



# Board of Trustees

Finance, Audit, Compliance,  
Facilities and Operations  
Committee

*May 9, 2019*

**BOARD OF TRUSTEES OF NORTHERN ILLINOIS UNIVERSITY**  
**Finance, Audit, Compliance, Facilities and Operations Committee**  
**8:30 a.m. – Thursday – May 9, 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. Swearing in of Trustees Rita Athas, John Butler, Montel Gayles, and Robert Pritchard
4. Meeting Agenda Approval..... *Action*..... i
5. Review and Approval of Minutes of February 7, 2019 ..... *Action*..... 1
6. Chair's Comments/Announcements
7. Public Comment\*
8. Financial Update
  - a. FY18 Audit Results..... *Information*.....8
  - b. Quarterly Financial Summary – FY19 Third Quarter..... *Information*.....18
  - c. Fiscal Year 2020 University Budget – Preliminary Summary ..... *Information*.....22
9. University Reports
  - a. Information Technology at NIU ..... *Information*.....25
10. University Recommendations
  - a. New Oracle ERP Hardware/Software Contract ..... *Action*.....26
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  - c. FY20 Cisco Hardware Maintenance Contract ..... *Action*.....28
  - d. Ciena Hardware Maintenance – Five-Year Agreement..... *Action*.....29
  - e. FY20 NIU Foundation Professional Services Contract ..... *Action*.....30
  - f. FY20 Intercollegiate Athletics Secondary Student Health Insurance Contract Renewal..... *Action*.....31
  - g. New Depository Account for Commercial Card Program..... *Action*.....32
  - h. Fire Services Contract Extension with the City of DeKalb ..... *Action*.....33
11. University Reports Continued
  - a. Periodic Report on Investments for Period Ending March 31, 2019 ..... *Information*.....34
  - b. Quarterly Summary Report of Transactions in Excess of \$100,000 for the Period January 1, 2019 to March 31, 2019..... *Information*.....37
  - c. Semi-Annual Progress Report of Active Capital Projects ..... *Information*.....39
  - d. Facilities Update ..... *Information*.....45

12. Other Matters

13. Next Meeting Date

14. 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**  
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

**FISCAL YEAR 2018 AUDIT RESULTS**

Briefing to be presented by Shyree Sanan regarding Audited Financial Statements and Financial Results for the Year Ended June 30, 2018 followed by Fiscal Year 2018 External Audit Corrective Action Plans Update.

# FY18 Audited Financial Results



- Received “Unqualified” audit opinion (best outcome)
- Net position decreased by \$2.5 million
- Focus on adjusted net working capital
- Summary of long-term debt position
- Progress towards continued commitment to transparency

## 2018 Change in Net Position Summary



The following comparative summary illustrates the lingering impact of a two-year State budget impasse and the declining tuition revenue on net position:

	2018 (\$000's)	2017 (\$000's)	\$ change	% change
<b>Operating Activities:</b>				
Tuition and fees, net	\$ 104,152	\$ 127,256	\$ (23,104)	-18.2%
Net revenues	147,271	148,312	(1,041)	-0.7%
Net expenses	(582,957)	(559,239)	23,718	4.2%
Operating loss	\$ (331,534)	\$ (283,671)	\$ (47,863)	-16.9%
<b>Nonoperating &amp; Other Activities:</b>				
State appropriation – general	\$ 124,806	\$ 48,316	\$ 76,490	158.3%
State appropriation - on behalf payments	183,539	179,204	4,335	2.4%
Net other revenues (expenses)	52,605	17,940	34,665	193.2%
Other revenues	9,297	7,810	1,487	19.0%
Nonoperating & Other Revenues	\$ 370,247	\$ 253,270	\$ 116,977	46.19%
Increase (Decrease) in net position	\$ 38,713	\$ (30,401)	\$ 69,114	227.3%
Net Position, Beginning of Year	\$ 194,837	\$ 225,238	\$ (30,401)	-13.5%
Change in accounting principle (OPEB)	(44,390)	-	(44,390)	
Restatement for gift agreements	3,092	-	3,092	
Net Position, Beginning of Year, as restated	\$ 153,539	\$ 225,238	\$ (71,699)	-31.8%
Net Position, End of Year	\$ 192,252	\$ 194,837	\$ (2,585)	-1.3%

# 2018 Statement of Net Position Summary



A high level summary comparison of the University's assets, liabilities and net position at June 30, 2018 and June 30, 2017:

	2018 (\$000's)	2017 (\$000's)	\$ change	% change
<b>Current Assets:</b>				
Cash and investments	75,802	8,401	67,401	802.3%
Restricted cash and investments	45,402	14,775	30,627	207.3%
Other current assets	30,555	50,094	(19,539)	-39.0%
<b>Noncurrent Assets:</b>				
Cash and investments	-	2,991	(2,991)	-100.0%
Restricted cash and investments	63,880	92,888	(29,008)	-31.2%
Other assets	449,857	460,034	(10,177)	-2.2%
<b>Total Assets</b>	<b>\$ 665,496</b>	<b>\$ 629,183</b>	<b>\$ 36,313</b>	<b>5.8%</b>
Deferred Outflows of Resources	\$8,564	\$1,894	\$6,670	352.2%
<b>Liabilities:</b>				
Current liabilities	63,376	62,208	1,168	1.9%
Noncurrent liabilities	413,700	374,032	39,668	10.6%
<b>Total Liabilities</b>	<b>\$ 477,076</b>	<b>\$ 436,240</b>	<b>\$ 40,836</b>	<b>9.4%</b>
Deferred Inflows of Resources	\$4,732	-	\$4,732	100.0%
<b>Net Position</b>	<b>\$ 192,252</b>	<b>\$ 194,837</b>	<b>\$ (2,585)</b>	<b>-1.3%</b>

# 2018 Working Capital Focus



Working capital is one common measure of liquidity, and measures an organization's ability to meet its short-term obligations. A comparative summary of adjusted working capital follows:

	2018 (\$000's)	2017 (\$000's)	\$ change
<b>Working Capital:</b>			
Current Assets	\$ 151,759	\$ 73,270	\$ 78,489
Current Liabilities	\$ 63,376	\$ 62,208	\$ (1,168)
<b>Total</b>	<b>\$ 88,383</b>	<b>\$ 11,062</b>	<b>\$ 77,321</b>
<b>Adjustments:</b>			
Current Restricted Cash & Investments	\$ (45,402)	\$ (14,775)	\$ (30,627)
Noncurrent Cash & Investments	\$ -	\$ 2,991	\$ (2,991)
<b>Total Adjustments:</b>	<b>\$ (45,402)</b>	<b>\$ (11,784)</b>	<b>\$ (33,618)</b>
<b>Adjusted Working Capital</b>	<b>42,981</b>	<b>\$ (722)</b>	<b>43,703</b>
<b>Adjusted Working Capital Ratio</b> (adjusted current assets/current liabilities)	<b>1.68</b>	<b>-0.99</b>	<b>2.67</b>

**A good working capital is considered anything between 1.2 and 2.0.**

# Long-term Debt Position



The following table provides a summary of the University's debt obligations, including performance contracts, notes and revenue bonds, and capital leases for the past five years (excludes new Other Post-Employment Benefits liability) :

	FY19	FY18	FY17	FY16	FY15
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Debt obligation payable, beginning of year	\$351,752	\$359,365	\$369,796	\$372,608	\$380,244
Current year changes:					
New borrowing	-	\$ 2,527	-	\$ 5,600	-
Principal repayment	\$ (10,502)	\$ (9,973)	\$ (10,264)	\$ (9,346)	\$ (7,926)
Change in unamortized bond (premium) discount	\$ (167)	\$ (167)	\$ (167)	\$ 934	\$ 290
Net change	\$ (10,669)	\$ (7,613)	\$ (10,431)	\$ (2,812)	\$ (7,636)
Debt obligation payable, end of year	<u>\$341,083</u>	<u>\$351,752</u>	<u>\$359,365</u>	<u>\$369,796</u>	<u>\$372,608</u>

\* FY19 amounts are unaudited

# Progress Towards Continued Commitment to Transparency



✓ Completed reconciliation from FY18 budget results to FY18 audited financials

✓ Reviewed FY18 budget results to FY18 audited financials to test assumptions

✓ Applied assumptions and assessed impact to the FY19 budget to project year end results.

✓ Applied assumptions to inform FY20 budget build process

- Improved Management Reporting
  - ✓ Quarterly budget analysis and GAAP reconciliation
  - Consideration of quarterly dashboard of financial KPIs on a full GAAP basis beginning Q1 – FY2020

## FISCAL YEAR 2018 EXTERNAL AUDIT CORRECTIVE ACTION PLANS UPDATE

As a result of FY18 audit findings, the University developed formal corrective action plans intended to strengthen internal controls and address each audit recommendation as described in the FY18 Financial Audit and Compliance Examination. There were thirteen total material audit findings of which seven were repeated from the prior year. The total number of findings decreased by one compared to the prior year. The average number of findings received from all nine Illinois public institutions for FY18 was twelve.

Management has engaged Internal Audit to test the status of corrective action plans for FY18 material audit findings, which will play a critical role in tracking progress to date. Responsible officers have provided status updates on corrective action steps taken during the 2018 fiscal year to address material audit findings. Enclosed is a summary on the corrective action plans that includes the finding description, audit recommendation, and associated risk as defined by the auditors. As noted in the chart below, corrective action plans have been fully implemented or significant progress made towards full implementation. This status update on corrective actions is current as of March 2019.

<b>Finding Number</b>	<b>Description of Finding</b>	<b>Status</b>
Finding 2018-001	Financial Reporting Process (repeated)	Partially Implemented
Finding 2018-002	Untimely Cash Reconciliations (repeated)	Implemented
Finding 2018-003	Enrollment Status Reporting (repeated)	Partially Implemented
Finding 2018-004	Inadequate Internal Controls over Contracts (repeated)	Partially Implemented
Finding 2018-005	Failure to Submit Proper Time Reporting (repeated)	Partially Implemented
Finding 2018-006	Noncompliance with Campus Security Enhancement Act of 2008	Partially Implemented
Finding 2018-007	Lack of Annual Performance Reviews	Partially Implemented
Finding 2018-008	Inadequate Controls Over I-9 Forms	Partially Implemented
Finding 2018-009	Noncompliance with Tuition and Fee Waiver Requirements	Partially Implemented
Finding 2018-010	Noncompliance with the Reporting Requirements over Capital Projects	Partially Implemented
Finding 2018-011	Subsidies between Accounting Entities	Partially Implemented
Finding 2018-012	Inadequate Controls over Property and Equipment (repeated)	Partially Implemented
Finding 2018-013	Lack of Contingency Planning or Testing to Ensure Recovery of Computer Systems (repeated)	Partially Implemented

The University is committed to instituting corrective actions and continuous improvement that will affect positive change, increase accountability, and foster good stewardship over University resources. To this note, a central Ethics and Compliance Office has been created and an Ethics and Compliance Officer recently appointed. The Ethics and Compliance Office was created to assist the University campus in a proactive manner to ensure its activities comply with the laws, regulations, and policies that govern the University and adheres to the highest legal, professional, and ethical standards.

Barriers that limit full implementation of corrective action plans include limited financial and staff resources, high staff turnover, increased workflows, and limited information technology functionality. In addition, the FY18 financial and compliance audit reports were not final until February 13, 2019 and March 15, 2019, respectively, which reduced the amount of lead time available to implement all corrective actions by June 30, 2019.

## **FY18 FINDINGS AND CORRECTIVE ACTIONS**

The summary update below includes the finding description, audit recommendation, and associated risk as defined by the auditors. University comments on implementation status follows. This information is current as of March 2019.

### **Finding 2018-001: Financial Reporting Process**

**Definition:** University internal controls over financial reporting are not sufficient to prevent material misstatements. Auditor recommended the University improve controls over financial reporting to ensure accurate presentation and disclosure of the University's annual financial statements.

**Risk:** Delays completion of the audit process and the timely release of the University's financial reports to users. Could lead to significant reporting inaccuracies in the financial statements.

#### **Recommendation Status: Partially Implemented**

**Comments:** The Office of the Controller experienced employee turnover in two critical management positions that delayed full implementation of the corrective action plan in the prior fiscal year. The Controller and Deputy Controller positions were recently filled. It is anticipated that progress toward implementing the recommendation will continue before the fiscal year end, and these same issues will not recur going forward.

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### **Finding 2018-002: Untimely Cash Reconciliations**

**Definition:** University monthly reconciliation for cash accounts were not prepared and reviewed on a timely basis. Auditor recommended the University establish and maintain internal controls to ensure the timely preparation and review of all cash reconciliations.

**Risk:** Delay the detection and correction of inaccurate account balances and adversely affect the usefulness of financial reports.

#### **Recommendation Status: Implemented**

**Comments:** The Office of the Controller experienced staff turnover during the first half of the 2018 fiscal year. The Accounting Associate position that handles bank reconciliations was refilled and staff training provided to correct this issue. It is not anticipated this same issue will recur going forward.

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### **Finding 2018-003: Enrollment Status Reporting**

**Definition:** University did not complete enrollment status reporting to the U.S. Department of Education accurately and in a timely manner. Auditor recommended the University establish and maintain internal controls to ensure enrollment status reporting is complete, accurate, and performed in a timely manner.

**Risk:** Students do not properly enter the loan repayment period.

#### **Recommendation Status: Partially Implemented**

**Comments:** The Office of Registration and Records has revised its operating procedures for students who unofficially withdraw or are academically dismissed which will allow timely enrollment reporting to National Student Loan Data System (NSLDS) in accordance with U.S. Department of Education regulations.



**Finding 2018-004: Inadequate Internal Controls over Contracts**

**Definition:** University has not established adequate internal controls over contracts to ensure they are approved prior to performance and comply with all applicable State requirements. Auditor recommended the University establish and maintain internal control procedures to ensure contracts and leases are complete and properly approved prior to performance. Auditors also recommended that the University adhere to State laws, regulations, and University policies and procedures.

**Risk:** Noncompliance with State statutes and regulations leaves the University vulnerable to unnecessary liabilities and potential legal problems, and procuring goods or services at a higher rate than would have been otherwise paid.

**Recommendation Status: Partially Implemented**

**Comments:** Procurement Services and Contract Management has constructed multiple pathways to remediate the audit finding that includes retooling existing operating activities, introducing new operating practices, employee training, and increased cross campus collaboration. The department will continue to educate campus departments through direct communications, training, reminders, and through its website. In addition, the department is creating vendor awareness and reminders through the workflow process to mitigate performance prior to purchase order. These activities will be implemented as information technology and staff resources are available.

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**Finding 2018-005: Failure to Submit Proper Time Reporting**

**Definition:** University did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act. Auditor recommended the University continue its efforts to develop and implement a program to require all employees to submit time sheets in accordance with the Act.

**Risk:** Lack of complete documentation of time spent by faculty and graduate assistants on official state business as contemplated by the Act.

**Recommendation Status: Partially Implemented**

**Comments:** Human Resources Services has completed a process design and technical solution to provide the infrastructure in support of faculty time reporting. Efforts are underway to determine an effective solution for graduate assistants due to their unique contract status. In addition, collective bargaining negotiations with faculty are ongoing and results will influence implementation of our plans.

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**Finding 2018-006: Noncompliance with Campus Security Enhancement Act of 2008**

**Definition:** University did not have adequate controls to ensure that required criminal background investigations were conducted prior to employment for employees hired for security sensitive positions. Auditors recommended the University comply with the requirements of the Act and existing University policies and procedures.

**Risk:** Noncompliance with the Act and University, and may result in allowing access to security sensitive information to individuals who otherwise should not be trusted.

**Recommendation Status: Partially Implemented**

**Comments:** Human Resource Services took immediate action to perform a background check on the one employee noted as not having a criminal background check. In addition, the University implemented policy in 2011 that designated all positions to be security sensitive requiring a

background check. This policy will be reviewed and updated to appropriately designate security sensitive positions, as required in the Campus Security Enhancement Act of 2008.

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**Finding 2018-007: Lack of Annual Performance Reviews**

**Definition:** University did not conduct annual performance reviews for all its employees. Auditors recommended the University take appropriate measures to ensure employee performance reviews are conducted annually.

**Risk:** Lack of development of employees and communication of performance expectations to employees. No basis for salary adjustments, promotion, demotion, discharge, recall, and reinstatement decisions.

**Recommendation Status: Partially Implemented**

**Comments:** Human Resource Services will place additional resources on reminding supervisors to conduct and submit performance evaluations timely.

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**Finding 2018-008: Inadequate Controls Over I-9 Forms**

**Definition:** University has not established adequate controls over the completion of I-9 forms for employees hired by the University. Auditors recommend the University enhance their controls over the process for preparing and reviewing the I-9 forms to ensure compliance with U.S. Citizenship and Immigration Services (USCIS) requirements.

**Risk:** A violation of USCIS requirements could expose the University to penalties.

**Recommendation Status: Partially Implemented**

**Comments:** Human Resource Services has initiated corrective action to educate and establish training sessions for hiring departments on how to complete the I-9 form.

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**Finding 2018-009: Noncompliance with Tuition and Fee Waiver Requirements**

**Definition:** University did not comply with certain statutory and regulatory requirements regarding the administration of tuition and fee waiver programs. Auditors recommended the University adopt written procedures and establish internal controls to ensure compliance with applicable statutory and regulatory requirements.

**Risk:** Noncompliance with statutory and regulatory requirements.

**Recommendation Status: Partially Implemented**

**Comments:** Budget Office and Bursar Office worked collaboratively to construct multiple pathways to remediate the audit finding which includes retooling existing operating activities, introducing new operating practices, employee training, documenting procedures, and increasing cross-campus collaboration to ensure tuition waivers do not exceed allowable limits.

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**Finding 2018-010: Noncompliance with Reporting Requirements over Capital Projects**

**Definition:** University did not meet all of the reporting and documentation requirements of its non-instructional capital projects submitted to the Illinois Board of Higher Education (IBHE) for approval. Auditors recommend the University establish internal controls to ensure timely and complete submissions to the IBHE.

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**Risk:** Diminishes oversight agencies ability to make informed decisions and manage State resources effectively.

**Recommendation Status: Partially Implemented**

**Comments:** Facilities Management and Campus Services conducted a comprehensive review of each component of the audit finding and began corrective action to review the details of the administrative code with applicable personnel to ensure full awareness of the subjective submission timelines and financial details required for project documentation. In addition, plans for project documentation submission will occur as soon as practical after obtaining NIU Board approval on applicable projects. It is not anticipated this same issue will recur going forward.

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**Finding 2018-011: Subsidies between Accounting Entities**

**Definition:** University had subsidies between accounting entities during the current fiscal year. Auditors recommended the University review the activities of the accounting entities and ensure fees charged for services are sufficient to cover expenditures and ensure subsidies between accounting entities do not occur.

**Risk:** Violation of the University Guidelines.

**Recommendation Status: Partially Implemented**

**Comments:** The Division of Administration and Finance has implemented new multi-year budgeting initiatives that will help avoid this issue in the future.

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**Finding 2018-012: Inadequate Controls over Property and Equipment**

**Definition:** University did not fully comply with requirements applicable to its property and equipment. Auditors recommended the University continue to strengthen its internal controls over the accountability of University property and equipment.

**Risk:** Noncompliance with state regulations; may result in theft and misuse of assets, resulting in a loss to the University, as well as additional spending to replace assets.

**Recommendation Status: Partially Implemented**

**Comments:** Property Control has worked to strengthen its property control protocols, which has significantly reduced the amount of property and equipment unaccounted for over the past year. The department continues to strengthen controls through regular communication with senior leadership during the inventory process, implementing a Missing Asset Internal Investigation Form and Long-term Off-Campus Property Control Form protocol, and adjusting the inventory cycle internal due dates to allow for timely follow up on missing items prior to final submission of the University's inventory certification. Also, efforts have begun to adjust inventory records for remaining items in Lincoln Hall to record the items as non-salvageable.

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**Finding 2018-013: Lack of Contingency Planning or Testing to Ensure Recovery of Computer Systems**

**Definition:** University did not adequately plan for the recovery of its applications and data. Auditor recommended the University review and update its disaster recovery plan (DRP) at least annually or when significant changes occur; perform and document tests of its disaster recovery plan at least once a year; continuously update the disaster recovery plan to reflect environmental changes; and address any weaknesses identified from tests.

**Risk:** Exposure to possible major disruptions of services.

**Recommendation Status:** **Partially Implemented**

**Comments:** The Division of Information Technology in fiscal year 2019 reviewed and updated its disaster recovery (DR) plan, performed a network DR test, and has initiated plan for annual review/tabletop exercise of DR plan going forward. The division will continue testing its plan and documenting results of these tests, and modify the DR plan as significant changes occur.

### **PRIOR FINDINGS NOT REPEATED**

**Finding 2017-002:** **Inadequate Controls over Reporting Restricted Accounts**

**Auditor Comments:**

In the current year, we noted the University strengthened their internal controls over reporting restricted accounts in order to ensure adherence to accounting principles generally accepted in the United State of America.

**Finding 2017-003:** **Noncompliance with Debt Covenants**

**Auditor Comments:**

In the current year, we noted the University strengthened their internal controls over restricted account transactions to ensure compliance with revenue bond covenants and there were no exceptions noted during our sample tested of restricted account disbursements.

**Finding 2017-005:** **Return of Title IV Funds Errors**

**Auditor Comments:**

In the current year, we noted R2T4 calculations were performed accurately and the proper amounts were refunded to the U.S. Department of Education based on our sample tested.

**Finding 2017-007:** **Outstanding Refund Checks**

**Auditor Comments:**

In the current year, outstanding refund checks were returned to the U.S. Department of Education in accordance with program regulations based on our sample tested.

**Finding 2017-011:** **Noncompliance with the Higher Education Veterans Service Act**

**Auditor Comments:**

In the current year, the University submitted the fiscal impact report to the Illinois Board of Higher Education in a timely manner in compliance with the Act.

**Finding 2017-012:** **Inadequate Procedures over Maintenance of the Accounts Payable Master Vendor File**

**Auditor Comments:**

In the current year, this finding was moved to the immaterial letter as finding IM2018-007.

**Finding 2017-013:** **Noncompliance with the Open Meetings Act**

**Auditor Comments:**

In the current year, the University provided sufficient detail within agendas provided in advance of the meetings of the Board of Trustees and various committees to evidence compliance with the Illinois Open Meetings Act.

## QUARTERLY FINANCIAL SUMMARY – FY19 THIRD QUARTER AS OF MARCH 31, 2019

**Background:** The University has prepared a third quarter financial summary.

As of March 31, 2019, forecasted net revenue is \$4.8M ahead of budget. Total revenue was short of budget while expenses outperform expectations.

Revenues are short of budget by \$18.5M, or 4% and, excluding the State of Illinois, \$3.6M below last year. It is encouraging to report that core tuition and student fees are slightly above prior period, however, \$2.8M, or 2%, under budget tied to enrollment being less than planned. More significantly is a shortfall to budget of \$14.1M, or 20%, for Gifts, Grants, and Contracts due to unrecognized revenue. Other revenue is projected to come in slightly under budget as a result of the decreased enrollment for FY19.

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 \$5.8M. Expenses in these areas are expected to end the year better than budget due to effectively controlling expenses to keep in line with expected revenue. Scholarship expense is tracking better than budget for the period and is expected to end the year \$7.9M 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 \$4.8M higher than budget. Revenue is expected to be approximately \$18.5M short of budget, and expenses will be \$23.3M 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 March of FY19 and a comparison perspective to March of FY18.

**University All Funds Comparison**  
**As of March 31, 2019**  
*(\$ in thousands)*

	Current Year FY19 Third Quarter			Prior Year FY18 Third Quarter		Current Year FY19		
	YTD Actuals	YTD Budget	Variance	YTD Actuals	Variance	YTD Forecast	Annual Budget	Variance
<b>Revenue</b>								
Tuition & Student Fees	\$ 167,375	\$ 133,730	\$ 33,645	\$ 170,290	\$ (2,914)	\$ 175,489	\$ 178,307	\$ (2,818)
Gifts, Grants, & Contracts	47,558	52,741	(5,183)	47,873	(315)	56,204	70,321	(14,117)
Other Fees and Fines	6,263	6,423	(161)	6,275	(12)	7,848	8,564	(716)
Sales	27,068	24,491	2,577	29,718	(2,650)	31,648	32,654	(1,006)
Rental & Room Income	29,459	24,406	5,053	29,560	(101)	30,942	32,541	(1,599)
Gate Receipts & Commissions	4,079	4,121	(41)	3,237	843	4,258	5,494	(1,236)
Miscellaneous & Investment Income	3,067	10,018	(6,951)	1,525	1,542	16,368	13,357	3,011
State of Illinois	82,717	62,744	19,973	64,342	18,375	83,659	83,659	-
<b>Total Revenue</b>	<b>\$ 367,586</b>	<b>\$ 318,673</b>	<b>\$ 48,913</b>	<b>\$ 352,819</b>	<b>\$ 14,768</b>	<b>\$ 406,417</b>	<b>\$ 424,897</b>	<b>\$ (18,480)</b>
<b>Expenses</b>								
Cost of Sales	\$ 2,650	\$ 3,683	\$ (1,033)	\$ 6,289	\$ (3,639)	3,513	\$ 4,910	\$ (1,397)
Personnel Services	165,981	161,764	4,217	165,806	174	217,142	215,685	1,457
Contractual Services	55,827	65,686	(9,859)	52,425	3,402	83,941	87,581	(3,640)
Commodities	4,366	5,601	(1,235)	4,190	177	6,266	7,468	(1,202)
Travel	3,504	4,166	(662)	3,295	209	4,689	5,555	(866)
Automotive	931	948	(17)	921	10	1,267	1,264	3
Scholarships	49,207	43,550	5,658	47,413	1,794	50,101	58,066	(7,965)
Telecommunications	407	510	(104)	280	127	982	680	302
Equipment & Library Materials	6,523	7,451	(928)	4,827	1,696	11,388	9,935	1,453
Capital Repairs, Debt Service & All Other	8,465	25,315	(16,850)	9,019	(554)	22,344	33,753	(11,410)
<b>Total Expenses</b>	<b>\$ 297,860</b>	<b>\$ 318,673</b>	<b>\$ (20,813)</b>	<b>\$ 294,465</b>	<b>\$ 3,395</b>	<b>\$ 401,632</b>	<b>\$ 424,897</b>	<b>\$ (23,265)</b>
<b>Net Revenue</b>	<b>\$ 69,726</b>	<b>\$ (0)</b>	<b>\$ 69,726</b>	<b>\$ 58,354</b>	<b>\$ 11,372</b>	<b>\$ 4,785</b>	<b>\$ (0)</b>	<b>\$ 4,785</b>

To ensure that the amounts reported per the budget are in line with the University's FY19 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 organizations 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 specific goals for the organization.

The change in net position is estimated as of March 31, 2019, and was calculated using the FY18 annual GAAP figures. Following is a reconciliation from the University's Budget to GAAP financial statements as of March 31, 2019.

**Budget to GAAP Reconciliation**

(\$ in thousands)

Net Revenue, per Budget	\$ 69,726
Depreciation Expense	(20,768)
Debt principal	7,480
Increase in Net Position, per GAAP	\$ 56,438

*\*Unaudited*

As of March 31, 2019, the estimated increase to net position is \$56.4M. However, the June 30, 2019 net position is expected to decrease by \$12.4M, from \$192.2M to \$179.8M. Based on the forecasted budget year-to-date net revenue of \$4.7M, estimated annual depreciation expense of \$27.6M, and annual debt principal of \$10.5M, results in an overall decrease in net position of \$12.4M. This decrease in net position is primarily due to depreciation expense being a non-budgeted item. The estimated ending net position for fiscal year 2019 is as follows:

**FY19 Change in Net Position**

**For the Year-Ended June 30, 2019**

(\$ in thousands)

Net Position, June 30, 2018	\$ 192,252
Decrease in net position	(12,403)
Net Position, June 30, 2019	\$ 179,849

*\*Unaudited*



## FISCAL YEAR 2020 UNIVERSITY BUDGET–PRELIMINARY SUMMARY

**Background:** Annually, the University seeks the Board’s approval of the budget for the next fiscal year. Herein, the FY20 budget is presented in a preliminary format in advance of a confirmed State appropriation. The final budget recommendation will be brought to the Board for approval once the University has received an enacted appropriation from the State; in most previous years, this has occurred in early June.

The release of a Strategic Enrollment Management Plan that is consistent with NIU’s mission and that has realistic enrollment projections has provided critical information to drive financial planning efforts. Acknowledging that NIU is a 17,000-18,000 undergraduate, graduate, and online student institution allows forecasting of the University’s financial performance into the future. With this information, the University’s budget process must be improved to be more forward thinking and goal driven.

Previously, the University budget process focused on the next fiscal year’s needs and projected shortfalls, rather than a longer time period. Program Prioritization was the first critical step in looking ahead and creating a more disciplined approach in identifying savings and the need for long-term investment. In January 2019 a new and transparent multi-year budgeting process was launched.

The new budgeting process includes investments in crucial areas to support NIU’s mission, vision, and values. Specifically, financial commitments have been made for:

- Enrollment management, research and engagement initiatives;
- Financial aid and scholarships for students, including AIM High; and
- Faculty and staff salary increments and graduate assistantship stipend increases.

When these investments are considered in the larger context, the budget must also respond to the past decade’s long-term declines in revenue, resulting from reduced state appropriations and declining enrollment. If action is not taken, it is anticipated that there will be an annual shortfall of approximately \$28M per year, lasting at least from FY20 to FY23. These projections are based on current estimates of the revenue and expense drivers for the University including enrollment projections, state appropriations, and the investments listed above. Responding to recurring shortfalls with a multi-year approach will allow the University the necessary time to thoughtfully and deliberately correct and remodel the University appropriately.

A transparent, multi-year budget process is new to the University and has not been in effect previously. As a result, the numbers reflected in the preliminary budget offer new visibility into the financial stability of NIU. University leadership is committed to closing the budget shortfall before FY24 and reducing reliance on cash, as well as the adverse impact to net position.

Northern Illinois University - FY20-24 Projected Financial Performance Summary  
Preliminary DRAFT - Information as of 4/30/19

	YTD Forecast		Preliminary Budget Request:			
	FY19	FY20	FY21	FY22	FY23	FY24
<b>REVENUE</b>						
General operating revenues	147,268,817	146,803,425	146,803,425	146,803,425	146,803,425	146,803,425
Tuition & fees	175,489,117	178,097,583	177,072,869	180,087,184	183,108,212	188,073,220
State appropriation	83,659,000	87,759,200	87,759,200	87,759,200	87,759,200	87,759,200
<b>TOTAL REVENUE</b>	<u>406,416,935</u>	<u>412,660,208</u>	<u>411,635,495</u>	<u>414,649,809</u>	<u>417,670,837</u>	<u>422,635,846</u>
<b>EXPENSE</b>						
General operating expenses	377,088,887	386,555,758	385,541,727	386,372,163	387,042,828	385,502,051
Capital improvements	2,200,000	2,650,000	3,400,000	4,150,000	4,900,000	5,650,000
Debt service	22,343,535	31,483,795	31,483,795	31,483,795	31,483,795	31,483,795
<b>TOTAL EXPENSE</b>	<u>401,632,422</u>	<u>420,689,553</u>	<u>420,425,522</u>	<u>422,005,958</u>	<u>423,426,623</u>	<u>422,635,846</u>
<b>Net Revenue - Budgeted Surplus/(Deficit)</b>	<u>4,784,513</u>	<u>(8,029,345)</u>	<u>(8,790,028)</u>	<u>(7,356,149)</u>	<u>(5,755,786)</u>	<u>-</u>
<b>CASH USE:</b>						
Cash Use to Close Budget Shortfall	\$ -	\$ 8,029,345	\$ 8,790,028	\$ 7,356,149	\$ 5,755,786	\$ -
<b>BUDGET SURPLUS (DEFICIT):</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION IMPACT:</b>						
<b>Projected Beginning Net Position, July 1, 20XX</b>	\$ -	\$ 179,849,000	\$ 155,092,655	\$ 130,102,627	\$ 107,084,479	\$ 85,690,693
Change in Net Position:	-	-	-	-	-	-
Projected Budget Results	-	(8,029,345)	(8,790,028)	(7,356,149)	(5,755,786)	-
Net Reconciling items (depreciation/debt principal)	-	(16,727,000)	(16,200,000)	(15,662,000)	(15,638,000)	(15,052,000)
<b>Projected Ending Net Position, June 30, 20XX</b>	<u>\$ 179,849,000</u>	<u>\$ 155,092,655</u>	<u>\$ 130,102,627</u>	<u>\$ 107,084,479</u>	<u>\$ 85,690,693</u>	<u>\$ 70,638,693</u>

**Comments:** The University submits for review a preliminary FY20-FY24 budget. At this time, the University projects an all-funds \$8M shortfall between projected revenues and expenses in FY20. The shortfall is consistent with NIU's modeling of the budget and commitment to realize a structurally balanced budget by FY24 and allows time to make thoughtful and deliberate resource decisions in support of NIU's mission, vision, and values. The planned shortfall is attributed to:

- Moving to align academic offerings and administrative functions in support of University goals;
- Investing in crucial areas to support NIU's mission, vision, and values;
- Deploying a multi-year time horizon (FY20-FY23) to realize the structural changes necessary; and
- Achieving sustainable fiscal actions with limited use of cash reserves.

The FY20 operating budget includes several noteworthy characteristics:

- Anticipates \$4.1M in increased State appropriations, consistent with Governor Pritzker's proposed budget;
- Incorporates an expected increase in new students (53) and a decline in continuing student enrollment (271), consistent with the Strategic Enrollment Management Plan;
- Incorporates an increase in scholarship support for students; and
- Reflects over \$17.6M in savings and new revenues to the education and general fund from new or expanded efforts to promote operational efficiency and expense reduction.

During the FY20 budget development process, in anticipation of a budget shortfall approaching \$28M, divisions were asked to identify opportunities for increasing revenue and decreasing expenses. A specific adjustment for each division was recommended after consideration of the unit's proposed actions and plans, as well as the University's mission and strategic priorities. The Divisions of Information Technology, Intercollegiate Athletics, and Outreach, Engagement and Regional Development were asked to reduce expenditures by more than 18 percent. Several others, including the Divisions of Administration and Finance, Student Affairs, and Research and Innovation Partnerships have targeted contributions of 14 percent. Academic Affairs is committed to a 10 percent adjustment. University Administrative Services and the Division of Enrollment Management, Marketing and Communications were not assigned targets in order protect the vital functions of student enrollment and campus safety.

As reflected in budget projections for FY21, FY22, FY23, and FY24, these commitments for the coming fiscal year provide the foundation for a structurally balanced education and general fund budget by mid-decade. Future year budget projections incorporate the enrollment goals of the Strategic Enrollment Management Plan, assume modest annual increases to undergraduate tuition and fees beginning in FY21, provide annual salary increments, assume 3% annual expense reduction targets, and provide for a Strategic Initiatives Fund to allow for critical and timely investments that support financial stability and mission fulfillment.

### **Efforts to Finalize the FY20 Budget**

Now through June, efforts will continue to balance and finalize the budget. Specifically, the following will influence the final FY20 operating budget brought to the Board for approval:

- Final amount of State appropriation;
- Updated enrollment projections;
- Expense reductions and revenue growth from Colleges and Divisions; and
- Potential funding from the State in support of capital projects/deferred maintenance.

Efforts will continue to close the budget shortfall before FY24 and reduce reliance on cash, as well as the adverse impact to net position.

**Agenda Item 9.a.**  
**May 9, 2019**

*Information*

## **INFORMATION TECHNOLOGY AT NIU**

Briefing to be presented by Matt Parks.

## NEW ORACLE ERP HARDWARE/SOFTWARE CONTRACT

**Summary:** The Division of Information Technology (DoIT) requests permission to enter into a three-year agreement with Oracle to modernize the University's Enterprise Resource Planning (ERP) system. As part of this agreement, the University's ERP environment will be upgraded to new hardware infrastructure. This project will eliminate existing, legacy, nine-year old hardware infrastructure on-site, in favor of current generation server technology. NIU is working with Oracle to evaluate the best solution as it relates to replacing the existing hardware infrastructure within NIU's data-center, or in Oracle's data-center, taking into account overall costs and project risks, including data security processes. In either case, NIU will no longer require funding to support hardware refresh of the ERP environment, going forward, saving roughly \$400,000 in anticipated cost.

Additionally, this agreement will include software maintenance and the newest servers Oracle offers, as well as storage, disaster recovery and backup services. This creates a robust, secure, and reliable computing environment for NIU. The Oracle server software bundle also includes over \$2M of value-added database options over what NIU has today. This includes advanced security, including encryption of data and masking of sensitive production and non-production data. These additional database options will create efficiencies and automation allowing Database Administrators to speed the implementation of patches and upgrades in addition to extending their ability to further implement additional projects and innovations.

**Background:** The new three-year Oracle contract will replace the existing Oracle contract's final year, valued at \$1,681,410. The new contract is quoted at \$1,600,930 per year (\$4,802,790 total for three years). DoIT has also added a 10% contingency to the overall project budget to cover estimated costs of Cloud migration consulting services and project management expenses, along with start-up and any ongoing maintenance costs. With the annual contract costs, potential consulting needs, and 10% contingency, the total funding request is \$5,300,000 over three years.

**Funding:** Appropriated/Income Funds \$5,300,000  
FY20: \$2,000,000  
FY21: \$1,650,000  
FY22: \$1,650,000

**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 June 13, 2019.

### WIRELESS NETWORK EXPANSION AND UPGRADE – PHASE 3

**Summary:** Northern Illinois University provides data network connectivity to students, faculty, and staff via both wired and wireless (Wi-Fi) access points on campus. Phase 3 is the third year of a multi-year effort to improve the provision of mobile Wi-Fi access to the University community. Expansion of approximately 650 Wi-Fi access points on campus is required to ensure complete coverage for the following buildings:

- Center for the Study of Family Violence and Sexual Assault
- Music Building
- Reavis Hall
- Rockford Education Center
- Neptune Hall East
- Neptune Hall West
- Neptune Hall Central

**Background:** To determine where these new Wi-Fi access points will be optimally installed on campus, a plan has been developed by the Division of Information Technology and reviewed by the IT Steering Committee and through consultation with College/Department IT managers. A seven-year plan has been designed to systematically expand the Wi-Fi coverage and capacity to most areas of campus.

While the majority of the cost for this project is the procurement of new Wi-Fi access point equipment for approximately \$416,000, the installation of the devices may require a minor amount of electrical support estimated to be approximately \$9,000.

**Funding:** Institutional – Local Funds \$425,000

**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 June 13, 2019.

## FISCAL YEAR 2020 CISCO HARDWARE MAINTENANCE CONTRACT

**Summary:** The Division of Information Technology (DoIT) requests permission to purchase Cisco network and security maintenance for hardware, software, and 24/7 technical support for the University's campus-wide, Cisco-based enterprise network for FY20.

**Background:** To provide a robust, dependable, and stable network, the University's enterprise network infrastructure requires Cisco maintenance support. This maintenance agreement for DoIT's entire campus-based network equipment enables Cisco to assist DoIT in troubleshooting, break-fix repairs, and replacement of hardware in case of failure.

**Funding:** Institutional – Local Funds \$400,000

*CDW Government, LLC, Vernon Hills, 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 June 13, 2019.

Amount Approved for FY19: \$334,000

## CIENA HARDWARE MAINTENANCE – FIVE-YEAR AGREEMENT

**Summary:** The Division of Information Technology (DoIT) requests permission to enter into a five-year maintenance contract for hardware, software, and 24/7 technical support for the University's high-speed, fiber-optic-based broadband network, which connects NIU's DeKalb campus to the University's Outreach Centers located in Naperville, Hoffman Estates, and Rockford. This broadband network, called NIUNet, also serves a number of public-sector institutions in the region with transport and internet services throughout the northern Illinois region. Revenue generated externally through NIU's regional broadband initiatives not only covers the totality of costs associated with this maintenance contract but also contributes to lowering the cost of NIU's campus-based network (wired and wireless) service.

**Background:** While NIUNet's primary focus is to provide high-speed, low-cost network connectivity in support of the University's academic mission, it also supports the mission's goal to "...engage communities for the benefit of the region, state, nation, and world."

The proposed contract is for five years, valued at approximately \$800,000; with an annual payment of approximately \$160,000. By executing a five-year contract with Ciena, approximately \$115,000 in total savings will be realized over the life of the agreement when compared to Ciena's one-year maintenance contract price.

**Funding:** Institutional – Local Funds \$800,000

**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 June 13, 2019.

Amount Approved for FY19: \$202,100



**FISCAL YEAR 2020 NIU FOUNDATION PROFESSIONAL  
SERVICES CONTRACT**

**Summary:** The Northern Illinois University Foundation, an independent organization, operates to support the mission of Northern Illinois University through fundraising, asset management, and related support activities. Among such activities, the Foundation coordinates and manages cultivation, solicitation, acknowledgment, and receipting of all gifts; administers, invests, and disburses funds; maintains all constituent records; manages and coordinates communications with constituents; and performs alumni relations activities. The FY20 contract amount assessed is \$743,600, which covers full salaries and other expenses for designated employees as well as a portion of programmatic services in accordance with contract obligations.

**Background:** The University and the Foundation annually enter into a contract which serves to outline the fundraising services and activities to be provided by the Foundation on behalf of the University each year. This contractual agreement is in accordance with the Legislative Audit Commission Guidelines. The amount represents no change over FY19.

**Funding:** Appropriated/Income Funds

*Northern Illinois University Foundation – DeKalb, IL ..... \$743,600*

**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 June 13, 2019.

Amount Approved for FY19: \$743,600

**FISCAL YEAR 2020 INTERCOLLEGIATE ATHLETICS  
SECONDARY STUDENT HEALTH INSURANCE CONTRACT RENEWAL**

**Summary:** NIU Intercollegiate Athletics requires annual secondary health insurance to meet the needs for insurance coverage for accident claims for student athletes for athletically related illnesses and injuries. The secondary insurance is required in addition to coverage that the student athletes may have through their own primary insurance. The secondary insurance product being purchased has been designed uniquely and specifically for NCAA members with the Master Policy form negotiated on behalf of the schools in accordance with NCAA regulations; additionally, the medical maximum to meet the NCAA policy deductible is \$75,000 per accident (other marketplace insurance products must meet \$90,000 per accident before NCAA catastrophic policy is in effect). Effective date of policy will be August 1, 2019.

**Background:** This FY20 approval amount is for the NCAA Group Basic Accident Medical Program Insurance Plan, administrative fees (approximately 15%), and aggregate deductible claims coverage for a two-year benefit period per student athlete accident, available through Relation Insurance Services (formerly Ascension Benefits & Insurance Solutions)/Mutual of Omaha as agent and third-party claims administration. This renewal is year six of nine, one-year renewal options to be determined annually based on a Request for Proposal opened on July 16, 2013. The renewal award will be advertised in the *Illinois Procurement Bulletin*.

**Funding:** Local funding. 41-TD56477

*Relation Insurance Services/Mutual of Omaha – Salt Lake City, UT*..... \$325,000  
(Formerly Ascension Benefits & Insurance Solutions)

**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 June 13, 2019.

Amount Approved for FY19: \$315,000

## **NEW DEPOSITORY ACCOUNT FOR COMMERCIAL CARD PROGRAM**

**Summary:** Northern Illinois University requests approval to open a depository account with J.P. Morgan Chase Bank. The new account will be an investment account held as collateral for the University's commercial card program.

**Background:** In March 2018, the Board of Trustees granted permission for the University to enter into an agreement for commercial card services with JP Morgan Chase and Company (JPMC), the IPHEC commercial card services vendor. JPMC requires the University deposit funds with them to secure the credit limit offered with the commercial card services program. Board of Trustees Regulations Section V.D.1. requires the Board to authorize a new depository relationship. The depository account will be held in the University's name, earn interest, and comply with the University Investment and Cash Management Policy. The funds will be collateralized by the bank to comply with the Illinois Public Funds Investment Act. The depository account will be opened upon the execution of the commercial card services agreement with JPMC.

**Funding:** The deposit requirement is \$1,000,000 and may increase or decrease in the future based on changes to the University's annual card spend and/or credit rating.

**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 June 13, 2019.

## **FIRE SERVICES CONTRACT EXTENSION WITH THE CITY OF DEKALB**

**Summary:** The University obtains fire response and emergency ambulance services from the City of DeKalb in the same manner as the local community at large. Since the University does not pay property taxes, a contract with the City serves as the mechanism to fund an appropriate share of these services. The current five-year contract for fire and ambulance services with the City expires on June 30, 2019. Given the leadership transitions within the DeKalb Fire Department and the City Manager position, details on a new multi-year contract have not yet been fully determined. To provide more time for these discussions, an extension on the current contract until December 31, 2019 is proposed at a cost of \$415,857 for this six-month period.

**Background:** Annual funding provided to the City of DeKalb has been regularly increased over the contract period to closer align to the services received. For calendar year 2018, fire/emergency responses provided to NIU accounted for approximately 8% of the overall DeKalb Fire Department responses to the community. The FY19 funding being provided under the current contract period (\$831,714) is approximately 8% of the current Fire Department budget.

This cost sharing concept is serving as the baseline for the new contract discussions while efforts are also underway to research how other universities and associated communities have developed cost sharing approaches.

**Funding:** Institutional – Local Funds

**Recommendation:** The University requests authorization to complete a six-month extension on the current contract adding \$415,857 for a new total cost of \$4,091,604. 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 June 13, 2019.

Current contract cost: \$3,675,747

- FY19: \$831,714
- FY18: \$680,522
- FY17: \$654,348
- FY16: \$629,181
- FY15: \$879,982 (included \$275K for equipment purchase)

## **PERIODIC REPORT ON INVESTMENTS FOR PERIOD ENDING MARCH 31, 2019**

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 March 31, 2019
- Investment Earnings report for the quarter ending March 31, 2019

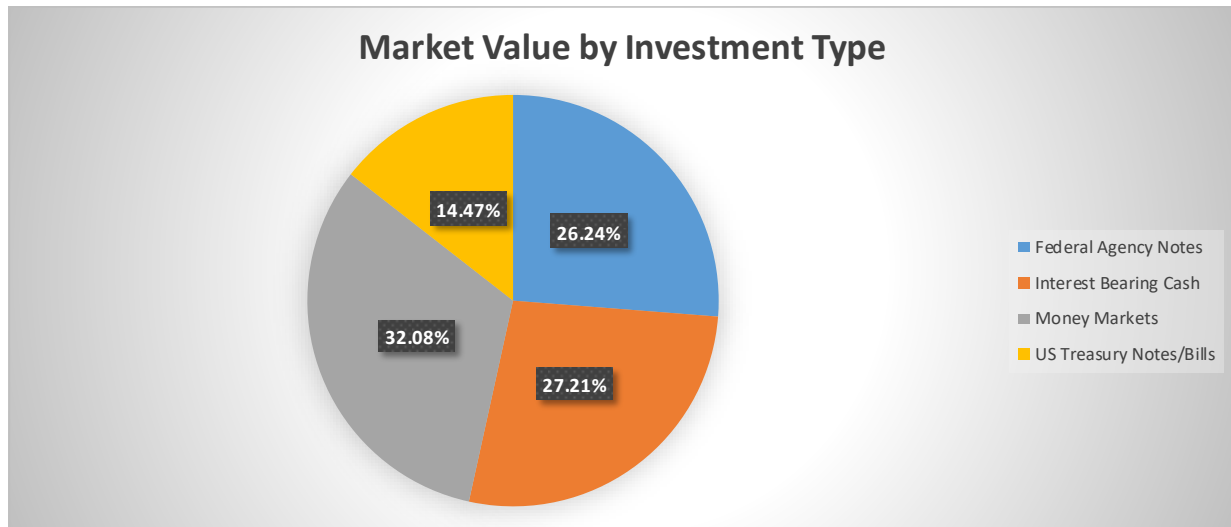
The *Cash and Investment Holdings Summary* shows the ending balances, book values, and market values for Northern Illinois University's cash and investments. At March 31, 2019, total holdings were approximately \$186 million. Prior year holdings at the end of the third quarter were about \$206 million. The \$20 million difference is due primarily to the timing of receipt of State payments. It is expected that the remaining \$20 million of appropriation due from the State will be received by the fiscal year end.

The *Investment Earnings* report shows the interest earnings for the third quarter of FY19 and the annualized rates of return for this quarter as well as the three previous quarters for all invested funds. Although the invested balance is \$20 million lower than the same time last year, higher interest rates have resulted in larger interest earnings of \$985,374. This includes \$320,000 more interest income than was earned in the third quarter of FY18. Additionally, the investment portfolio's average annualized rate of return has steadily increased from 1.58% to 2.03%.

Treasury Operations monitors market conditions and implements investment strategies in efforts to earn the greatest yield and maintain necessary liquidity while complying with NIU policy and the State of Illinois Public Funds Investment Act. In 2018, the investment strategy focused on short-term investments, which yielded increased revenue for the University as evidenced by the additional interest income mentioned above. As of March 2019, 3-6-month Treasury and Agency Notes were yielding higher rates than the same instruments with 5-year maturities. At the end of this quarter, the Illinois Fund was earning slightly greater yields than those short-term government securities. This inverted yield curve allows the University to earn more interest income by holding shares in money market funds than by reinvesting in the fixed income market. Management will continue to monitor market conditions and adjust investment strategies to earn the greatest yield and maintain the necessary liquidity given the university priorities.

**NORTHERN ILLINOIS UNIVERSITY**  
**CASH and INVESTMENT HOLDINGS SUMMARY**  
 March 31, 2019  
 For Fiscal Year 2019

Investment Type	Purch Price/ Ending Bal *	Book Value **	Market Value ***
<b>Federal Agency Notes:</b>			
Local Funds	\$ 48,650,777	\$ 48,863,897	\$ 48,831,245
<b>Interest Bearing Cash Accounts:</b>			
Local Funds	\$ 50,651,167	\$ 50,651,167	\$ 50,651,167
Project Funds	711	711	711
	<u>\$ 50,651,878</u>	<u>\$ 50,651,878</u>	<u>\$ 50,651,878</u>
<b>Money Markets:</b>			
Local Funds	\$ 41,568,302	\$ 41,568,302	\$ 41,568,302
Project Funds	18,146,636	18,146,636	18,146,636
	<u>\$ 59,714,938</u>	<u>\$ 59,714,938</u>	<u>\$ 59,714,938</u>
<b>US Treasury Notes/Bills:</b>			
Local Funds	\$ 26,889,426	\$ 26,971,144	\$ 26,928,502
<b>TOTAL INVESTMENT HOLDINGS</b>	<b>\$ 185,907,019</b>	<b>\$ 186,201,857</b>	<b>\$ 186,126,563</b>
Non-interest Bearing Cash	\$ 315,439	\$ 315,439	\$ 315,439
<b>TOTAL CASH &amp; INVESTMENT HOLDINGS</b>	<b>\$ 186,222,458</b>	<b>\$ 186,517,296</b>	<b>\$ 186,442,002</b>
<b>TOTAL REPORTED FOR 03/31/2018</b>	<b>\$ 206,663,593</b>	<b>\$ 206,645,367</b>	<b>\$ 206,458,456</b>



\* 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  
January 1 2019 - March 31 2019**

	March 31 Ending Balance	Average Daily Investment Balance	Percent of Portfolio	Income Earned	Annualized Rates of Return				
					FY 2019			FY 2018	
					3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	
<b>Short-Term Investment Accounts</b>									
Illinois Funds	\$ 41,568,302	\$ 39,010,336	19.86%	\$ 235,431	2.448%	2.244%	1.971%	1.746%	
Investment Accounts - Financial Institutions	\$ 50,651,167	\$ 62,179,227	31.66%	\$ 371,597	2.424%	2.279%	2.025%	1.764%	
Investment Accounts - Project Funds	\$ 18,147,347	\$ 19,814,389	10.09%	\$ 100,278	2.052%	1.735%	1.454%	1.227%	
<b>ST Investment Accounts Total</b>	<b>\$ 110,366,816</b>	<b>\$ 121,003,953</b>	<b>61.60%</b>	<b>\$ 707,306</b>	<b>2.371%</b>	<b>2.138%</b>	<b>1.878%</b>	<b>1.671%</b>	
<b>Fixed Income Securities</b>									
Local Funds	\$ 75,540,203	\$ 75,422,935	38.40%	\$ 278,068	1.475%	1.643%	1.537%	1.391%	
Project Funds	\$ -	\$ -	0.00%	\$ -	-	-	-	1.614%	
<b>Fixed Income Securities Total</b>	<b>\$ 75,540,203</b>	<b>\$ 75,422,935</b>	<b>38.40%</b>	<b>\$ 278,068</b>	<b>1.475%</b>	<b>1.643%</b>	<b>1.537%</b>	<b>1.391%</b>	
<b>Non-interest Bearing Cash</b>	<b>\$ 315,439</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>COMBINED TOTAL</b>	<b>\$ 186,222,458</b>	<b>\$ 196,426,888</b>	<b>100.00%</b>	<b>\$ 985,374</b>	<b>2.03%</b>	<b>1.90%</b>	<b>1.73%</b>	<b>1.58%</b>	

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  
 JANUARY 1, 2019 TO MARCH 31, 2019**

<b>Purchase Amount</b>	<b>No. of Transactions</b>	<b>Appropriated</b>	<b>Non-Appropriated</b>	<b>Total</b>
Over \$100,000	5	\$59,100	\$820,050	\$879,150

TRANSACTIONS DETAIL:

Purchases:

1. Procurement worked with Research and Innovation Partnerships to competitively initiate a request for proposal (RFP) and advertise in the Illinois Procurement Bulletin for an updated electronic research administration system. This procurement is a Fiscal Year 2020 requirement. 130,000
  
2. The Department of Intercollegiate Athletics requested permission to pay FY20 NIU Men’s Basketball tournament fees. This order was exempt from advertising on the Illinois Procurement Bulletin because this is a public institution of higher education event (30 O:CS 500 / 1-13(b)(4)). (Ross Potts Productions, Inc., Winchester, VA) 150,000



**Capital Improvement Projects:**

1. Maintenance and repairs were required at the West Heating Plant/West Chiller Plant to ensure that the aging steam boilers and associated steam distribution equipment at the West Plant has the ability and capacity to operate and generate steam needed for the entire campus during the summer season. Many of the repairs were related to worn, broken or non-functioning steam valves, nozzles, gauges, vents, expansion joints, control calibration and other failed equipment that can cause serious operational and safety hazards or problems. To ensure that the reliable and safe steam production capacity is available for the next summer season, the maintenance and repairs were completed during the winter shutdown of the West Heating Plant. Additionally, the West Chiller Plant occupies space in this building and the Cooling towers and chillers required annual maintenance to ensure the campus will have chilled water for the upcoming cooling season. These repairs included adding vibration sensors to the cooling towers, replacement/repair of valves and addressing electrical operational and safety issues. **\*Appropriated funds=\$59,100; Institutional Funds=\$59,100** 118,200\*

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

2. Repairs were required on the Convocation Center cooling towers. The cooling towers' existing spray nozzles were failing, and parts were no longer available. The planned scope included replacement of various components including a new gravity flow hot water box with all new nozzles and hardware. To ensure the reliable supply of cooling for the building in the upcoming cooling season, these repairs needed to be completed before the cooling season begins and no later than the end of April. 239,250

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

3. The renovation of the 3 Sons Cafe in Barsema Hall with a Freshens franchise will allow for efficiency in service through a new grab and go area, provide more nutritional options as well as improve the retail experience with today's trends for students, faculty and staff. As part of a campus wide dining strategy consistent with peer institutions, the revitalization of the existing food venue will improve to balance the mix of food options between residential dining halls and retail cafés. 241,700

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

\*Appropriated/Income Funds

## SEMI-ANNUAL PROGRESS REPORT OF ACTIVE CAPITAL PROJECTS WITH A BUDGET OVER \$100,000

All projects listed herein were previously approved by the Board of Trustees or the President and are currently in process. The Authorization Date is identified for all NIU-funded projects; the fiscal year is identified for all Capital Development Board-funded projects. Status reports are provided on any project, regardless of initiation date, until all work has been completed and all payments have been made.

### A. CAPITAL DEVELOPMENT BOARD PROJECTS

#### I. Projects in the Design Phase

##### 1. DeKalb Campus – West Heating Plant and Boiler Replacement Phase I

**Total Project Budget:** \$16,000,000

**Funding Source:** Institutional - Auxiliary Reserves &  
FY19 – CDB State Appropriated

**Authorization Date:** June 2017

**Status:** The University has entered into an inter-governmental agreement with Capital Development Board to manage the project using a “design/build” project delivery method. CDB is currently negotiating with a firm for developing bridging documents that will be used to select a Design/Build contractor team. The design/build contract is anticipated to be awarded in February 2020.

##### 2. Critical Steam Isolation Valve and Expansion Joint Replacement

**Total Project Budget:** \$501,000 (\$476,000 CDB + \$25,000 NIU)

**Funding Source:** FY19 - CDB State Appropriated & NIU local funds

**Authorization Date:** December 2018

**Status:** The University has entered into an Inter-Governmental Agreement with Capital Development Board whereby NIU will execute the work and be reimbursed once work has been completed. Work is anticipated to be completed June 2019.

#### II. Projects in the Construction Phase

##### 1. Stevens Building – Addition & Renovation

**Total Project Budget:** \$37,300,135

**Funding Source:** FY10 – CDB Amended FY17 &  
FY17 – NIU Appropriated Funds

**Authorization Date:** March 2017

**Status:** Construction work was completed in May 2018 and building commissioning was completed during the summer 2018. School of Theatre and Dance and Department of Anthropology moved back into the facility in mid-May 2018 and the building was back in use for fall semester 2018 academic classes. Contractors are correcting warranty items and the final payment application is in process.

## **B. NORTHERN ILLINOIS UNIVERSITY PROJECTS**

### **I. Projects in the Planning Phase**

#### **1. Holmes Student Center / Neptune Complex Redevelopment Plans**

**Total Project Budget:** \$1,500,000

**Funding Source:** Bond Series 2010 Project

**Authorization Date:** June 2014

**Status:** Master-planning work has been completed. Final payments for the planning work are in process. Last report for this project.

#### **2. Stevenson and Grant Residence Halls – Building Envelope Repairs**

**Total Project Budget:** \$525,000

**Funding Source:** Institutional - Auxiliary Reserves

**Authorization Date:** December 2016

**Status:** Progress has been limited by resource availability and other priorities. An assessment of the existing exterior building envelope (walls) will provide a refined cost estimate and detailed specifications for repair work needed. Assessment and design work will be planned for FY20.

#### **3. Holmes Student Center Hotel Tower – Building Envelope Repairs**

**Total Project Budget:** \$250,000

**Funding Source:** Institutional - Auxiliary Reserves

**Authorization Date:** December 2016

**Status:** Progress has been limited by resource availability and other priorities. An assessment of the existing exterior building envelope (walls) will provide a refined cost estimate and detailed specifications for repair work needed. Assessment and design work will be planned for FY20.

### **II. Projects in the Design Phase**

#### **1. Stevenson Towers A, B, C & D – Roof Replacement**

**Total Project Budget:** \$1,250,000

**Funding Source:** Institutional – Auxiliary Reserves

**Authorization Dates:** March 2016 (A & D) & September 2016 (B & C)

**Status:** Bidding documents are in process. Construction work will be planned and scheduled to take advantage of semester breaks and summer schedules. Future reports of this project will be included in “Projects in the Construction Phase” section of this report.

#### **2. Naperville Parking Lot Reconstruction – Phase II**

**Total Project Budget:** \$1,215,000

**Funding Source:** Local Funds – NIU Naperville Operations

**Authorization Date:** September 2015

**Status:** Phase II Design Work was delayed due to cash flow concerns. Scope is currently being revisited to confirm alignment with current parking lot condition and available funding. Anticipating costs to be significantly less than the approved budget.

### III. Projects in the Construction Phase

#### 1. DeKalb Campus – Electrical Infrastructure Replacement Phase II

**Total Project Budget:** \$2,580,000

**Funding Source:** Bond Series 2010 Project & Appropriated Funds – Admin Support

**Authorization Date:** March 2013

**Status:** Construction started in fall of 2013 and is approximately 99% complete. A consulting engineer is completing a critical survey of the existing electrical service at each building. This work will continue to be scheduled to take advantage of semester breaks and as schedules allow and should be complete by the end of FY19.

#### 2. DeKalb Campus – Campus Alerting System Phase IV

**Total Project Budget:** \$1,250,000

**Funding Source:** Appropriated Funds

**Authorization Date:** March 2013

**Status:** This project encompasses the final phase of the campus alert system which has been delayed due to limited resources and other priorities. The work is approximately 26% complete and remaining scope is being prioritized in accordance with other demands.

#### 3. DeKalb Campus – Electrical Infrastructure Replacement Phase III

**Total Project Budget:** \$2,550,000

**Funding Source:** Appropriated Funds & Bond Series 2010 Project

**Authorization Date:** March 2014

**Status:** Construction work began in late 2014 and is approximately 29% complete. Work is and will be planned and scheduled to take advantage of semester breaks, weekends, and summer schedules and as funding allows.

#### 4. Holmes Student Center – Phase I Redevelopment

**Total Project Budget:** \$20,900,000

**Funding Source:** Bond Series 2010 Project & Auxiliary Reserves

**Authorization Date:** February 2019 Amended

**Status:** Construction work began in October 2018 and is ongoing. Work is currently approximately 40% complete. Substantial completion of construction work is anticipated by October, with most operations resuming in November/December.

#### 5. Neptune Complex Upgrade

**Total Project Budget:** \$5,400,000

**Funding Source:** Bond Series 2010 Project

**Authorization Date:** March 2017

**Status:** Additional work in Neptune West was completed during the summer break of 2018. Work to renovate Neptune East has been on-going and is anticipated to be completed to support fall semester 2019 occupancy.

#### 6. Founders Library – Discover Financial Services Renovation

**Total Project Budget:** \$1,000,000 (estimated)

**Funding Source:** Lessee Improvement

**Authorization Date:** December 2017

**Status:** Work has been completed and Discover is occupying the space. Contractors are completing remaining punch list work and final payment applications are in process. Final report for this project.

**7. Convocation Center – Replace Video Board/Scoreboard**

**Total Project Budget:** \$1,270,000

**Funding Source:** Institutional – Auxiliary Reserves & Institutional – Local Funds

**Authorization Date:** March 2018

**Status:** Work is complete and final payment applications are in process. Final report for this project.

**8. Lorado Taft Campus – Repair Roofs on Five Buildings**

**Total Project Budget:** \$214,200

**Funding Source:** Institutional – Local Funds

**Authorization Date:** Mau 2018 Amended

**Status:** All work is complete. Final payment applications are in process. Final report on this project.

**9. DeKalb Campus – FY18 West Campus Steam Outage Repairs**

**Total Project Budget:** \$108,850

**Funding Source:** Institutional - Auxiliary Reserves & Appropriated – Income Funds

**Authorization Date:** May 2018

**Status:** All work is complete. Final payments have been made. Final report on this project.

**10. Telephone & Security – Asian American Resource Center Relocation**

**Total Project Budget:** \$132,650

**Funding Source:** Appropriated – Income Funds

**Authorization Date:** June 2018

**Status:** Work is complete and AARC has taken occupancy of the space. Final payments are in process. Final report on this project.

**11. DuSable Hall – Dugout Food Venue Remodel**

**Total Project Budget:** \$105,000

**Funding Source:** Institutional – Auxiliary Reserves

**Authorization Date:** June 2018

**Status:** Work has been completed and the food venue has been in operation since the fall semester. Final payments are in process. Final report on this project.

**12. Residence Halls – FY19 Rotation Painting**

**Total Project Budget:** \$249,000

**Funding Source:** Institutional – Auxiliary Reserves

**Authorization Date:** July 2018

**Status:** Work is in process and being scheduled when feasible and to minimize disruptions. The work is approximately 80% complete; the work will continue with completion anticipated in May 2019.

**13. DeKalb Campus – FY19 Roadway Repairs**

**Total Project Budget:** \$106,750

**Funding Source:** Institutional - Auxiliary Reserves & Appropriated – Income Funds

**Authorization Date:** July 2018

**Status:** All work is complete. Final payments have been made. Final report on this project.

**14. Grant Tower A – Art Studios Relocation from Art Annex**

**Total Project Budget:** \$130,500

**Funding Source:** Appropriated – Income Funds

**Authorization Date:** September 2018

**Status:** Access control improvements have been completed. Remaining renovation work will continue through August 2019 to support fall semester art operations.

**15. Founders Library – Room 71N Renovation**

**Total Project Budget:** \$116,200

**Funding Source:** Institutional – Local Funds

**Authorization Date:** October 2018 Amended

**Status:** Improvements for adjacent space to Discover operations. Work is complete and final payment applications are in process. Final report on this project.

**16. Chessick Practice Center – Renovate for NW Medical Performance Center**

**Total Project Budget:** \$275,000

**Funding Source:** Foundation – Donor Funds

**Authorization Date:** December 2018

**Status:** Work is currently in progress and is approximately 20% complete. Work is anticipated to be complete by early June.

**17. Stevenson Complex – Security Camera Upgrade**

**Total Project Budget:** \$130,000

**Funding Source:** Institutional – Auxiliary Funds

**Authorization Date:** December 2018

**Status:** Work is in progress and currently approximately 50% complete with completion anticipated before the end of the fiscal year.

**18. Convocation Center – Update Nelson Suite**

**Total Project Budget:** \$310,000

**Funding Source:** Foundation – Donor Funds & Foundation – Athletics Funds

**Authorization Date:** December 2018 Amended

**Status:** Work has been completed. Contractors are completing remaining punch list items and final payment applications are in process. Final report on this project.

**19. Stevenson Complex – Convert Dining Area**

**Total Project Budget:** \$450,000

**Funding Source:** Institutional – Auxiliary Reserves

**Authorization Date:** February 2019

**Status:** Scope of work details are being finalized and contractor proposal solicitations in process. Anticipated completion of work prior to fall semester and will be scheduled to minimize impact on summer camp dining.

**20. West Heating Plant Winter Repairs**

**Total Project Budget:** \$118,200

**Funding Source:** Appropriated – Income Funds &  
Institutional - Auxiliary Revenue Funds

**Authorization Date:** February 2019

**Status:** Work is completed. Final payment applications are in process. Final report on this project.

**21. Barsema Hall – Remodel 3 Sons Cafe**

**Total Project Budget:** \$241,700

**Funding Source:** Institutional – Auxiliary Reserves

**Authorization Date:** March 2019

**Status:** Scope of work details are being finalized and contractor proposal solicitations in process. Anticipated completion of work prior to fall semester.

**22. Convocation Center – Cooling Towers Repairs**

**Total Project Budget:** \$239,250

**Funding Source:** Institutional – Auxiliary Reserve Funds

**Authorization Date:** March 2019

**Status:** Scope of work details are being finalized and contractor proposal solicitations in process. Anticipated completion of work prior to summer cooling season.

## FACILITIES UPDATE

Following is an update on facilities and projects.

**Neptune Renovation**

**\$5.4M Investment**

Lucinda Ave

Completed: Restrooms, Entrances, Kitchen Freezer/Cooler Improvements

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

Completed: Dining Room Enhancements

Completed: Critical mechanical system repairs

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

BOT approval Mar 2017

NIU

2

The diagram illustrates the Neptune Renovation project with various callouts detailing completed and planned work. A red banner at the top contains the title 'Neptune Renovation' and the NIU logo. Below the banner, a 3D architectural rendering of the building complex is shown. A blue arrow labeled '\$5.4M Investment' points to the building. A blue arrow labeled 'Lucinda Ave' points to the street. Several callout boxes provide details: 'Completed: Restrooms, Entrances, Kitchen Freezer/Cooler Improvements' points to a central building; 'Completed: Corridor lighting/flooring, new furniture & limited bathroom improvements' points to a long building on the left; 'Completed: Dining Room Enhancements' points to a building in the foreground; 'Completed: Critical mechanical system repairs' points to a building on the right; and a yellow callout box 'Fall 2018 thru Summer 2019: Flooring, furniture, A/C, limited bathroom upgrades' points to a building in the background. The text 'BOT approval Mar 2017' is located at the bottom right of the diagram area. The number '2' is centered at the bottom of the slide.



# Neptune East Wing status



Project estimate: \$5.4M  
Overall 85% complete  
Anticipated completion: August 2019

- Flooring removal 100%
- New flooring 90% complete
- Electrical for A/C complete
- A/C install by June
- Bathroom improvements completed by August



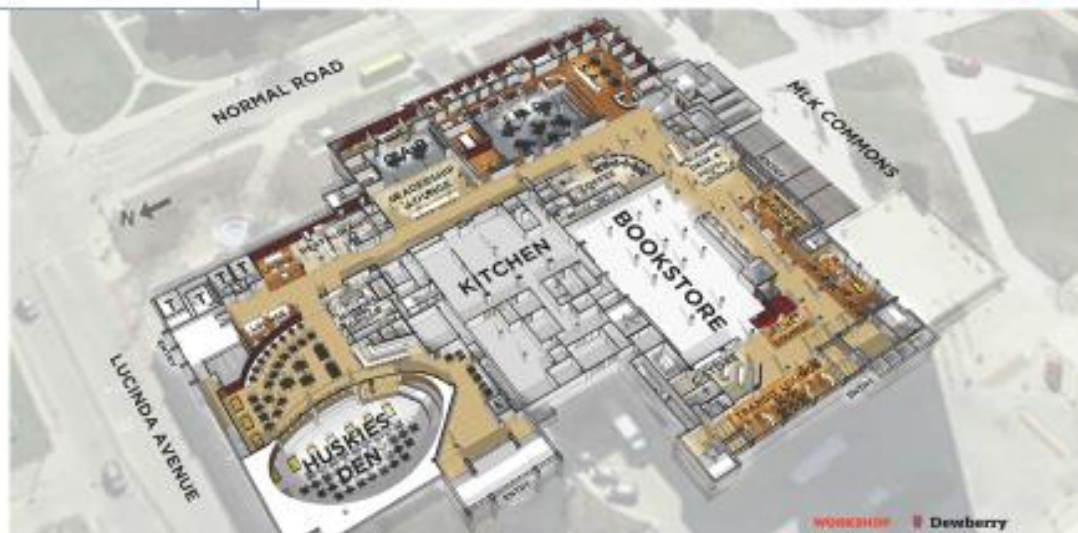
Bathroom rendering

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# Holmes Student Center Update



\$20.9M Investment



The design of the Ground Floor creates a vibrant destination and thoroughfare leading that unites with and allows together a variety of programs forming a social hub at the Holmes Student Center.

WORKSHOP Dewberry

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# HSC Timeline/Progress



South Entrance Excavation

## Completion Schedule:

- Construction Oct '19
- Tentative operations soft openings:
  - Coffee (Starbucks) Nov '19
  - Convenience Store(Depot) Nov '19
  - Bookstore(Books & Gear) Nov '19
  - Food Venue(Huskie Den) Dec '19
  - Office Space (Student Involvement & Leadership Development) Dec '19
  - 4<sup>th</sup> food venue (tbd) Spring '20

# HSC Timeline/Progress



Huskie Den Area



New North Entrance Area

## Current activities:

- New south entrance opening
- New heating, ventilation and air condition equipment installation ongoing
- New stairs & elevators installations
- Painting, ceilings, lighting install
- Furniture solicitations in process

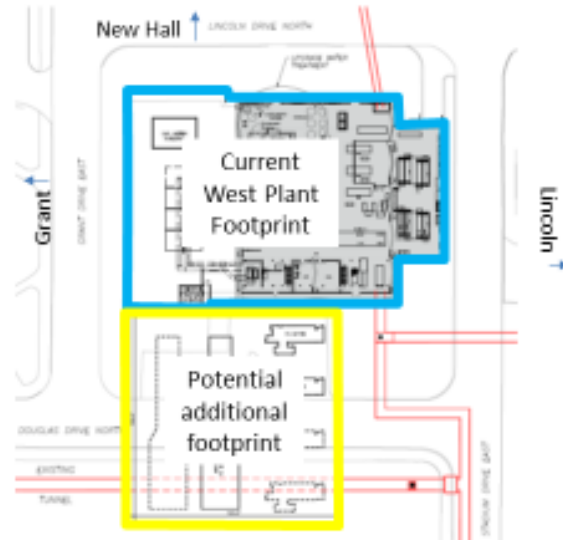


Student Association Area

# Boiler Replacement



- CDB preparing Design-Build(DB) project with
  - ~\$6M State funding
  - ~\$10M Auxiliary funding
  - ~\$16M Total
- Tentative Schedule:
  - Solicitation: ~Jan 2020
  - DB Award: ~April 2020
  - Anticipated completion: ~December 2021



BOT approval Jun 2017

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# Steam Isolation Valve/Expansion Joint



- Project estimate: \$476K of state funding
- Scope: 4 valves for replacement, 4 valves for new installation, 9 expansion joints for replacement
- Anticipated completion: June 2019



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# Yordon Performance Center



Project estimate: \$275K

Scope: Incorporates donor-funded nutrition area for student athletes



## Status:

- Demolition complete
- Plumbing and electrical rough-in in-progress
- Project completion estimated early June 2019

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# Stevenson Dining Renovation



Project estimate: \$450K

Scope: Incorporates franchise food retail operation and related dining enhancements.

## Status:

- Cabinetry fabrication in progress
- Equipment orders in process
- Plumbing and electrical rough-in beginning
- Project completion estimated for August 2019 (prior to fall semester)

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# Stevenson Roof Replacements



- Project estimates: \$1.25M (\$650K Towers A & D, \$650K Towers B & C)
- Construction/bid documents complete
- Bidding late summer with bids due Oct '19
- Potential to complete roof replacement for all four high-rise towers spring/summer 2020

