

Minutes of the
NIU Board of Trustees of Northern Illinois University
Finance, Audit, Compliance, Facilities and Operations Committee
February 7, 2019

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 10:58 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 Veronica Herrero, Trustee Bob Pritchard, Trustee Eric Wasowicz (left meeting at 11:09), and Committee Chair Tim Struthers. There were no members absent. 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

A motion to approve the agenda was made by Trustee Eric Wasowicz; seconded by Trustee Bob Pritchard. All were in favor. None were opposed. The motion carried.

4. REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the November 15, 2018 meeting was made by Trustee Eric Wasowicz; seconded by Trustee John Butler. 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, relayed expressions of gratitude regarding how the University handled the recent weather closures and related safety concerns. She further expressed concern over the odd closure times creating time reporting issues.

6. PUBLIC COMMENT

There were no public comments.

7. FINANCIAL UPDATE

Action Item 7.a. – Quarterly Financial Summary

Sarah McGill presented the Quarterly Financial Summary. She began with the table representing the second quarter of FY19 drawing attention to the rightmost column. This indicates that NIU expects to end the year at a positive position of \$1.8M. Revenue is expected to be approximately \$13.9M short of budget, and expenses will be \$15.8M better than the budget amount. The revenue shortfall excludes the State of Illinois appropriation amount, which would bring NIU to approximately \$1.7M below last year's revenue total. Ms. McGill thanked the NIU community for their mindfulness and continued commitment to managing expenses. She continued explaining

that core tuition and student fees are slightly above the prior year's period, however, there is a shortfall in gifts, grants, and contracts of about \$13M due to unrecognized revenue. On the expense side revenue in sales is slightly above budget by \$1.9M due to an increase in sales. Also noted was that expenses are higher than this time last year as campus is working to respond to deferrals made in previous years due to the budget impasse. Ms. McGill also addressed what this means looking forward to the year-end financial statements and reporting on a gap basis. At year end, net position will decrease from \$191M to approximately \$174M as a result of depreciation, not a result of operational performance.

Chair Struthers added that the audit will report a rough \$18M deficit on the financials and net equity position would decline by that amount. He mentioned the need to recognize the demands of depreciation at some point but expressed appreciation in the advancement of these reports.

8. UNIVERSITY RECOMMENDATIONS

Action Item 8.a. – Stevenson Complex – Franchise Agreement Approval

Sarah McGill indicated the next three items are needed to move forward with the continued deployment of the dining strategy. This item represents the need to enhance the existing dining experience in the Stevenson residential complex as a crucial step in increasing the overall attractiveness and amenities of the complex for student recruitment and retention, implementing enhanced meal plan options across campus for fall 2019. The selected franchise brand is expected to be a nationally branded sandwich shop to complement the overall meal plan options. Ms. McGill referenced a royalty payment of \$250,000 over the maximum ten-year lease.

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

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 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 February 7, 2019.

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.b. – Stevenson Complex – Renovate Dining Room (Capital Project)

Sarah McGill explained this item is in support of the previously discussed franchise agreement. This project will renovate the existing dining areas in the Stevenson residential complex. The proposed renovations convert the existing dining and Dog Pound Deli areas into a grill station, a pizza station, a franchise nationally branded sandwich shop, and a convenience store. The project investment is expected to have a simple payback of approximately three years based on conservative estimated sales.

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

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 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 February 7, 2019.

A motion was made by Trustee Bob Pritchard; seconded by Trustee Veronica Herrero.

A question was asked about what would happen if these areas were not remodeled and if that would prohibit attracting a national franchise. Ms. McGill responded that it would negatively impact the University's ability to offer the variety of restaurants and good options that are part of this plan. The existing layout would become more of a food court concept.

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

Action Item 8.c. – Holmes Student Center Phase I Redevelopment (Capital Project)

Sarah McGill explained that the Board of Trustees approved the Holmes Student Center Phase I Redevelopment Project with a budget of \$20M at the regular meeting held in June 2016. In December 2017, approval was sought for construction. Unfortunately, the construction bids received were higher than anticipated, which was reported to the FACFO Committee in August 2018. Value engineering efforts were deployed to capture cost savings allowing construction contracts to proceed. The University is now requesting additional funding to move forward with essential components of the project which include renovations for a food venue build out and maintenance of the budget contingency reserves. The University is seeking approval for \$900,000 from auxiliary reserves to continue this project. Upon approval, the University will make the appropriate amendment request to the IBHE at their March meeting.

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

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 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 February 7, 2019.

Chair Struthers asked that Ms. McGill present the schematic to the committee, which will offer further explanation. Ms. McGill explained that the schematic represents the main floor of the Holmes Student Center and what it will look like following construction. The first floor, which was not represented, will continue to have Ellington's and the College Grind.

A discussion ensued clarifying where the fourth area was on the schematic and what restaurant was to go in that area. Concern was expressed as to the lack of energy on the outside of the building, specifically on the north and east side, not reflecting the great things going on inside. Ms. McGill indicated there will likely be an update on this enhancement at a future meeting. A recommendation was made to include an Amazon drop station with this remodel. Clarification was also provided as to why this is coming before the Board for additional funding. It was reiterated that due to the bids coming in higher than anticipated, there is a need to increase the budget to continue with the build out of the fourth food venue. The timeline for the build out was also reviewed, and with the additional \$900,000 in this request, the entire project budget totals \$20,900,000.

A motion was made by Trustee Veronica Herrero; seconded by Trustee Nathan Hays. All were in favor. None were opposed. The motion carried.

Action Item 8.d. – Intercollegiate Athletics Apparel Sponsorship Package

Sarah McGill indicated the need for an Intercollegiate Athletics Apparel Sponsorship Package. To obtain the most advantageous pricing structure and sponsorship package, the initial agreement would be for seven years, FY20-FY26 with up to an additional three, one-year renewals. This includes team apparel, footwear, and accessories through an exclusive apparel sponsorship agreement with Adidas. The maximum anticipated spend is \$3.5M, approximately \$500,000 per year.

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

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and ask that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 7, 2019.

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

A conversation ensued regarding previous spends for apparel and clarifying the actual spend will more than likely be less than \$500,000.

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

Action Item 8.e. – FY20 Intercollegiate Athletics Air Charter Services for Football Team

Sarah McGill indicated the need to purchase air travel services for the NIU football team for FY20. The approval amount being requested is \$550,000.

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 March 7, 2019.

A motion was made by Trustee Bob Pritchard; seconded by Trustee Veronica Herrero.

A discussion ensued regarding the difference between flying out of Rockford versus O'Hare. It is less expensive and less chance of delay in using the Rockford airport. Also mentioned, the DeKalb airport does not currently have a certificate allowing these flights but is working toward obtaining this certificate.

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

Action Item 8.f. – FY20 Master Agreement Facility Open Order Contract Renewals

Sarah McGill explained that master agreements for labor and materials supporting facility repairs and improvements are required to be established or renewed for FY20 for various contractors. The amounts listed are 'not-to-exceed' limits. They do not reflect a commitment or obligation of spend but serve as an upper limit for the amount of work that may be requested. Any individual orders under these agreements at or above \$250,000 will be preceded with a specific project approval request presented to the Board, in accordance with Board of Trustee Regulations.

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 March 7, 2019.

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

Clarification was provided that the amounts may have changed up or down from previous years for the vendors listed. There are more vendors on this request than in previous years to enable a quick response to University needs.

A roll call vote was performed. Trustees Barsema, Hays, Herrero, and Pritchard all voted yes. Trustee Butler and Chair Struthers abstained. Trustee Wasowicz was absent. The motion carried.

Action Item 8.g. – FY20 Consumable Commodities Open Order Contract Renewals

Sarah McGill indicated the need to renew consumable commodities open order contracts to support the operations of various University departments. These commonly include materials for cleaning, office supplies, postage, and fuel.

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 March 7, 2019.

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

Action Item 8.h. – FY20 Campus Copier Program Contract Renewal

Sarah McGill explained the need for renewal of an open order for the campus copier program, which consists of approximately 413 multi-function devices of various configurations whose annual volume of copies is estimated at 13 million. This is the seventh year of nine, one-year renewal options.

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 March 7, 2019.

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

A conversation ensued regarding the spend amount decreasing year over year. This is likely due to many factors including more efficient use of copiers, more digital processes, and less headcount. It was mentioned that the change made last year that resulted in a reduction of 1,400 printers has had a significant impact on the expenses of the University, approximately \$1.5M in savings. Interest was shown in obtaining the projections that were made when this was approved in 2016/2017. President Freeman noted that this was a significant change in behavior that benefited the University.

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

Action Item 8.i. – FY20 Microsoft Enrollment Contract Renewal

Sarah McGill explained the need for renewal of the Microsoft Enrollment contract for Education Solutions software for resale. This is the sixth year of nine, one-year renewal options.

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 March 7, 2019.

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

Action Item 8.j. – FY20 Student Health Insurance

Sarah McGill explained that the University provides group health insurance funded solely by the student health insurance fees to students. This is renewal option two of five.

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 March 7, 2019.

A motion was made by Trustee Bob Pritchard; seconded by Trustee John Butler.

Questions arose. Clarification was provided regarding the wording used differentiating fall, winter, spring, and summer. The amounts provided were simply for the first half of the year. Further explanation was also provided regarding the use of renewal option two and what that actually means as well as confirming that the University needs to announce in the procurement bulletin that it is exercising the right to pursue the renewal.

The following conversation took place later in the meeting.

A request was made to review the slide information briefly presented. Ms. McGill explained, there are approximately 3,200 students who purchased coverage in FY19 but only about 1,800 actually used that coverage. Students are required to have coverage and must provide proof of coverage if they waive NIU student health insurance. Further questions arose as to why the student usage

seems to be low. Varying student needs and benefits will be taken into consideration as the University addresses renewal options going forward. President Freeman mentioned conversations with other public universities surrounding interest in coming together under a consortium agreement. Due to the unique needs of student populations at each university, the conversation has not moved forward. There is an opportunity in the upcoming year to look for partners or other consortia as part of controlling costs and providing appropriate services to all NIU students.

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

Action Item 8.k. – FY20 International Programs Division Expenditures

Sarah McGill indicated that 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. It was noted that expenditures never exceed revenues. Approval is sought for \$2M for programming support.

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 March 7, 2019.

A motion was made by Trustee Bob Pritchard; seconded by Trustee John Butler.

A conversation ensued. Ms. McGill explained that the amount being asked this year is \$1M lower than last year in an effort to be more responsible with budgeting and aligning the ask to usage. Provost McCord added, the programs that the University offers have an ebb and flow based on student demand, so the programs are constantly being adjusted. A side-note request was made to obtain trends of what the study abroad number census looks like over time.

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

9. UNIVERSITY REPORTS

Information Item 9.a. – Periodic Report on Investments

Sarah McGill explained that items 9a through 9d are presented as written updates for informational purposes. Included are updates on the University's investment portfolio which indicates that the University is realizing the benefit of higher interest rates and the investment portfolio grew because of that among other factors. There were no questions or discussion.

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

Information Item 9.c. – Facilities Update

Information Item 9.d. – Clery Report Update

Information Item 9.e. – Internal Audit Update

Danielle Schultz presented an update, which included a brief introduction to the Audit Department and its mission and requirements. Other items covered included staffing and FY18 audit activity.

Chair Struthers commented on the interesting dynamic of a public forum with respect to how the audit outcomes are discussed compared to a private sector perspective. Keeping trustees well informed regarding the risk profile of the audit findings as well as status report is important. Ms. Schultz confirmed that each trustee receives each individual audit report as well as the annual audit report.

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 May 9, 2019.

12. ADJOURNMENT

A motion was made to adjourn by Trustee Bob Pritchard; seconded by Trustee Dennis Barsema. The motion passed.

Meeting adjourned 12:03 p.m.

Respectfully submitted,

Vicky Rippberger/Sandy McCartney
Recording Secretary