVICES FOR FOOTBALL TEAM**

Summary: Intercollegiate Athletics requests permission to purchase air travel services for the NIU Football Team for FY20. The team will fly out of Rockford, IL, for games at:

- University of Utah, Salt Lake City, UT, September 7
- University of Nebraska, Lincoln, NE, September 14
- Vanderbilt University, Nashville, TN, September 28
- University of Toledo, Toledo, OH, date TBD
- University of Miami and/or Ohio University, date TBD

A Request for Proposal was developed and advertised in the *Illinois Procurement Bulletin* for FY19 air charter services for the football team, with the option of renewals for FY20 and FY21. Intercollegiate Athletics is requesting to initiate the process of renewal with the current vendor, Air Planning.

Background: Intercollegiate Athletics annually requests these services for the football team. This request is occurring one meeting earlier than prior years in order to ensure approval from the Board of Trustees meets the timeline of the renewal and acceptance of our current vendor.

Some of the FY20 dates and potential opponents for the Mid-American Conference trips are tentative and/or TBD because the conference schedule is not finalized until late February.

Funding: Institutional – Local Funds

Air Planning, LLC..... \$ 550,000

Recommendation: 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 March 7, 2019.

Amount Approved for FY19: \$400,000

FISCAL YEAR 2020 MASTER AGREEMENT FACILITY OPEN ORDER CONTRACT RENEWALS

Summary: Master agreements for labor and materials supporting facility repairs/improvements are required to be established or renewed for FY20 for various contractors. These agreements provide an important streamlined contractual mechanism to engage companies effectively and efficiently as facility requirements emerge. The renewal awards will be advertised on the *Illinois Procurement Bulletin*.

Background: As the level of deferred maintenance and repair demands continue to increase, the ability and agility to respond quickly when failures occur becomes more critical. The amounts listed on the next page are not-to-exceed (NTE) limits established for FY20. These do not reflect a commitment or obligation, but serve as an upper limit for the amount of work that may be requested under these agreements. Services will be requested on an as-needed basis throughout the FY20 period and will include appropriate actions to ensure competitive pricing. Any individual orders under these agreements at or above \$250K will be preceded with a specific project approval request presented to the Board.

Funding: Institutional – Local Funds

Recommendation: 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 March 7, 2019.

New award –may be awarded to more than one qualified responder:

<u>New general contractor services agreement (each)</u>	\$ 600,000
<u>New masonry/stone services agreement (each)</u>	\$ 600,000
<u>New mechanical services agreement (each)</u>	\$ 600,000

Renewals:

<u>Advanced Boiler Control Services – Crown Point, IL</u>	\$ 450,000
<u>Ballard Services, Inc. – Rockford, IL</u>	\$ 800,000
<u>Carnow Conibear & Associates, LTD – Chicago, IL</u>	\$ 600,000
<u>Cooling Land Concepts, LLC – Cherry Valley, IL</u>	\$ 700,000
<u>Curran Contracting Company – DeKalb, IL</u>	\$ 425,000
<u>EDE Corp. – Chicago, IL</u>	\$ 700,000
<u>Elliott & Wood, Inc. – DeKalb, IL</u>	\$ 750,000
<u>Environmental Design International – Chicago, IL</u>	\$ 600,000
<u>Environmental Group Services – Chicago, IL</u>	\$ 600,000
<u>Freeport Industrial Roofing, Inc. – Freeport, IL</u>	\$ 350,000
<u>G.D. Barri & Assoc., Inc. – Peoria, AZ</u>	\$ 325,000
<u>Hygieneering, Inc. – Willowbrook, IL</u>	\$ 600,000
<u>Independent Mechanical Ind., Inc. – Chicago, IL</u>	\$ 400,000
<u>Kelso Burnett Co. – Rockford, IL</u>	\$ 300,000
<u>Mid Valley Concrete Co. – Sandwich, IL</u>	\$ 300,000
<u>Ringland Johnson, Inc. – Cherry Valley, IL</u>	\$ 550,000
<u>Rush Power Systems, LLC – Kirkland, IL</u>	\$ 475,000
<u>Schoening Painting & Decorating, Inc. – Rockford, IL</u>	\$ 550,000
<u>Sprinkmann Sons Corp. – Milwaukee, WI</u>	\$ 700,000
<u>Sterling Commercial Roofing, Inc. – Sterling, IL</u>	\$ 500,000
<u>Swedberg Electric, Inc. – Sycamore, IL</u>	\$ 800,000
<u>Tecnica Environmental Services, Inc. – Lemont, IL</u>	\$ 750,000
<u>True North Consultants, Inc. – Naperville, IL</u>	\$ 600,000
<u>Virgil Cook & Son, Inc. – DeKalb, IL</u>	\$ 800,000
<u>Weaver Construction, Inc. – Sycamore, IL</u>	\$ 600,000

Total

	\$ 16,025,000
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Amount approved for FY19: \$13,175,000

**FISCAL YEAR 2020 CONSUMABLE COMMODITIES
OPEN ORDER CONTRACT RENEWALS**

Summary: Commodity purchases for consumable items are required to support the operations of various University departments for FY20. These commonly include materials for cleaning, office supplies, postage, and fuel. The following open order renewals or new agreements will be processed in accordance with applicable Illinois procurement regulations and advertised, as required on the *Illinois Procurement Bulletin*.

Funding: Institutional – Local Funds

<u>Office Depot Max, Inc. – Itasca, IL</u>	\$ 400,000
<u>Supplyworks – Rockford, IL</u>	\$ 300,000
<u>U.S. Postal Service – DeKalb, IL</u>	\$ 800,000
<u>Vehicle/Equipment Fuel Supplier(s) to be determined</u>	\$ 370,000
Total Financial Capacity	\$1,870,000

Recommendation: 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 March 7, 2019.

Amount Approved for FY19: \$1,970,000

**FISCAL YEAR 2020 DIVISION OF INFORMATION TECHNOLOGY
CAMPUS COPIER PROGRAM CONTRACT RENEWAL**

Summary: The Division of Information Technology (DoIT)—Integrated Media Technologies program requests permission to issue an order for renewal of the campus copier program consisting of approximately 413 multi-function devices (MFD) of various configurations. The annual volume of copies is approximately 13 million. This program is provided under a rental agreement based on a flat rate per copy charge, which includes all equipment, toner, and maintenance. Devices are operated with a campus copier card controller system. Peripheral devices, such as fax boards and networking cards, are included in the contract. This is the seventh year of nine, one-year renewal options based on a proposal opened December 2, 2011. The renewal award will be advertised in the *Illinois Procurement Bulletin*.

Background: DoIT has partnered with Gordon Flesch Co in support of the copier management program to avoid having a fixed staffing level and fixed asset base in an area of technology that has shifting use patterns. Leasing the devices and expertise allows NIU to continue to enforce market pricing without regard to our declining use of print. Since FY16, DoIT has negotiated rates that are between 9% and 37% lower for monochrome printing and 50% lower for color printing. These savings, combined with removing over 1,400 individual printers and the resulting 40% decrease in individual printing volume, have helped NIU reduce the total cost of printing by an estimated \$1.05M per year, totaling \$1.525M since the Anywhere Print project finished. Savings in the contract reflect a portion of those total cost reductions.

In FY17, total cost for this program was \$975K; the FY20 requested spend of \$700K represents a 28% reduction since FY17. This cost reduction is primarily driven by the optimization of the Anywhere Print fleet “footprint” in accordance with volume needs – making sure properly sized MFD devices were deployed where volume dictated it.

Funding: Institutional/Local Funds

Gordon Flesch Co. – Geneva, IL.....\$700,000

Recommendation: 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 March 7, 2019.

Approved amount for FY19: \$880,000

**FISCAL YEAR 2020 DIVISION OF INFORMATION TECHNOLOGY
MICROSOFT ENROLLMENT CONTRACT RENEWAL**

Summary: The Division of Information Technology requests permission to issue an order for the Fiscal Year 2020 Renewal of Microsoft Enrollment for Education Solutions software for resale during the license period July 1, 2019 – June 30, 2020. This is the sixth of nine, one-year renewal options based on RFP #KMC138285, which was originally awarded on June 6, 2013. The renewal award will be advertised in the Illinois Procurement Bulletin.

Background: The licensing under this contract allows NIU to run Microsoft Windows Desktop OS and Microsoft Office products, including their updates, for all University owned computers and provides five copies of Office for all students, faculty, and staff to run on their personal devices while they are enrolled or employed by the University. This contract also covers Windows Server licensing costs in NIU’s virtual environment and license costs for several features such as Multi-Factor Authentication and Self-Service Password Reset.

Funding: Appropriated Funds

ScholarBuys – Carpentersville, IL \$ 400,000

Recommendation: 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 March 7, 2019.

Amount approved for FY19: \$400,000

FISCAL YEAR 2020 STUDENT HEALTH INSURANCE

Summary: The University provides group health insurance, funded solely by student health insurance fees, to students. Such fees are paid by students and submitted directly to the group health insurance carrier. Students may waive their participation in this plan if they have proof of other comparable health insurance. NIU will be utilizing renewal option two out of five on RFP # CAB11122015, which was originally awarded on April 29, 2016. The renewal award will be advertised in the *Illinois Procurement Bulletin*.

Background: Total premiums collected by NIU on behalf of students have decreased due to proactive plan design, continued overall program management, and declining enrollment. This approval better aligns the anticipated distribution amount to the student health insurance provider with the anticipated student participation level. Following is summary information from previous years:

	Original Purchase Order Requested Amount	Actual Amount Paid to Insurance Provider	Number of Students Enrolled in Student Health Insurance	Semester Premium
FY20	\$ 7,750,000			\$ 1,179
FY19*	\$ 8,000,000	\$ 3,474,122	3,258	\$ 1,179
FY18	\$ 12,500,000	\$ 5,988,691	6,437	\$ 1,039
FY17	\$ 12,500,000	\$ 6,336,402	7,227	\$ 991
FY16	\$ 12,500,000	\$ 7,399,535	7,385	\$ 1,041

**The information reported is for fall and winter; Spring and summer will be reported later in the year.*

Funding: Agency Funds

Aetna Life Insurance Co – Hartford, CT..... \$7,750,000

Recommendation: 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 March 7, 2019.

**FISCAL YEAR 2020
INTERNATIONAL PROGRAMS DIVISION EXPENDITURES**

Summary: Northern Illinois University’s International Programs Division is given an annual authorization for expenditures for foreign study programs. All expenditures are made from payments received from the approximately 400 students expected to enroll in these programs. Costs include travel, overseas instructional and administrative services, room and board, and local tuition. Expenditures never exceed revenues. Once program enrollments are determined, payments are made immediately to secure and guarantee registration, accommodations, and other program-related costs.

Background: Due to the many variables, including actual number of enrollees in each program, program choices, and currency fluctuations, the amount of authorization needed for specific programs is unpredictable. Consequently, aggregate expenditure authority is requested within which the International Programs Division can secure specific program and group arrangements. Under this authority, specific transactions will be processed in accordance with the Procurement Code and internal approval procedures. Overall, the University does not expect the program level to fluctuate significantly from FY19. All funds and disbursements remain subject to University accounting controls and management.

Funding: Institutional – Local Funds

Various Vendors.....NTE \$2,000,000

Recommendation: 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 March 7, 2019.

Amount Approved in FY19: \$3,000,000

PERIODIC REPORT ON INVESTMENTS FOR PERIOD ENDING DECEMBER 31, 2018

In accordance with the approved University Investment and Cash Management policy, this report on investments is submitted at the end of each calendar quarter to the Board of Trustees. The following schedules are included with this report:

- Cash and Investment Holdings Summary as of December 31, 2018
- Investment Earnings by Type and Duration for the quarter ending December 31, 2018

The *Cash and Investment Holdings Summary* on page 27 shows the ending balances, book values, and market values for Northern Illinois University's cash and investments. At December 31, 2018, total holdings were approximately \$175M. Prior year holdings were nearly \$174M. The comparable second quarter ending balances for FY18 and FY19 indicate a more consistent pattern of State reimbursements than in previous fiscal years. This consistent and dependable cash flow allows for better financial planning.

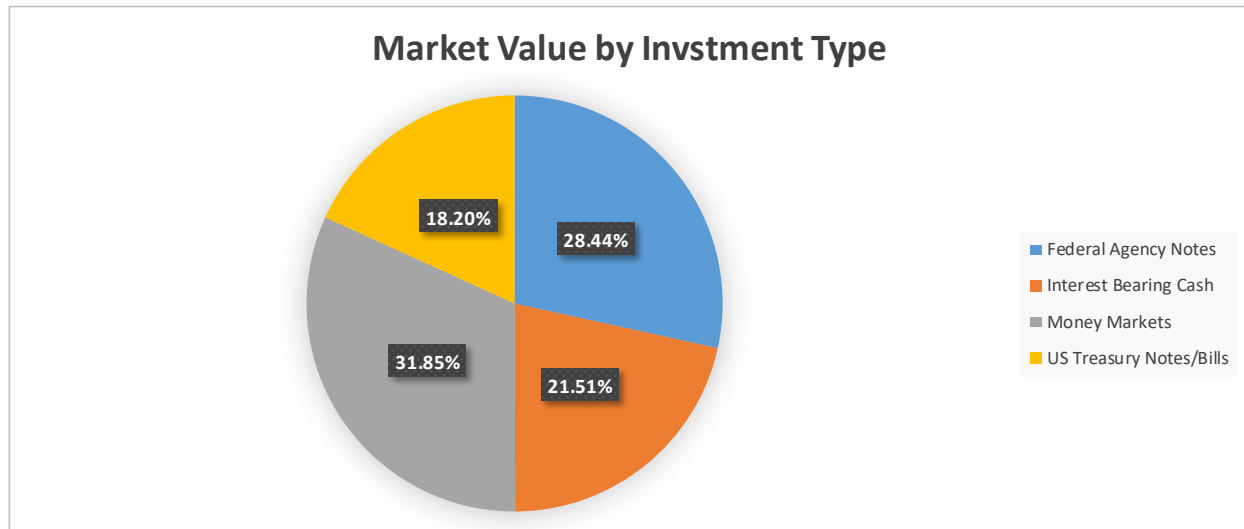
The *Investment Earnings* report on page 28 shows the interest earnings for the second quarter of FY19 and the annualized rates of return for this quarter as well as the three previous quarters for all invested funds. Because of higher invested balances and increasing interest rates, interest earnings rose this quarter by more than \$70,000 over last quarter's \$766,462. Additionally, interest income for this quarter has doubled since the second quarter of FY18. As evidenced by the last row of the table, the investment portfolio's average annualized rate of return has steadily increased from 1.32% to 1.90%.

The increased return is likely related to the growing US economy. In 2018, the Federal Reserve sought to control inflation by raising its interest rate four times. However, growth in the US economy is expected to slow in the 2019 calendar year; the Fed will not likely raise rates as often. The frequency and timing of future rate hikes plays a key role in the University's investment strategy. If rates increase each quarter, the University will continue to purchase short-term investments, thus reducing interest rate risk. As rates begin to level off, the University will start investing in securities with longer maturities, as long as operational cash needs are being met.

NORTHERN ILLINOIS UNIVERSITY
CASH and INVESTMENT HOLDINGS SUMMARY

December 31, 2018
For Fiscal Year 2019

Investment Type	Purch Price/ Ending Bal *	Book Value **	Market Value ***
Federal Agency Notes:			
Local Funds	\$ 49,645,068	\$ 49,810,365	\$ 49,731,720
Interest Bearing Cash Accounts:			
Local Funds	\$ 37,608,027	\$ 37,608,027	\$ 37,608,027
Project Funds	710	710	710
	<u>\$ 37,608,737</u>	<u>\$ 37,608,737</u>	<u>\$ 37,608,737</u>
Money Markets:			
Local Funds	\$ 34,366,232	\$ 34,366,232	\$ 34,366,232
Project Funds	21,304,368	21,304,368	21,304,368
	<u>\$ 55,670,600</u>	<u>\$ 55,670,600</u>	<u>\$ 55,670,600</u>
US Treasury Notes/Bills:			
Local Funds	\$ 31,845,203	\$ 31,905,546	\$ 31,824,456
TOTAL INVESTMENT HOLDINGS	\$ 174,769,608	\$ 174,995,248	\$ 174,835,513
Non-interest Bearing Cash	\$ 273,760	\$ 273,760	\$ 273,760
TOTAL CASH & INVESTMENT HOLDINGS	\$ 175,043,368	\$ 175,269,008	\$ 175,109,273
TOTAL REPORTED FOR 12/31/2017	\$ 173,873,278	\$ 173,858,201	\$ 173,703,027



* Amounts per Bank and Investment Statements
** Purchase price, net of accumulated amortization of premiums and discounts
*** Estimated price for which an investment would sell in the marketplace

Assets reported in the CASH and INVESTMENT HOLDINGS SUMMARY comply with the Illinois Public Funds Investment Act (30 ILCS 235)
and the NIU Investment and Cash Management Policy

NORTHERN ILLINOIS UNIVERSITY
INVESTMENT EARNINGS
For Fiscal Year 2019
October 1, 2018 - December 31, 2018

	December 31 Ending Balance	Average Daily Investment Balance	Percent of Portfolio	Income Earned	Annualized Rates of Return			
					FY 2019		FY 2018	
					2nd Qtr	1st Qtr	4th Qtr	3rd Qtr
Short-Term Investment Accounts								
Illinois Funds	\$ 34,366,232	\$ 31,039,854	17.71%	\$ 175,565	2.244%	1.971%	1.746%	1.386%
Investment Accounts - Financial Institutions	\$ 37,608,027	\$ 39,483,689	22.53%	\$ 226,800	2.279%	2.025%	1.764%	1.437%
Investment Accounts - Project Funds	\$ 21,305,078	\$ 22,039,843	12.57%	\$ 96,377	1.735%	1.454%	1.227%	0.842%
ST Investment Accounts Total	\$ 93,279,337	\$ 92,563,386	52.81%	\$ 498,742	2.138%	1.878%	1.671%	1.337%
Fixed Income Securities								
Local Funds	\$ 81,490,271	\$ 82,715,962	47.19%	\$ 339,665	1.643%	1.537%	1.391%	1.280%
Project Funds	\$ -	\$ -	0.00%	\$ -	-	-	1.614%	1.057%
Fixed Income Securities Total	\$ 81,490,271	\$ 82,715,962	47.19%	\$ 339,665	1.643%	1.537%	1.391%	1.257%
Non-interest Bearing Cash	\$ 273,760	\$ -	-	\$ -	-	-	-	-
COMBINED TOTAL	\$ 175,043,368	\$ 175,279,348	100.00%	\$ 838,407	1.90%	1.73%	1.58%	1.32%

Assets reported in INVESTMENT EARNINGS BY TYPE AND DURATION comply with the Illinois Public Funds Investment Act (30 ILCS 235) and the NIU Investment and Cash Management Policy

**QUARTERLY SUMMARY REPORT OF
TRANSACTIONS IN EXCESS OF \$100,000 FOR THE PERIOD
OCTOBER 1, 2018 TO DECEMBER 31, 2018**

Purchase Amount	No. of Transactions	Appropriated	Non-Appropriated	Total
Over \$100,000	9	\$330,514	\$1,071,700	\$1,402,214

TRANSACTIONS DETAIL:

Purchases:

1. Renewal was required of the contract with Apogee for campus-wide cable services for Fiscal Year 2019. After reviewing the contract, cable drops were confirmed which reduced the amount of spaces being serviced and resulted in a \$28,771 savings over the previous contract. This is the fifth year of nine renewal options based on a Request for Proposal opened on November 15, 2012 (#BML110112). The renewal notice was advertised in the Illinois Procurement Bulletin and has been waived by the PPB. (Apogee Telecom, Inc., Austin, TX) 191,000

2. The Office of the President requested permission to enter into a contract for executive search firm services for the position of Executive Vice President and Provost. This order was exempt from advertising on the Illinois Procurement Bulletin because the vendor is a pre-approved IPHEC vendor (Bulletin #1243). (Witt/Keiffer, Oak Brook, IL) 105,000

3. Intercollegiate Athletics requested permission to issue orders for Mid American Conference 2018-2019 officials' payments for men's and women's basketball (conference and non-conference games). Per the conference operating code, payments for men's and women's basketball officials will be paid by the league office and invoiced. The intent to renew this contract as a sole source was advertised in the Illinois Procurement Bulletin and has been waived by the PPB. (Mid American Conference, Cleveland, OH) 175,000

4. The Division of Information Technology requested permission to purchase two Cisco 9400 Switches to replace the switches at the Wellness and Literacy Center and Barsema Hall via the technology refresh roadmap. The order was exempt from advertising on the Illinois Procurement Bulletin because the order will utilize a pre-approved IPHEC vendor. (CDW-G, Vernon Hills, IL) 120,500

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|---|-----------------|
| <p>5. The Holmes Student Center requested permission to purchase 1,600 stackable chairs and 45 dollies to replace aging inventory. These chairs are very durable, store more compactly and are easier to move, which requires fewer people to set up rooms for meetings/events. With this purchase, the HSC will achieve full-chair replacement for the building. This order was exempt from advertisement on the <u>Illinois Procurement Bulletin</u> because the order will utilize a pre-approved IPHEC vendor (Bid # 1SLE1303). (Krueger International, Green Bay, WI)</p> | <p>234,000</p> |
| <p>6. The Office of the Provost requested permission to enter into a contract for digital advertising and related services for Fiscal Year 2019. Marketing services to be provided include: tactical media planning and management, tracking and reporting, optimization of media spend budget, creation of content. Pricing and specifications are based on a Request for Proposal opened on August 21, 2018 (#JMT051518). This approval request was to cover an interim period of 120 days until Board of Trustees' approval was obtained for the entire contract term and amount. The intent to award this contract was advertised on the <u>Illinois Procurement Bulletin</u> and has been waived by the PPB. (Wiley edu, LLC, Oak Brook, IL)</p> | <p>200,000*</p> |
| <p>7. An amendment was requested by Northern Public Radio to increase the approval amount to cover the entire five-year lease for tower space to make FM transmissions for the radio station. The amended approval amount is for the period July 1, 2018 – June 30, 2023. This order was exempt from advertising on the <u>Illinois Procurement Bulletin</u> according to 30 ILCS 500/40-15(b) (1), less than 10,000 sq. ft. and less than \$100,000 per year. The original amount of \$27,300 was approved on the 6/29/18 President's Report. (Midwest Tower Leasing Inc./Sauk Valley Broadcasting Corp., Kankakee, IL)</p> | <p>130,514*</p> |

Capital Improvement Projects:

1. The renovation of Room 71N in Founders Library for Discover Financial Services received original approval March 30, 2018, with a budget of \$20,000 and was amended to \$70,000 on April 27, 2018 to address minor demolition and removal of asbestos material. Subsequently at the newly created entry vestibule, which provides access to both Discover and Library space, security gates were required to control patrons exiting from the Library. Amendment approval was sought to increase the project budget from \$70,000 to \$116,200 to complete the necessary security upgrades including card access readers. 116,200

Discover completed the renovation and lease of Room 71 N with the student internships in place for the start of the fall semester.

The work will be completed by a combination of an outside contractor and in-house workforce under the coordination of a NIU project manager.

2. Security camera repairs and upgrades were required to improve and enhance the safety of the Stevenson residential complex. The project implements a security camera proof of concept design that will determine the feasibility and functionality of an end-to-end network security camera architecture for the campus. The project will reduce identified physical access vulnerabilities, provide new camera coverage, increase camera footage availability, simplify and secure access to camera footage, provide new capabilities to reduce the time to pull security camera footage related to incidents, and provide integration with existing door access systems. 130,000

Work will be completed by a combination of outside contractors and in-house workforce under the coordination of a NIU project manager.

*Appropriated/Income Funds

FACILITIES UPDATE

Following is an update on facilities and projects.

Neptune Renovation

\$5.4M Investment

Completed: Restrooms, Entrances, Kitchen Freezer/Cooler Improvements

Completed: Critical mechanical system repairs

Completed: Dining Room Enhancements

Completed: Corridor lighting/flooring, new furniture & limited bathroom improvements

Fall 2018/Spring 2019: Flooring, furniture, A/C, limited bathroom upgrades

NIU

BOT approval Mar 2017

2

Neptune East Wing

Flooring upgrades underway

- Flooring removal 75%
- New flooring beginning
- Electrical for A/C complete
- A/C install by June
- Bathroom improvements by Aug

NIU

3

Holmes Student Center Update



\$20M Investment



The design of the Huskies Den creates a clear circulation path through the building that supports use and allows together a variety of programs forming a social hub at the Holmes Student Center.

4

HSC Timeline/Progress



New Den elevator shaft underway



New SA/SILD space taking shape



East-West corridor view

Schedule targeting:

- Construction completion Oct 2019
 - Demolition 90% complete
 - Mechanical/electrical/plumbing in progress
 - Wall framing beginning
- Phased opening for operations Nov to Jan

5

HSC Progress



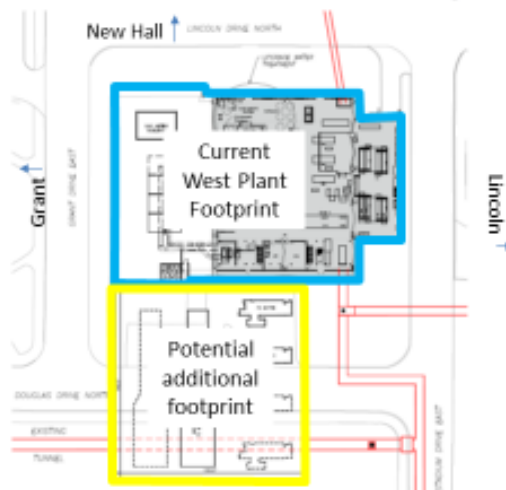
New north entrance opening

6

Boiler Replacement



- CDB preparing Design-Build project with
 - ~\$6M state funding
 - ~\$10M aux funding
- Tentative Schedule
 - Issue D-B RFP early summer
 - Select D-B firm late summer



BOT approval Jun 2017

7

Nelson Suite Convocation Center



Completion views



\$300K Investment

8

CLERY REPORT UPDATE

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act for Calendar Year 2017 was released in October 2018.

The Department of Police and Public Safety prepared statistics concerning reported crimes within NIU Clery Geography with information collected from local law enforcement agencies, Ethics and Compliance Office, Housing and Residential Services, Student Conduct, Human Resources, Counseling and Consultation Services, and other Campus Security Authorities. Early each year these statistics are audited, and in October, they are submitted to the Department of Education and published in the Annual Security Report. Information comparing statistics for 2017 to 2016 are below.

Crimes Against Persons

- No Murders were reported within our Clery Geography for either year
- Rape incidents decreased from 16 to 10
- Fondling incidents increased from 3 to 4
- Robbery incidents decreased from 3 to 2
- Aggravated Assault incidents decreased from 11 to 8

Crimes Against Property

- Burglaries remained constant at 17
- Motor Vehicle Thefts remained constant at 1
- Arsons decreased from 2 to 0

Violence Against Women Act Offenses

- Domestic Violence cases decreased from 3 to 0
- Dating Violence cases increased from 31 to 32
- Stalking cases decreased from 9 to 3

Weapons Arrests and Referrals

- Weapons Arrests remained constant at 2
- Weapons Referrals decreased from 4 to 1

Alcohol Arrests and Referrals

- Alcohol Arrests decreased from 26 to 19
- Alcohol Referrals decreased from 170 to 147

Drug Arrests and Referrals

- Drug Arrests decreased from 51 to 12*
- Drug Referrals decreased from 218 to 45**

***Decriminalization of Cannabis Possession**

In July 2016, Illinois decriminalized cannabis possession of up to 10 grams. Those found in possession now simply face a modest fine, rather than arrest. If students (or employees) are referred for disciplinary action for an incident that occurred on or after this date, and they were possessing less than 10 grams of a substance containing cannabis, no Drug Law Violation will be recorded in the Clery Act crime statistics because such possession is not a crime and does not rise to the level of a Drug Law Violation for Clery Act purposes.

****Civil Law Violations**

In July 2016, police officers in the State of Illinois had the ability to issue a Civil Law Citation for Possession of Drug Paraphernalia. This process was implemented at NIU in December 2016. Per the Department of Education, if a Civil Law Violation is issued in lieu of an arrest, then the incident will not count as an arrest for Clery Act purposes.

The full Clery Report can be found at www.niu.edu/clery.

FISCAL YEAR 2018 INTERNAL AUDIT UPDATE

Summary: Director of Internal Audit Danielle Schultz will provide an overview of Internal Audit staff and the annual report for FY18.

Background: The internal audit department’s mission statement is “to provide independent and objective assurance and consulting services to assist the Board of Trustees and University management in the effective discharge of their oversight, management, and operating responsibilities.”

According to the Illinois Fiscal Control and Internal Auditing Act (30 ILCS 10), key guidance for Internal Audit is to report directly to the Chief Executive Officer (University President) and have direct communication with the president and Board of Trustees; to remain free of all operational duties; and to deliver the annual Internal Audit Department Report to the president by September 30.

The 2018 Internal Audit Annual Report contained detailed information about each audit performed during FY18. It was delivered to President Freeman on September 28, 2018, and was subsequently provided to the Finance, Audit, Compliance, Facilities, and Operations Committee members.