

Minutes of the
NIU Board of Trustees of Northern Illinois University
Finance, Audit, Compliance, Facilities and Operations Committee
May 9, 2019

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:31 a.m. by Committee Chair Dennis Barsema in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Vicky Rippberger conducted a roll call of the Trustees. Members present were Trustee Rita Athas, Trustee John Butler, Trustee Montel Gayles, Trustee Nathan Hays, Trustee Veronica Herrero, Trustee Bob Pritchard, Trustee Eric Wasowicz (arrived at 8:35), and Committee Chair Dennis Barsema. 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. SWEARING IN OF TRUSTEES RITA ATHAS, JOHN BUTLER, MONTEL GAYLES, AND ROBERT PRITCHARD

New Trustees Rita Athas and Montel Gayles, as well as returning Trustees John Butler and Robert Pritchard were sworn in by Judge James Snyder, Associate Judge for the Circuit Court of Cook County.

4. 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 agenda is approved.

5. REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the February 7, 2019 meeting was made by Trustee Bob Pritchard; seconded by Trustee Eric Wasowicz. All were in favor. None were opposed. The minutes are approved.

6. CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Barsema welcomed the new trustees and welcomed back the reappointed trustees. He also publicly thanked departing Trustee Tim Struthers for his outstanding service. Elections will be held in June for officer positions on the Board. These are Chair, Vice Chair, Secretary, Civil Service Merit Board Representative, and the fifth representative on the Executive Committee. Chair Barsema also thanked everyone who participated in the first ever NIU Foundation Day of Giving which raised over \$756,000 from 1400 gifts. He also commended the creation of the new tagline, "Huskies Never Quit, You Just Have to Unleash Them."

Further, Chair Barsema thanked new Trustee Rita Athas, as a member of the Alumni Association, for chairing the Day of Advocacy in Springfield on behalf of NIU. Over 50 people represented NIU advocating for the three legislative agenda items. It was a very successful day. Chair Barsema encouraged everyone to partake in this event in the future.

Chair Barsema also commended the members of the UAC who spoke at Dr. Freeman's investiture in April for a fantastic job.

Holly Nicholson, Operating Staff Council President, welcomed the new Trustees as well as welcoming back reappointed Trustees and gave a brief introduction of her role.

Cathy Doederlein, Supportive Professional Staff Council President, also welcomed the new and reappointed Trustees and introduced herself and her role. She also mentioned looking forward to moving forward with the strategic enrollment management plan.

Therese Arado, Faculty Senate President, welcomed the new and reappointed Trustees. She mentioned that she is not continuing as Faculty Senate President and return to her regular duties at the end of June.

7. PUBLIC COMMENT

There were two public comments.

Aubrey Gallione, NIU Head Cheerleading Coach, expressed concern about the lack of funding in support of the cheerleading program. The program, unlike every other cheerleading program in the MAC, is not financially supported by the NIU Athletic Department. Ms. Gallione reported that NIU is the only university that does not fund cheerleading. She feels these student athletes should be treated as other NIU athletes.

Kristen Foley, who is a Huskie mom, expressed concern that her son's fraternity was searched by NIU during spring break when no students were present. Chair Barsema explained that there were prior issues with PKT, Phi Kappa Theta, and he has the utmost confidence in how Student Affairs is handling the situation.

8. FINANCIAL UPDATE

Information Item 8.a. – FY18 Audit Results

Shyree Sanan, Associate Vice President for Finance & Treasury, presented the 2018 audited financial statements. She explained that the University received an unqualified audit opinion on its 2018 financial statements which is the best possible outcome. The overall net position declined by \$2.5M despite the continued stress on tuition revenue, the lingering impact of the budget impasse, and the implementation of new accounting standards. A couple of significant irregularities that impacted the financial results was the requirement to report two years of MAP funding and a portion of the FY17 appropriation in FY18 as a result of the late authorization of the funding bill. This irregularity made it difficult to conduct any trend analysis. Going forward, the numbers are expected to smooth out. This shifted a \$44M liability from the state to the University. Ms. Sanan pointed out that tuition and fees and scholarship allowance was substantially down due to the reporting of two years of MAP funding. The actual tuition and fees revenue was down 5%. She also pointed out that operating expenses increased by \$23M due to the need to catch up on investments that were put on hold during the two-year budget impasse. Ms. Sanan commented that the two notable changes on the balance sheet were related to the large increase in cash and investments and the increase in noncurrent liabilities related to the other post-employment benefits. The University's working capital improved significantly in FY18 due primarily to the receipt of the FY17 appropriations and MAP funding. The University did not acquire any new debt during FY18 as current debt exceeds net position. Staff are exploring opportunities to restructure the debt portfolio to save money without extending the life of the debt. Series 2010 and 2011 revenue bonds become eligible for refinancing as early as January 2020, which could yield some much-needed savings. Finally, Ms. Sanan noted the improvement in reporting to the Board.

Ms. Sanan introduced Jason Askin, the new Controller, and Greg Martyn, the new Deputy Controller to the Committee.

Ms. Sanan also mentioned that there was one less external audit finding in 2018 compared to 2017. The internal audit area has been engaged to follow up on corrective actions plans.

A question was raised regarding the repeat audit findings. Ms. Sanan explained that it usually takes a couple of cycles to totally correct an issue.

Information Item 8.b. – Quarterly Financial Summary – FY19 Third Quarter

Ms. McGill presented the quarterly financial summary for the third quarter of FY19, which included a report of year-to-date budget performance. Forecasting for year-end of FY19 shows the University \$4.8M ahead of budget. Although the total revenues are short of budget by about \$18.5M, expenses have outperformed expectations. This is primarily tied to a deferral of capital repairs. Core tuition and fees are slightly above for the period, however, they are 2% under for the year. More significant is a shortfall of about \$14M in gifts, grants, and contracts. This is due to ambitious revenue targets that were just not met.

Chair Barsema pointed out that the University can only put off capital repairs for so long. There is a continued need to advocate in Springfield for capital budget. He also questioned the scholarships being down. He did point out that the University has gotten much better in making available scholarship dollars known to the students. Ms. McGill offered to research the answer to that concern. President Freeman emphasized the importance of financial aid for NIU students. Ms. McGill clarified that although there were more scholarship dollars spent in the third quarter than was budgeted, the year-to-date amount will fall about \$8M short. Trustee Wasowicz pointed out that there is still much work to be done as the debt-to-equity ratio is \$192M to \$341M.

Information Item 8.c. – Fiscal Year 2020 University Budget – Preliminary Summary

Ms. McGill explained that the final budget recommendation for FY20 will be brought to the Board for approval once the University has received and enacted appropriation from the state, typically in June. This preliminary budget being presented today is consistent with the launch of a multi-year planning and budget process and will include a preliminary forecast through FY24. Program Prioritization as well as the launch of the Strategic Enrollment Management Plan provided critical information involved in planning efforts. Ms. McGill introduced Andrew Rogers, Director of Budget and Financial Planning and thanked him for his work on this new model.

Ms. McGill explained the report contains a consolidated view of the University revenue and expense categories summarizing key budget drivers. The report showed a structurally balanced budget by FY24. At this time, the University is projecting an all-funds \$8M shortfall in FY20. This planned shortfall is attributed to deploying a multi-year time horizon to make the structural changes to have a structurally balanced budget by FY24. Beginning in FY20 and going through FY24, there is an increased commitment to facilities to address both deferred maintenance and mission enhancement. The FY20 operating budget includes several noteworthy characteristics. It anticipates \$4.1M in increased state appropriations consistent with Governor Pritzker's proposed budget and enrollment projections consistent with the Strategic Enrollment Management plan. The model incorporates an increase in scholarship support for students and it reflects over \$17M in savings and new revenues to the education and general fund from new or expanded efforts to promote operational efficiency and expense reduction. The assumptions for FY21 and beyond will be adjusted and reported on as budgeting efforts move forward.

Ms. McGill was asked about and clarified why the debt servicing is going up \$9M. Ms. McGill clarified that debt servicing is not increasing, rather it has not been accurately reported in the past. Further conversation ensued around NIU's level of debt. Since the series 2010 bonds will be eligible for refinance in January 2020, financial advisors have indicated they may be refinanced at a lower rate. Specifics will be reported as they are available. The state appropriation amounts came into question. Matt Streb, Board Liaison, explained that although there's always developments in

Springfield, there should be a finalized and signed budget by the end of the month. President Freeman added that universities are now seen as more of an investment than a liability. Chair Barsema expressed concern over the \$8M shortfall, fearing \$8M could become \$10M. He challenged the administration to find a combination of reduced expense, or increased revenue, so that the budget shortfall is \$5M when the budget goes before the Board in June. Ms. McGill committed to continue to assess the numbers.

9. UNIVERSITY REPORTS

Information Item 9.a. – Information Technology at NIU

Sarah McGill explained that there are four Information Technology (IT) requests to come before this committee. IT is a crucial service provided to campus and there is need for investment in IT platforms in support of University priorities.

Matt Parks, Associate Vice President and Chief Information Officer, began by providing an overview of staff and how IT is organized around campus. He explained that there are four major functional areas: Enterprise Applications, Infrastructure Services, IT Operations, and Information Security. Enterprise Applications oversees the major application portfolio for the University. Infrastructure Services focuses on the campus network, both wired and wireless, including telephone service, servers, storage in the data centers, as well as an outward-facing entity called the Broadband Team. This team is being rebranded as a Regional Technology Support Team that focuses outside of NIU to the broader northern Illinois region to promote technology broadband adoption in communities. This generates about \$2M of external revenue into the division to help offset costs for campus IT services. IT Operations consists of Tier I and Tier II support. Information Security focuses on developing security policies and responding to security issues within the NIU community relative to data and privacy.

Further, Mr. Parks expressed the need for NIU to move towards electronic workflow systems and invest in aging infrastructure system.

A question was asked about revenue-generating possibilities in IT. Mr. Parks confirmed that IT assesses options. Also discussed was the use of the cloud and the caution that NIU assesses associated costs. A request was made to obtain an explanation of NIUNet and its relationship to NIU's existing infrastructure as well as what services are provided. Further discussion centered on the development of electronic workflow systems.

10. UNIVERSITY RECOMMENDATIONS

Action Item 10.a. – New Oracle ERP Hardware/Software Contract

Sarah McGill indicated the need to enter into a three-year agreement with Oracle to modernize the University's enterprise resource planning system at a funding level of \$5.3M. This includes an upgrade in hardware infrastructure of the University's ERP environment eliminating the nine-year-old current equipment. A \$400,000 savings is expected.

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

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 13, 2019.

A motion was made by Trustee Montel Gayles; seconded by Trustee Bob Pritchard.

A question about Oracle being the only provider was clarified stating that this is a bridging strategy to a longer-term ERP discussion.

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

Action Item 10.b. – Wireless Network Expansion and Upgrade – Phase 3

Sarah McGill explained that NIU provides data network connectivity to students, faculty, and staff via both wired and wireless access points on campus. This is the third phase of a multi-year effort to improve the provision of mobile Wi-Fi access to the University community and includes seven buildings at a funding level of \$425,000.

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 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.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Montel Gayles.

A discussion ensued about the percentage of campus completed thus far, which is about 40%. Also discussed was the criteria on how buildings are chosen. Student academic areas were the first area of focus, followed by student housing, and then down to administration areas.

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

Action Item 10.c. – FY20 Cisco Hardware Maintenance Contract

Sarah McGill expressed the need 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 at a cost of \$400,000 for FY20.

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

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 13, 2019.

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

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

Action Item 10.d. – Ciena Hardware Maintenance – Five-Year Agreement

Sarah McGill indicated the need 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 as well as serving a number of public sector institutions throughout the northern Illinois region with a funding amount of \$800,000. Ms. McGill noted that there is approximately \$2M of external revenue generation from this technology, which more than covers the funding amount being requested.

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

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 13, 2019.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Veronica Herrero.

The revenue generation from this technology was commended by the committee, and it was noted that the revenue generated is tracked very carefully by IT. It was encouraged that NIU students could be trained to maintain systems and that women and minorities are given opportunities to participate in professional services contracts.

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

Action Item 10.e. – FY20 NIU Foundation Professional Services Contract

Sarah McGill indicated the need to renew the NIU Foundation Professional Services Contract. The NIU Foundation is an independent organization and operates to support the mission of Northern Illinois University through fundraising, asset management, and related support activities. The FY20 contract renewal amount is \$743,600, consistent with the level of funding in FY19.

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

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 13, 2019.

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

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

Action Item 10.f. – FY20 Intercollegiate Athletics Secondary Student Health Insurance Contract Renewal

Sarah McGill explained the need for annual secondary health insurance for student athletes for athletically related illnesses and injuries. This is the sixth of nine, one-year renewal options with a funding amount of \$325,000.

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 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.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Montel Gayles.

A brief discussion was held defining who is qualified as a student athlete. This is determined by the NCAA-sponsored sport that a student plays in. NIU has 17 such sports. Further discussion centered around the renewal options and bids from other companies. The renewal is advertised on the procurement bulletin. This product was designed with the NCAA so a competitor would not necessarily bid. It was decided that more clarifying information will be added to the item prior to the June Board meeting.

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

Action Item 10.g. – New Depository Account for Commercial Card Program

Sarah McGill explained the need to open a depository account with J.P. Morgan Chase Bank, which will be an investments account held as collateral for the University's new commercial card program. The required deposit to open this account is \$1M, which may increase or decrease based on the annual card spend and/or credit rating.

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

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on June 13, 2019.

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

A discussion ensued which clarified the decision to partner with J.P. Morgan. The original request to enter into an agreement for a commercial card service with J.P. Morgan was discussed in March 2018 with the Board.

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

Action Item 10.h. – Fire Services Contract Extension with the City of DeKalb

Sarah McGill explained that the University obtains fire response and emergency ambulance services from the City of DeKalb in the same manner as the local community. 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 expires on June 30, 2019, however with changes in the city leadership, a proposal to extend this contract until December 31, 2019 will provide time for discussions around a new multi-year contract. The proposed amount is \$415,857, which represents half of the annual cost for FY19.

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

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.

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

A question was asked about the increase in cost from FY18 to FY19. John Heckmann responded that the reason for this extension is to have the time to vet out what happened in the past. There is some alignment of logic to the number of calls and cost, however comparisons with other communities will be done to see if there are other mechanisms or models that can be used. A new proposal will come before the committee at the fall meeting.

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

11. UNIVERSITY REPORTS

Sarah McGill indicated that she was happy to respond to any questions pertaining to the University Report Information Items but would not go into detail on the individual items. She did mention that an update on the Holmes Student Center was included in the Facilities Update item noting that the posters displayed in the hall before entering the Board Room reflect renderings of the renovations currently underway. The posters show drawing of the new spaces alongside pictures of current construction progress. Chair Barsema added that he has toured the Holmes Student Center and found it exceeded his expectations. He recommended to board members that they also take a tour if they are able

Information Item 11.a. – Periodic Report on Investments for Period Ending March 31, 2019

Information Item 11.b. – Quarterly Summary Report of Transactions in Excess of \$100,000

Information Item 11.c. – Semi-Annual Progress Report of Active Capital Projects

Information Item 11.d. – Facilities Update

12. OTHER MATTERS

Chair Barsema thank Eric Wasowicz and his wife, Ann Lawrence, for their \$50,000 gift to the College of Business for the new Creativity and Empathy Lab on the NIU Giving Day.

13. NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be August 15, 2019.

14. ADJOURNMENT

A motion was made to adjourn by Trustee Montel Gayles; seconded by Trustee Nathan Hays. The meeting adjourned at 11:05 a.m.

Respectfully submitted,

Vicky Rippberger
Recording Secretary