



BOARD OF TRUSTEES

Finance, Audit, Compliance, Facilities
and Operations Committee

May 14, 2020

BOARD OF TRUSTEES OF NORTHERN ILLINOIS UNIVERSITY

Finance, Audit, Compliance, Facilities and Operations Committee

10:00 a.m. – Thursday – May 14, 2020

This Committee meeting is being conducted through video conferencing communications and is being conducted pursuant to Section 6 of Executive Order 2020-7 (Suspending OMA requirements of in person attendance by members of a public body).

AGENDA

1. Call to Order and Roll Call
2. Verification of Quorum and Appropriate Notification of Public Meeting
3. Meeting Agenda Approval..... *Action*..... i
4. Review and Approval of Minutes of February 13, 2020 *Action*..... 1
5. Chair's Comments/Announcements
6. Public Comment*
7. Financial Update
 - a. **FY19 Audit and Financial Results**..... *Information*..... 10
 - b. FY19 External Audit Corrective Action Plans Update..... *Information*..... 15
 - c. Division of Administration & Finance Refinancing of Series 2010 & 2011 AFS Revenue Bonds *Information*..... 21
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8. University Recommendations
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 - b. FY21 Division of Information Technology Campus Printer/Copier Program Contract Renewal *Action*..... 30
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9. University Reports
 - a. Periodic Report on Investments for Period Ending March 31, 2020 *Information*..... 35
 - b. Quarterly Summary Report for Transactions in Excess of \$100,000 for the Period January 1, 2020 to March 31, 2020..... *Information*..... 38
 - c. Semi-Annual Progress Report of Active Capital Projects With a Budget Over \$100,000 *Information*..... 40

10. Other Matters

11. Next Meeting Date

12. Adjournment

*Individuals wishing to make an appearance before the Board should consult the [Bylaws of the Board of Trustees of Northern Illinois University](#), Article II, Section 4 – *Appearances before the Board*. Appearance request forms can be completed [online](#) in advance of the meeting or will be available in the Board Room the day of the meeting. For more information contact Karen Campbell, kcampbell5@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 Karen Campbell, kcampbell5@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 13, 2020

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 10:58 a.m. by Committee Chair Eric Wasowicz in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sandy McCartney conducted a roll call of the Trustees. Members present were Trustee Rita Athas (joined meeting at 11:00 a.m.), Trustee John Butler, Trustee Montel Gayles, Trustee Bob Pritchard, Trustee Madalynn Mershon, Board Chair Dennis Barsema, and Committee Chair Eric Wasowicz. Members absent were Trustee Veronica Herrero. Also present were President Lisa Freeman, Committee Liaison Sarah McGill, General Counsel Bryan Perry, and Board Liaison Matt Streb.

2. VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

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

3. MEETING AGENDA APPROVAL

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

4. REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the November 14, 2019 meeting was made by Trustee Bob Pritchard; seconded by Trustee Montel Gayles. All were in favor. None were opposed. The minutes were approved.

5. CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Wasowicz commented, since the start of 2020, the state has released more than \$9M for NIU to move forward on building two new facilities; \$7.7M of which will be used to launch planning and design efforts for the Health Informatics building. Governor Pritzker released \$1.5M of the funds for the Northern Illinois Center for Community Sustainability (NICCS). This will be the hub of the Illinois Innovation Network (IIN). IIN is a place where faculty and students will engage in research and innovation focused on food systems, water resources, and environmental change, and make use of research to inform law and policy. These are large undertakings and investments that will help shape the campus for years to come. President Freeman and her leadership will be launching a series of planning activities. Chair Wasowicz encouraged everyone on campus to get involved. Additionally, Chair Wasowicz acknowledged the collective success of Northern Illinois University to move the needle forward on building partnerships with businesses owned by women, minorities, veterans, and persons with disabilities. The University increased its spend with vendors certified through the State's Business Enterprise Program (BEP) from \$845,000 in FY18 to \$6.8M in FY19; a \$6M increase. Increasing vendor diversity and expenditures under the BEP program is a top University priority identified by the Board and the President. Chair Wasowicz thanked President Freeman and Antoinette Bridges for their leadership and thanked the entire campus for their commitment to this priority also thanking Trustee Gayles, who's been very diligent in this area. Trustee Montel Gayles added his thanks to the staff and administration for doing a great job.

Chair Wasowicz acknowledged members of the University Council. There were no comments.

Chair Wasowicz confirmed that Sarah McGill will use her newly married name of Sarah Chinniah going forward.

6. PUBLIC COMMENT

There were no public comments. There was one request, but the requestor was not present.

7. FINANCIAL UPDATE

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

Sarah McGill explained that the University has \$175.5M that is connected with the series 2010-2011 bonds. These bonds became eligible to be refinanced January 1, and a refinance will occur sometime early in calendar year 2020. This refinancing will be broken into two parts: a fixed-rate publicly offered series of bonds, and variable rate bank placement bond issuance. The bond issue will not include any monies for new projects, and the new debt payments will not exceed beyond the April 1, 2041 maturity date of the series 2010 bonds. As part of the refinancing, about \$14M will be directed towards fiscal years 2020 to 2023 to help mitigate the budgetary impact of closing the structural budget gap in these years. Commitment was also made to modernize NIU's bond resolution that would provide some flexibility regarding the Auxiliary Facilities System (AFS) network to take buildings out that no longer meet the qualifications, to redefine buildings, as well as to count tuition pledges. During the December 5, 2019 meeting of the Board of Trustees, the Board approved a pool of five bond underwriting placement agent firms along with their Business Enterprise Program (BEP) partners to work on the refinancing, approved a seventh supplemental AFS revenue bond resolution, and other bond documents that were subject to the final approval of authorized officers including the President, Vice President & Chief Financial Officer, and General Counsel, and authorized the refinancing of the series 2010-2011 bonds, subject to meeting certain parameters of size not to exceed \$185M initial rate and duration.

Michael Boisvert spoke to key events since the December 5th Board meeting including events that have happened as early as this week and were not included in the write-up. In December, a Request for Proposal (RFP) was completed for a group of underwriters and decided on Piper Sandler and Wells Fargo. Several things needed to then be accomplished: Finalize the size of that variable rate piece; Put the last piece of the puzzle together on the bond resolution; Work with Moody's to update NIU's rating; Put out the request for proposal for banks to do the variable-rate piece; And, get bond insurance. Discussions were held about how to these things in a competitive way and get bids from a couple of the different bond insurers. The size of the variable-rate piece was finalized at \$30M, and the fixed-rate bond will wrap around that. A \$185M maximum was set with the potential that there might have to be a debt service reserve fund, which would add to the size of the issue. The bond resolution has been finalized. This went through the process with Moody's and was affirmed at the same Ba2 rating that currently exists. Mr. Boisvert stated that NIU is in a good framework for improvements in the future through this whole process. Mr. Boisvert continued explaining that after receiving four bids from different banks, the placement agent RFP for the bank that will handle the \$30M is close to being completed. This bank was amenable to NIU's requirements, and the rates may be lower than expected. The rates should be locked in by the March 5th Board of Trustees meeting.

Both Sarah McGill and Chair Wasowicz thanked Michael and the internal NIU team for all their work getting NIU to this point.

Information Item 7.b. – Quarterly Financial Summary – FY20 Second Quarter

Sarah McGill presented the FY20 Second Quarter Financial Summary. She explained that at the end of the second quarter, the University recorded a positive performance of approximately \$112.9M, which is about \$17.7M less than prior year due primarily to timing in how the debt service payment was recorded. On the revenue side, University Tuition and Student Fee revenues

have decreased approximately \$7.3M from prior year and is tracking about \$4.6M behind the year-to-date budget. Ms. McGill clarified that the performance was not due to not meeting current enrollment as enrollment is trending in line with the Strategic Enrollment Plan goals. The reason for the variance is due to the transition to a new financial model and work that needs to be done to improve forecasting abilities. Other revenues are tracking close to budget. The University is down about \$2.2M from the budget at this point, but looking toward the end of the year, the other revenues are expected to level out. Ms. McGill further explained that expenses through the second quarter exceeded budget by approximately \$1.15M, about half a percent. In total, the first quarter net results are \$8M worse than budget. It is expected that personnel services and contractual services will balance out at the end of the year. She confirmed that with the rollout of a multi-year budget plan, the strategic enrollment plan, and the transition to local control of budgets within the University, Management is demonstrating its ongoing leadership to monitor and develop strategies to effectively control expenses and expects to finish the year on budget of \$5.2M in expenses exceeding revenues.

Trustee Dennis Barsema asked for more information on the \$7.2M that the University is over in personnel services. Ms. McGill explained that part of it is timing as well as to lower expenses in contractual services. The relationship between personnel services and contractual services should balance out. She also confirmed that the reason debt service is higher than last year is also timing in that an entry is posted in a different quarter than it had been previously. Trustee Barsema asked what the biggest challenges are from a budgetary standpoint. Ms. McGill responded that there are areas to grow and priorities to invest in as well as assessing continuation of other projects and initiatives. President Freeman agreed and added that the faculty and staff are incredibly committed to the mission of the University and making sure the University is sustainable over the long term. Trustee Barsema congratulated the University administration and faculty for being relatively on the same page with regard to University goals.

Trustee Bob Pritchard asked for explanation about the capital repairs citing the underspending in that area. Ms. McGill explained that the University is about a half a million dollars behind the budget. The issue is timing and making sure that the teams across the University are in place to support that level of activity. Trustee Pritchard requested that the \$2.6M allocated goal is achieved by the end of the year. Trustee Barsema requested a readout on deferred maintenance at the next meeting. Ms. McGill agreed to provide this information.

Chair Wasowicz added, the University is making great progress and the work is appreciated.

8. UNIVERSITY RECOMMENDATIONS

Action Item 8.a. – Research and Innovation Partnerships Intellectual Property Counsel

Sarah McGill explained, The Division of Research and Innovation Partnerships requests permission to enter into agreements with as many as four intellectual property legal firms. Each contract will be for an initial one-year term followed by eight one-year renewal options. Services will not exceed \$250,000 per year or \$2.25M in the aggregate from March 1, 2020 through June 30, 2028. As part of this agreement, the firms awarded under the RFP conducted in spring 2019 may be requested to provide a wide variety of legal services relating to intellectual property and technology transfer.

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 special meeting on February 13, 2020.

A motion was made by Trustee Rita Athas; seconded by Trustee Montel Gayles.

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

Action Item 8.b. – College of Business New Creativity and Empathy Lab

Sarah McGill explained that the College of Business has received donor funding towards the creation of a Creativity and Empathy Lab space which is to be located on the entry level of Barsema Hall. The new lab will be a flexible collaborative working lab space for NIU students to be able to test out their new business and product ideas and will facilitate and support development of creativity and empathy skills among students, faculty, staff, alumni, business partners, and the local community. This \$400,000 project is being funded by donors, however this project needs Board of Trustees approval as it is a facilities modification over \$250,000.

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 March 5, 2020.

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

Sarah Marsh, Associate Professor and Chair of the Department of Management, explained the plans for this lab became part of the College of Business strategic initiative to strengthen its culture of innovation and experimentation. This space is designed to foster the type of collaboration that focuses on a process of design thinking, creativity, and empathy and aligns with the University's mission and values of excellence and experiential learning enabling students to see problems as opportunities and help them draw on techniques that are proven to help innovation succeed as well as have partnerships across campus and with community members. A number of initiatives have been piloted to test ideas and contribute to the goals. Ms. Marsh acknowledged members of the Board as well as meeting attendees for their contributions.

Trustee Montel Gayles pointed out that as a \$400,000 job, this would be a very good small business opportunity for the local construction companies. Trustee Rita Athas asked about the space allotted and the access to the space. Ms. Marsh explained that this would be an open space and open at all times that the building is open. It is anticipated that there would be a director and a group of graduate assistants that would help manage the space. Trustee John Butler asked how interdisciplinary this would be. Ms. Marsh responded that this is not a discipline-based methodology, but a major goal for the space would be to bring in students with different perspectives. Jerry Blazey, Vice President for Research and Innovative Partnership commented that this is being viewed as a continuum, and the creativity lab is more about ideation and the design thinking versus 71 North which encapsulates more of the spectrum, helping people commercialize, and helping them start with incubators and prototyping.

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

Action Item 8.c. – Stevenson Towers A, B, C & D – Roof Replacement Capital Project Approval (Revised)

Sarah McGill indicated that this is a revised request and had previously been approved as two separate projects as they were envisioned to be executed in separate years to spread out the expenditures, however, competing priorities caused delay. While leveraging competitive bidding across eight interested companies, the cost for completing the roof replacements has increased from the original combined approval of \$1.25M to \$1.4M. This is due to inflation and continued deterioration of the roofs.

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 March 5, 2020.

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

Trustee Dennis Barsema asked about the continued operation of the Stevenson Towers. Ms. McGill explained that there has been internal discussion, and for the foreseeable future, Stevenson plays a role in the University footprint. At this time the roofs are so bad that no students are housed on the top floor. This is a good and needed investment for the buildings. Trustee Montel Gayles asked if there would be a need for any repair to the dorms after the roofs are replaced. Ms. McGill explained that might be a possibility, but that would be a different project. Trustee Madalynn Mershon inquired as to when these repairs would take place. Ms. McGill confirmed that they would be done over the summer.

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

Action Item 8.d. – Chicago Based Office Leases for The Education Systems Center and College of Business MBA Programs

Sarah McGill indicated there are two leases that have been in place since August 2016 supporting the Education Systems Center, part of the Division of Outreach, Engagement, and Regional Development and two College of Business Master's Programs. A dispute had arisen concerning electrical charges for the leased property at 105 West Madison where NIU believed the charges were included in the rent, and the property management believed the charges should be paid in addition to the rent. NIU worked closely with the Office of Legal Counsel and after numerous discussions with the property management firm, the parties desired to settle the disagreement in an interest to avoid legal costs. The leases will be extended, and NIU will begin paying electrical charges as of November 1, 2019, in addition to the rental amount. The property manager will forgo the past claim on electrical charges since 2016. This request is for additional spend authority and to extend the leases. For the Education System, the total lease authority is \$620,000 for August 2016 through December of 2022, and for the College of Business, the total lease authority is \$305,000 for the period August 2016 through July of 2021.

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 March 5, 2020.

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

Trustee Bob Pritchard asked for elaboration on the amount of square footage of this space and its usage. Ms. McGill explained that NIU does have a regular presence in the space during normal business hours, including the MBA program. John Heckmann, Associate Vice President for Facilities Management and Campus Services added the space consists of one floor of this downtown tower that's split between the College of Business and the Education Systems programs but was not certain of the actual square footage. President Freeman pointed out that the Education space is largely office space with a conference room and is used continuously during working hours. The College of Business space is largely classroom space and tends to be used during nonworking hours immediately after work. Trustee Rita Athas asked if this was the same space that is used by the Alumni Association. Ms. McGill responded that the Alumni Association had previously occupied space, but the Division of Outreach took over that space. Trustee Montel Gayles commented that this is a great location centralized in the downtown area, but a review of the use of the facility needs to be conducted prior to any further extensions.

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

Action Item 8.e. – FY21 Master Agreement Facility Contract Renewals

Sarah McGill indicated that a Master Agreement for labor and materials supporting facility repairs and improvements is required to be established or renewed for FY21 for various contractors. Although the total amount being requested is \$17M, the amounts listed are ‘not-to-exceed’ limits. The open order provides flexibility to respond quickly when needs become critical. The Board will still need to approve any specific projects that are over \$250,000.

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 March 5, 2020.

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

A roll call vote was held. Trustees Rita Athas, Montel Gayles, Madalynn Mershon, Bob Pritchard, Dennis Barsema, and Chair Eric Wasowicz all voted yes. Trustee John Butler abstained. The motion carried.

Action Item 8.f. – FY21 Open Order Agreements for Consumable Commodities

Sarah McGill explained commodity purchases for consumable items are required to support the operations of various University departments. These commonly include materials for cleaning, office supplies, postage, and fuel. These open orders provide flexibility to respond to and meet operational needs. These amounts do not reflect obligations but serve as an upper limit for the cost for materials that may be procured under these agreements. Any individual orders under these agreements at or above \$250,000 will come to the Board for the necessary approval.

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 March 5, 2020.

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

Trustee Montel Gayles pointed out that the category with vendors for fuel to be determined could be a good sheltered market opportunity and requested that research be done to that end. Ms. McGill indicated that no vendors with any BEP designations were found on file with CMS but agreed to continue to monitor this to see what can be done.

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

Action Item 8.g. – FY21 Student Health Insurance

Sarah McGill explained the University provides group health insurance funded solely by student health insurance fees. The fees are collected and submitted to the broker insurer as a pass-through expense by the University. President Freeman tasked the committee to strategically review student health insurance. This committee was comprised of students and other University stakeholders. Following the good work of this committee, NIU leveraged an Illinois Public Higher Education Cooperative (IPHEC) contract for the fiscal year 2021 program. The health insurance offering is offered at a premium of \$1,131 per semester, lower than the premium offered in fiscal years 2020 and 2019 for the exact same program. This agreement supersedes the previous RFP for student health insurance.

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 March 5, 2020.

A motion was made by Trustee Dennis Barsema; seconded by Trustee John Butler.

Trustee Bob Pritchard asked for clarification to make sure the vendor accepts Kish Northwestern, in-network. Ms. McGill confirmed stating that was an important component in the partnership with Northwestern. Trustee Montel Gayles asked why NIU is not merging with all the other state institutions health insurance coverage. Ms. McGill explained that all state institutions likely offer some sort of health insurance for their students, and NIU administration looked to see if there would be any benefit to pooling purchasing power. Every institution offers a slightly different premium or offerings and has a different student demographic that impacts the claims that they may have. If some schools offer self-insured program or offer less coverage in their plan than NIU, there's really not the incentive to come together. The great thing about leveraging the IPHEC contract is it allows a larger purchasing power. President Freeman commended the committee for the analysis, deliberation, and discussions involved and thinking, above all else, about the welfare and wellbeing of students.

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

Action Item 8.h. – FY21 Division Information Technology Microsoft Enrollment Contract Renewal

Sarah McGill explained the Division of Information Technology requests permission to issue an open order in the amount of \$400,000 for FY20-21 renewal of the Microsoft Enrollment for Education Solution software for resale during this period. This is the seventh 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 asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Montel Gayles; seconded by Trustee Madalynn Mershon.

Trustee Montel Gayles commented that he would like NIU to take a look at shortening the duration of these contracts to provide better competition in the marketplace. Chair Wasowicz agreed that the University needs to look for shorter-term contracts to promote more competition. Trustee Barsema agreed that NIU should be shopping for deals and asked if the University looked around and confirmed if this is still a competitive price. Matt Parks, Associate Vice President for the Division of Information Technology and Chief Information Officer, indicated that NIU does talk with peers and has a good idea of the licensing structure and the price points. Since this contract is near its end, the University did not shop around, but will go out to bid when this agreement comes to its end and will take the Board's comments relative to the terms of future contracts. Trustee Barsema asked about how this process compares with competitive universities and what value is added by using a supplier like these as opposed to going directly to Microsoft. Mr. Parks explained that the University actively engages with this vendor, Scholar Buys, frequently on the overall pricing and the volume, and this contract covers many different services within the Microsoft portfolio. The price point is very efficient for the campus community. In the higher market you'll find the value at a reseller community is very, very active at selling these types of contracts to universities. So it's more common to do that than to go directly to Microsoft. This company has done an exceptional job at working with the University, specifically at maintaining licensing for the institution. The University might not get that type of benefit directly from Microsoft as these types of deals are often done through reseller agreements. Chair Wasowicz commented that Microsoft will probably prefer not to deal with the University directly. Mr. Parks agreed stating they'd rather go through a local or smaller evaluated reseller.

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

9. UNIVERSITY REPORTS

Information Item 9.a. – Periodic Report on Investments for Period Ending December 31, 2019

Ms. McGill stated that there were four informational items provided with comprehensive write-ups and no formal discussion planned. However, she did draw the committee's attention to the Cash and Investments Holding Summary noting that NIU's total holding is nearly \$25M less than the reported \$150M in December 2018. This change is due to the planned spending of the Build American Bond proceeds on the Holmes Student Center renovation throughout the year. She also noted that NIU is expected to almost fully exhaust the remaining Build American Bond funds, about \$4.2M, that's showing by the end of the academic year. This is also planned and will support some of the project work that is currently underway. Finally, Ms. McGill pointed out that in December 2019, there was \$9.8M transferred from an interest-bearing cash account to a contributory trust that is invested in a money market fund. These funds are ear-marked for a Capital Development Board project for the boilers. In addition to the money from the State, the University contributed \$9.8M for the project. Ms. McGill committed to putting together a more comprehensive update on the deferred maintenance for a future meeting.

Information Item 9.b. – Quarterly Report of Transactions in Excess of \$100,000 for the Period October 1, 2019 to December 31, 2019

Information Item 9.c. – Facilities Update

Information Item 9.d. – Clery Report Update

Trustee John Butler asked for more information regarding how the University is contending with the recent legalization of Marijuana based on the Clery Act material.

Chief Phillips explained that possession continues to be recognized as a schedule one drug, federally, and remains prohibited on campus, so not much has changed in regard to enforcement. He further explained that the campus continues with an education and awareness philosophy as it relates to cannabis, which means when a student is encountered with a small amount of cannabis, it is confiscated and they are referred to student conduct and put through a drug education training or class. Ultimately, federal law trumps state law. It goes along the lines of things related to Title IX and the Violence Against Women Act. There are implications related to funding provided to the University.

Trustee Bob Pritchard pointed out that there seemed to be more date-related crimes on the report and asked what NIU can do to change that trend.

Chief Phillips explained that NIU is currently working on a couple of things along those lines including working with ADI and Student Affairs on a grant to reduce domestic violence and sexual violence. This grant would include education, awareness, prevention, and response. NIU police also do on-scene lethality assessments and will contact Advocacy on-scene as well as provide information and resources on-scene. Working with the State's Attorney's Office, NIU Police will be co-sponsoring a training and education for regional law enforcement as it relates to domestic violence and strangulation in March.

President Freeman added that we should not necessarily interpret increased reporting as an actual increase in sexual violence. The violence was happening, but the awareness that has come to this issue as a result of the NIU campus, community, and federal spotlight on the problem has resulted in an increased reporting.

10. OTHER MATTERS

There were no other matters

11. NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be May 14, 2020

12. ADJOURNMENT

The meeting adjourned at 12:21 p.m.

Respectfully submitted,

Vicky Rippberger/Sandy McCartney
Recording Secretary

In compliance with Illinois Open Meetings Act 5 ILCS 120/1, et seq, a verbatim record of all Northern Illinois University Board of Trustees meetings is maintained by the Board Recording Secretary and is available for review upon request. The minutes contained herein represent a true and accurate summary of the Board proceedings

FISCAL YEAR 2019 AUDIT AND FINANCIAL RESULTS

Financial Audit Results for the Year Ended June 30, 2019

The University's financial statement audit for the year ended June 30, 2019 was completed and released by the Office of the Auditor General on Tuesday January 28, 2020. The University received an unmodified opinion on its financial statements. This is the highest opinion that can be received and states the audited financial statements present fairly, in all material respects, the financial position of Northern Illinois University. Additionally, there were no audit findings noted in auditor's report on internal control over financial reporting and on compliance and other matters performed in accordance with Government Auditing Standards for the fiscal year ended June 30, 2019.

Financial Results for the Year Ended June 30, 2019

The University's net position decreased from \$192.3M in FY18 to \$167.8M in FY19, a decrease of \$24.4M. This decrease in net position differs by \$2.0M from the decrease of \$26.4M disclosed in November 2019 at the Finance, Audit, Compliance, Facilities, and Operations Committee as part of the FY19 update. This difference is due to final adjustments as a result of year-end closing entries.

The University's working capital, a measure of the University's ability to meet its short-term obligations, decreased from \$43.0M in FY18 to \$24.1M in FY19. The resulting working capital ratio decreased from 1.68 in FY18 to 1.35 in FY19. The decrease in working capital and the working capital ratio is primarily due to timing of the receipt of state appropriations in FY18. The University's FY19 working capital ratio of 1.35 fell within in the target working capital ratio range of 1.20 to 2.00

It is important to note that the impact of the two-year State budget impasse continues to add complexity to reporting useful comparative data between FY18 and FY19. The appropriations shown in FY18 includes funds released in 2018 that partially restored FY17 appropriation. Management anticipates the impact of Covid-19 will further complicate reporting useful comparative data for FY20 and beyond.

The University's long-term debt payable decreased from \$351.8M in FY18 to \$341.1M in FY19, a decrease of \$10.7M. The decrease of \$10.7M is due to repayment of principal in FY19. There was no new debt issued during FY19.

Compliance Examination Results for the Year Ended June 30, 2019

The University's compliance examination for the year ended June 30, 2019 was completed and released by the Office of the Auditor General on Wednesday April 8, 2020. The University received an unmodified opinion on its report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes. Additionally, the University received an unmodified opinion on its report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

The Summary of Findings reported a total of twelve findings for the year ended June 30, 2019 compared to thirteen findings for the year ended June 30, 2018. Audit findings are reported and classified into two categories as either a material weakness or significant deficiency. A material weakness is the most severe type of audit finding. A significant deficiency is less severe than a material weakness, yet still considered important enough to merit attention in the report.

The twelve findings in the current year were all classified as significant deficiencies and consisted of three new findings and nine repeat findings. Four of the prior year findings, consisting of one material weakness and three significant deficiencies, were implemented and not repeated in the current year report. Summary information in support of the twelve findings, including the finding description, audit recommendation, and associated risk as defined by the auditors are included in the following item, Fiscal Year 2019 External Audit Corrective Action Plans Update, Agenda Item 7.b.

Summary Income Statement

	2019 (\$000's)	2018 (\$000's)	\$ change	% change
<u>Operating Activities:</u>				
Tuition and fees, net	\$117,278	\$104,152	\$13,126	12.60%
Net revenues	149,390	147,271	2,119	1.44%
Net expenses	<u>(494,989)</u>	<u>(582,957)</u>	87,968	-15.09%
Operating loss	<u>(\$228,321)</u>	<u>(\$331,534)</u>	\$103,213	-31.13%
<u>Nonoperating & Other Activities:</u>				
State appropriation – general	\$83,647	\$124,806	(\$41,159)	-32.98%
State appropriation - on behalf payments	85,415	183,539	-98,124	-53.46%
Net other revenues (expenses)	33,192	52,605	-19,413	-36.90%
Other revenues	<u>1,660</u>	<u>9,297</u>	<u>-7,637</u>	<u>-82.14%</u>
Nonoperating & Other Revenues	<u>\$203,914</u>	<u>\$370,247</u>	<u>(\$166,333)</u>	<u>-44.92%</u>
Increase (Decrease) in net position	(\$24,407)	\$38,713	(\$63,120)	- 163.05%
Net Position, Beginning of Year	\$192,252	\$194,837	(\$2,585)	-1.33%
Change in accounting principle (OPEB)	0	-44,390	44,390	
Restatement for gift agreements	<u>0</u>	<u>3,092</u>	<u>-3,092</u>	
Net Position, Beginning of Year, as restated	<u>\$192,252</u>	<u>\$153,539</u>	<u>\$38,713</u>	<u>25.21%</u>
Net Position, End of Year	<u><u>\$167,845</u></u>	<u><u>\$192,252</u></u>	<u><u>(\$24,407)</u></u>	<u><u>-12.70%</u></u>

Summary Balance Sheet

A high-level summary comparison of the University's assets, liabilities and net position at June 30, 2019 and June 30, 2018:

	2019 <u>(\$000's)</u>	2018 <u>(\$000's)</u>	<u>\$ change</u>	<u>% change</u>
Current Assets:				
Cash and investments	\$ 66,491	\$ 75,802	\$ (9,311)	-12.28%
Restricted cash and investments	43,537	45,402	(1,865)	-4.11%
Other current assets	27,355	30,555	(3,200)	-10.47%
Noncurrent Assets:				
Restricted cash and investments	63,000	63,880	(880)	-1.38%
Other assets	434,684	449,857	(15,173)	-3.37%
Total Assets	<u>\$635,067</u>	<u>\$665,496</u>	<u>\$(30,429)</u>	<u>-4.57%</u>
Deferred Outflows of Resources	\$ 7,056	\$ 8,564	\$ (1,508)	-17.61%
Current liabilities	69,699	63,376	6,323	9.98%
Noncurrent liabilities	394,270	413,700	(19,430)	-4.70%
Total Liabilities	<u>\$463,969</u>	<u>\$477,076</u>	<u>\$(13,107)</u>	<u>-2.75%</u>
Deferred Inflows of Resources	\$ 10,309	\$ 4,732	\$ 5,577	117.86%
Net Position	<u>\$167,845</u>	<u>\$192,252</u>	<u>\$(24,407)</u>	<u>-12.70%</u>

Following is a table from the FY18 State Higher Education Finance Report issued by the State Higher Education Executive Officers Association (SHEEO) regarding finance data for higher education in Illinois.

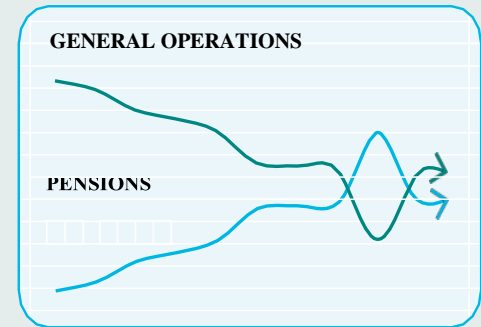
STATE SPOTLIGHT: ILLINOIS



Higher education finance data for Illinois continue to be outliers in the 2018 SHEF report, with educational appropriations nearly twice the U.S. average on a per student basis in 2018 and 30 percent above 2008 levels.

The significant increase in SHEF educational appropriations over the last decade is driven **entirely** by the state's efforts to address its historically underfunded state retirement pension system. The proportion of total funding spent on the state pension system has increased from 13.6 percent in 2008 to 46.4 percent in 2018.

Adding further complexity to Illinois's SHEF data in 2016 and 2017, the state did not pass a budget and therefore had no funding for higher education. The SHEF appropriations shown in these years are actually funds released in 2018 that partially restored 2016 and 2017 funds.



State Higher Education Executive Officers Association (SHEEOA) FY18 Annual Report: State Higher Education Finance, p.28.

**FISCAL YEAR 2019 EXTERNAL AUDIT CORRECTIVE ACTION PLANS
 UPDATE**

As a result of FY19 audit, the University received twelve total audit findings of which nine were repeated from the prior year. The total number of findings decreased by one compared to the prior year and the level of severity in finding type has improved. The University has developed formal corrective action plans intended to strengthen internal controls and address each audit recommendation as described in the FY19 Examination. The average number of findings received for the eight Illinois public institutions whose FY19 reports were publicly available as of this update, was twelve.

Management has engaged Internal Audit to test the status of corrective action plans for FY19 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 2019 fiscal year to address the 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 2020.

Finding Number	Description of Finding	Status
Finding 2019-001	Enrollment Status Reporting (repeated)	Implemented
Finding 2019-002	Failure to Notify Student of Loan Disbursement	Implemented
Finding 2019-003	Inadequate Internal Controls over Contracts (repeated)	Partially Implemented
Finding 2019-004	Failure to Submit Proper Time Reporting (repeated)	Partially Implemented
Finding 2019-005	Noncompliance with Campus Security Enhancement Act of 2008 (repeated)	Partially Implemented
Finding 2019-006	Lack of Annual Performance Reviews (repeated)	Partially Implemented
Finding 2019-007	Inadequate Controls Over I-9 Forms (repeated)	Partially Implemented
Finding 2019-008	Inadequate Controls Over Employee Terminations	Partially Implemented
Finding 2019-009	Noncompliance with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act	Partially Implemented
Finding 2019-010	Subsidies between Accounting Entities (repeated)	Partially Implemented
Finding 2019-011	Inadequate Controls over Property and Equipment (repeated)	Partially Implemented
Finding 2019-012	Lack of Contingency Planning or Testing to Ensure Recovery of Computer Systems (repeated)	Implemented

Barriers that limit full implementation include limited financial and staff resources, staff turnover, increased workloads, limited information technology functionality, and competing priorities. In addition, the FY19 compliance examination report was not final until March 6, 2020 which reduces the amount of lead time available to implement all corrective actions by June 30, 2020.

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. The Ethics and Compliance Office assists 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.

FY19 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 2020.

Finding 2019-001: 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: Implemented

Comments: The Office of Registration and Records has revised its operating procedures to include a process for reviewing error reports from the servicer to ensure degrees awarded are reflected within the timeline established by federal regulations. Additionally, graduated lists are generated from National Student Loan Data System (NSLDS) reports and compared to internal reports from the student information system to ensure validity of the data

Finding 2019-002: Failure to Notify Student of Loan Disbursement

Definition: University did not notify a student of their direct loan disbursement. Auditor recommended that the University establish and maintain internal controls to ensure student direct loan disbursement notification is completed as required by the Code of Federal Regulations.

Risk: Lack of notification results in the student (or parent) not being properly informed of the loan details which compromises their rights to cancel all or a portion of the loan and have the proceeds returned to the U.S. Department of Education.

Recommendation Status: Implemented

Comments: Financial Aid Office has revised the Risk Management Plan to include a process that will identify any disbursements not attached to a notification. This will ensure complete reporting to National Student Loan Data System (NSLDS) in accordance with U.S. Department of Education regulations.

Finding 2019-003: 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 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 fully implemented as information technology and staff resources are available.

Finding 2018-004: 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: The legislative team is collaborating with other Illinois state universities to review the requirements of the act related to proper time reporting.

Finding 2019-005: 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 policy may result in University allowing access to security sensitive information to individuals who otherwise should not be trusted.

Recommendation Status: Partially Implemented

Comments: Human Resource Services will place additional resources on reminding departments of the policy requirements as well as review the policy and employment offer letters when necessary.

Finding 2019-006: 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.

Finding 2019-007: 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.

Finding 2019-008: Inadequate Controls over Employee Terminations

Definition: University failed to ensure necessary personnel actions occur timely for terminated employees. Auditors recommend the University enhance control procedures to ensure timely removal of terminated employees from the University payroll.

Risk: Failure to properly remove terminated employees from payroll in a timely manner can result in improper payments.

Recommendation Status: Partially Implemented

Comments: Human Resources Services will update the employee departures webpage information to clarify employee and department responsibilities. Additionally, Human Resource Services will enforce existing policies and guidelines to responsible departments.

Finding 2019-009: Noncompliance with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act

Definition: The University did not comply with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (Act). Auditors recommend the University adopt written procedures and establish internal controls to ensure compliance with applicable statutory and regulatory requirements.

Risk: Failure to implement policies and procedures results in noncompliance with the Act.

Recommendation Status: Partially Implemented

Comments: University has made substantive steps to implement the various requirements of the Act and associated Administrative requirements. University will continue to make steps towards full implementation of controls and procedures to ensure initiation of renewals six months in advance to ensure compliance with the Act.

Finding 2019-010: 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 improve this issue in the future.

Finding 2019-011: 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 has implemented a new electronic process which will further strengthen the communication and controls over this process.

Finding 2019-012: 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. The University should also perform and document test of its disaster recovery plan at least once a year.

Risk: Exposure to possible major disruptions of services.

Recommendation Status: **Implemented**

Comments: The Division of Information Technology in FY19 reviewed and updated its disaster recovery (DR) plan. The division has established a quarterly process to periodically test disaster recovery scenarios in accordance with the plan.

PRIOR FINDINGS NOT REPEATED

Finding 2018-001: Financial Reporting Process

Auditor Comments:

During the current year audit, we noted the University strengthened their internal controls over reporting capital assets, inter-entity transactions, and revenue recognition in order to ensure adherence to accounting principles generally accepted in the United States of America.

Finding 2018-002: Untimely Cash Reconciliations

Auditor Comments:

During the current year audit, we noted the University strengthened their internal controls over cash reconciliations and the expectations noted during our sample testing were less severe than in the prior year

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

Auditor Comments:

In the current year examination, similar exceptions were not noted in our testing of tuition and fee waiver requirements.

Finding 2018-010: Noncompliance with Reporting Requirements Over Capital Projects

Auditor Comments:

In the current year examination, there were no exceptions noted during our review of construction or capital projects.

DIVISION OF ADMINISTRATION AND FINANCE REFINANCING OF SERIES 2010 AND 2011 AFS REVENUE BONDS

Overview and Summary: Northern Illinois University has \$175.5M in outstanding Series 2010, 2011 Auxiliary Facilities System (AFS) bonds. The average rate on that current debt outstanding is approximately 5.25%. Both issues are eligible to be re-financed with tax-exempt bonds effective January 1, 2020. Over the past several months, the Division of Administration and Finance has been exploring the feasibility of refinancing its Series 2010 and Series 2011 AFS Bonds. As discussed during previous meetings with the Finance, Audit, Compliance, Facilities, and Operations (FACFO) Committee and Board of Trustees (BOT) meetings, the refinancing would be broken into fixed rate publicly offered bonds and variable rate bank placement bond tranches. The bond issue will not include any monies for new projects and the new debt payments will not extend beyond the April 1, 2041 maturity date of the Series 2010 bonds. The goals of the refinancing are to:

- **Provide cash flow savings to the University**, with a significant portion of these savings (\$14M) directed toward fiscal years 2020 – 2023 to help mitigate the budgetary impact of closing the structural budget gap in those years.
- **Modernize NIU’s Bond Resolution**, which governs the operation of the AFS, for the first time since 1996. Planned changes to the Resolution would better accommodate the use of variable rate debt, allow for changes to the AFS if a Public-Private Partnership (P3) transaction were contemplated, liberalize the AFS’s financial covenants to match those of other Illinois, 4-year publics, and allow for transfers of AFS assets if the System were to be overfunded.

December 5, 2019 Board Action:

In the time leading up to the December 5, 2019 BOT meeting the Division and its financial advisor completed a Request for Proposal (RFP) process to create a pool of underwriters / placement agents to work on the refinancing. On December 5th, the Board:

- Approved a pool of five Bond Underwriting / Placement Agent firms, along with their Business Enterprise Program (BEP) partners, as eligible to work on the refinancing and other financings for the coming five years. At the time of the Board meeting, the selection of the final subset of firms to work on the refinancing was still pending the evaluation of the results of a follow-up “Pricing RFP.”
- Approved a 7th Supplemental AFS Revenue Bond Resolution, and other bond documents, subject to final approval of Authorized Officers, including the General Counsel; and
- Authorized refinancing the Series 2010 and 2011 AFS Bonds, subject to meeting certain parameters of size (not to exceed \$185M); initial rate or true interest cost (4.75%); final maturity (4/1/2041) and price (bond price no less than 97% of par amount of the issues).

Closing Update Since March 5, 2020

At the March 5, 2020 meeting of the Board of Trustees, university leadership reported the completion of the refinancing of the \$126.435M fixed rate Series 2020 Auxiliary Facilities System (AFS) bonds. At the same time, Northern Illinois University had come to terms on the \$30M

variable rate bank placement portion of the overall financing. Both were scheduled for closing on April 1, 2020. The Coronavirus crisis did not interfere with the closing of the Series 2020A and 2020B Bonds; thanks to diligent work of NIU staff and the financing team, both series closed without incident. A summary of closing results for both issuances follows.

Summary of Series 2020 A&B Financing – Final Pricing Results

Sources and Uses

Sources of Funds	
Series 2020A Par Amount (Direct Placement)	\$30,000,000
Series 2020B Par Amount (Bonds)	\$126,435,000
Original Issue Premium	\$23,011,382
Equity Contribution	\$5,835,000
Total Sources of Funds	\$185,281,382

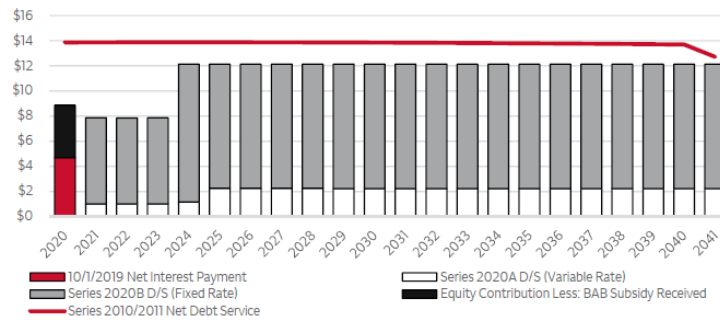
Uses of Funds

Series 2010/2011 Escrow Deposit	\$181,906,307
Cost of Issuance (Series 2020A&B)	\$407,372
Placement Agent Fee (Series 2020A)	\$148,400
Underwriter's Discount (Series 2020B)	\$648,612
Bond Insurance Premium (Series 2020A)	\$332,681
Bond Insurance Premium (Series 2020B)	\$1,838,011
Total Uses of Funds	\$185,281,382

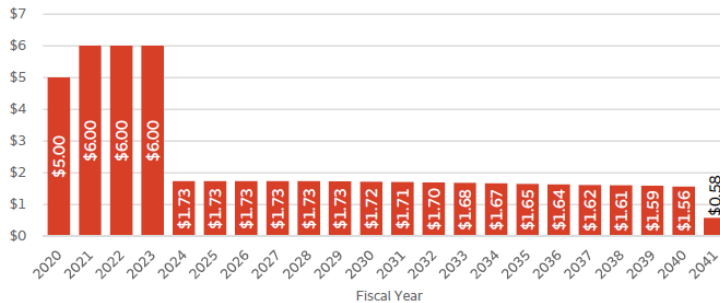
Summary of Refunding Results

Bond Statistics	
Par Amount	\$156,435,000
Par Amount Refunded	\$175,550,000
Arbitrage Yield	2.59%
All-in TIC	2.95%
Average Life (Years)	13.3
PV of 1 basis point change	\$158,538
Gross Savings (\$)	\$52,130,545
NPV Savings (\$)	\$43,101,463
NPV Savings (%)	24.55%

Annual Debt Service (\$MM)



Annual Debt Service Savings (\$MM)



Notes for Series 2020B Bonds: Ba2 underlying rating by Moody's; BAM insured rating of AA by S&P; Pricing occurred on 3/4/2020; Interpolated MMD rates as of 3/3/2020; Dated/Delivery date of 4/1/2020; Principal payment dates of 4/1; First interest payment on 10/1/2020; 10-year par call on 4/1/2030; No Debt Service Reserve Fund

Looking back on the refinancing process, NIU was fortunate to enter the market with almost perfect timing. At the March 4th fixed rate pricing date, the early days of the Coronavirus crisis had driven tax-exempt rates down by one-third of one percent in the prior week, leading to overall refinancing savings of \$52.1M, or close to twice the earlier estimates. However, in the two weeks *after* the pricing, the deepening Covid-19 Pandemic drove tax-exempt rates up by 1.5%, as investors fled the municipal market for the safety of US Treasuries. Ultimately, in the middle of March, the municipal market shut down completely and it is only just now beginning to recover.

There is one more positive piece of news to report. For planning purposes, the financing assumed that the \$30M tranche of variable rate debt would carry a rate of 3.0%. However, upon the closing of the floating rate bonds the actual rate for April was much lower, at 1.97%. This decrease in rates will save NIU at least \$25,000 in April, with more potential savings to come, if variable rates remain low.

**QUARTERLY FINANCIAL SUMMARY
FISCAL YEAR 2020 - THIRD QUARTER
AS OF MARCH 31, 2020**

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

At the conclusion of the third quarter of FY20, the University recorded a net revenue of approximately \$39.9M. This is \$29.8M less than the prior year due to factors including the immediate operational impacts of the COVID-19 pandemic.

University tuition and student fee revenues decreased by approximately \$1.1M from the prior year through the third quarter, reflecting pre-pandemic activities. Fee refunds processed in April will reduce tuition and fee revenues by year-end. A larger variance from prior year is reported for Rental & Room Income (\$4.0M) and Sales (\$2.2M), reflecting, in part, refunds resulting from the pandemic response that were recorded by the close of the fiscal quarter. In total, other revenue categories, including State of Illinois appropriation, are ahead of prior year by \$5.5M.

Overall, expenses through the third quarter exceed both prior year and budget by \$27.9M (9.4%) and \$13.9M (4.5%), respectively. Approximately \$14.5M of the variance to prior year is caused by the timing of debt service payments, which will end the fiscal year below budget due to \$6.0M in current year savings from the recent refinancing of the Series 2010 and 2011 Auxiliary Facility System bonds. Personnel Service expenses exceed prior year and budget, caused in part by stipend payments made to student employees in response to the COVID-19 pandemic. Contractual Service expenses through the third quarter exceeds prior years, driven partially by pre-pandemic investments in enrollment efforts. This Contractual Service trend may moderate by year-end as campus reprioritizes spending in all areas as the pandemic response continues.

To minimize the overall financial impact of responding to the COVID-19 pandemic, management has implemented new protocols and reviews of budgeted spending to minimize the FY20 deficit and protect University cash reserves. Longer-term efforts, including restrictions on in-year expense budget increases, implemented earlier this fiscal year, contribute to the University's ability to navigate this difficult, pandemic-driven fiscal environment. Current projections suggest a final FY20 budget deficit that is \$31.3M worse than previously expected. Unprecedented uncertainty in the fiscal environment may improve or weaken this expected final fiscal year performance.

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, and 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, childcare, and 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, and 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

1. **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.
2. **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.
3. **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.
4. **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.
5. **Automotive:** Includes the cost to rent cars, vans, and busses from the University transportation department.
6. **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).
7. **Telecommunications:** Includes the cost of providing phone, internet, and other digital services to the University.
8. **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
9. **Capital Repairs:** Includes the cost of centralized capital repair activities.
10. **Debt Service:** Includes debt service payment on bonds, certificates of participation, and performance contracts.
11. **Other:** 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 FY20 and a comparison perspective to March FY19.

Northern Illinois University
as of March 31, 2020
(\$ in thousands)

	Current Year FY20			Prior Year FY19		Current Year FY20		
	Third Quarter			Third Quarter		Annual		
	YTD Actuals	YTD Budget	Variance	YTD Actuals	Variance	YTD Forecast	Budget	Variance
Revenue								
Tuition & Student Fees	\$ 166,232	\$ 164,971	\$ 1,261	\$ 167,375	\$ (1,143)	\$ 162,496	\$ 176,085	\$ (13,589)
Gifts, Grants, & Contracts	49,293	49,004	289	47,558	1,735	54,090	59,331	(5,241)
Other Fees and Fines	5,652	5,609	43	6,263	(611)	7,004	7,172	(168)
Sales	24,837	27,394	(2,557)	27,068	(2,231)	26,721	32,606	(5,885)
Rental & Room Income	25,411	31,855	(6,444)	29,459	(4,048)	26,810	33,735	(6,925)
Gate Receipts & Commissions	3,046	4,466	(1,420)	4,079	(1,033)	4,294	4,809	(515)
Miscellaneous & Investment Income	4,288	1,821	2,468	3,067	1,221	17,240	11,479	5,761
State of Illinois	86,907	86,828	79	82,717	4,190	87,804	87,804	0
Total Revenue	\$ 365,666	\$ 371,947	\$ (6,281)	\$ 367,586	\$ (1,920)	\$ 386,458	\$ 413,021	\$ (26,563)
Expenses								
Cost of Sales	\$ 4,229	\$ 2,961	\$ 1,269	\$ 2,650	\$ 1,579	\$ 5,659	\$ 5,599	\$ 60
Personnel Services	175,298	161,195	14,103	165,981	9,317	227,191	210,829	16,362
Contractual Services	59,192	57,133	2,059	55,827	3,365	85,397	85,079	318
Commodities	4,339	4,383	(44)	4,366	(27)	6,120	6,276	(156)
Travel	3,459	4,193	(735)	3,504	(45)	4,562	5,531	(969)
Automotive	943	880	63	931	12	1,212	1,153	59
Scholarships	51,915	57,052	(5,137)	49,207	2,708	52,907	59,338	(6,431)
Telecommunications	152	211	(59)	407	(255)	561	323	238
Equipment & Library Materials	5,598	7,554	(1,956)	6,523	(925)	7,821	9,374	(1,553)
Capital Repairs	1,521	801	719	4,258	(2,738)	1,602	2,650	(1,048)
Debt Service	15,961	15,373	587	1,450	14,511	25,201	31,921	(6,720)
Miscellaneous Expense	3,129	64	3,065	2,757	371	4,761	105	4,656
Total Expenses	\$ 325,735	\$ 311,801	\$ 13,934	\$ 297,861	\$ 27,874	\$ 422,994	\$ 418,179	\$ 4,815
Net Revenue	\$ 39,931	\$ 60,146	\$ (20,216)	\$ 69,725	\$ (29,794)	\$ (36,536)	\$ (5,158)	\$ (31,378)

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

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

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

The change in annual net position is a projection for FY20 and was calculated using the FY19 annual GAAP figures. Following is the reconciliation from the University's Budget to GAAP financial statements based on year-to-date projections.

Budget to GAAP Reconciliation
Year-End Projection
(\$000's)

Net Revenue, per Budget	(\$36,536)
Depreciation Expense	(28,232)
Debt Principal	6,793
Total Decrease in Net Position	<u>(\$57,975)</u>

*Unaudited

As of March 31, 2020, the projected year-end decrease to net position is \$57.975 million. Based on forecasted year-to-date Net Revenue of (\$36.536) million, estimated annual depreciation of \$28.232 million, and annual debt principal of \$6.793 million. Annual debt principal decreased from Q2 projected amount due to the refinancing of Series 2010/2011 revenue bonds on April 1, 2020. The first principal payment for the new Series 2020A/B is October 1, 2020. The projected ending net position for fiscal year 2020 is as follows:

FY20 Change in Net Position
For the Year-Ended June 30, 2020
(\$000's)

Net Position, June 30, 2019	\$167,845
Decrease in net position	<u>(57,975)</u>
Net Position, June 30, 2020, projected	<u>\$109,870</u>

*Unaudited

FY21 UNIVERSITY BUDGET – PRELIMINARY SUMMARY

In planning for the FY20 internal budget, a multi-year strategy took shape with the goal of producing a balanced University budget in FY23 and by FY24, a structurally balanced budget in which ongoing revenues support ongoing expenses. Using a series of levers including the controlled spend-down of cash reserves, incentivizing sound financial strategies, and investing in mission-aligned efforts with an expected positive return-on-investment, senior University leaders sought to create an opportunity for the careful planning, at a divisional level, of multi-year strategies to meet the overarching goal of financial stability.

In support of this effort, the Budget Office prepared a new approach to internal budget development for FY21 and beyond, that would emphasize target-setting and planning while de-emphasizing the technical processes associated with the internal budget. The revised approach was communicated to University leaders in February 2020, including presentations at the President's Leadership Team meetings and at a regular convening of university budget and financial leaders. With an expected launch on April 1, the process anticipated a full, three months of formal budget development work—at least twice the time that was provided in prior years. This intentional emphasis on planning over technical matters meant the Board of Trustees could review high-level FY21 budget information at its May meeting of the Finance, Audit, Compliance, Facilities and Operations (FACFO) Committee and, consistent with tradition and past practice, adopt a final spending plan in June.

The March pronouncement of the COVID-19 pandemic and subsequent emphasis of University leadership on student, faculty, and staff safety preempted budget development rollout efforts. Specifically, COVID-19 continues to present us with mounting uncertainties and has adversely impacted NIU's financial position. While we work to assess the full financial impact to date, we know that revenue reductions and real costs are already in the range of \$40 million to \$50 million for FY20. Future projected revenue losses and delays related to state funding, enrollment, housing, dining, cancelled summer programming and events, as well as philanthropy, are anticipated to be significant.

While NIU will soon receive approximately \$14.8 million from the federal Coronavirus Aid, and Economic Security (CARES) Act, half will rightfully go directly to supporting student needs. The other half will be applied to COVID-related expenses, but it will not account for the full financial impact. Further compounding matters is that we have yet to receive \$31.8 million in state appropriations for our current fiscal year that ends June 30, 2020. There is no guarantee when it will come or how much it will be, nor is there a guarantee about how much of an appropriation we'll receive next fiscal year beginning July 1. The need to establish an FY21 internal budget, however, persists.

As many universities across the nation are experiencing similar financial impacts, we all recognize that there is no one single action that we can take to get us to where we need to be, and everything cannot happen at one time. Measures will have to be taken over the months ahead and will require constant evaluation.

A revised FY21 budget development process was announced the week of May 4 and includes revised budget allocation targets adjusted to reflect the post-pandemic fiscal environment. Unlike prior years, the technical aspects of recording the spending plans of individual campus units will not be complete prior to the July 1 start of the new fiscal year; however, an overall University spending plan will be available for Board consideration at its June 18, 2020 meeting and include

information on major strategic investments and university-wide policy decisions included in the budget. Should the FY21 internal budget be adopted at that time, the overall revenues and expenditures represented in June Board materials will be honored, however, the distribution of resources across revenue and expense categories may evolve as unit-level budgets are written and recorded in July. Extending the technical budget process beyond June will allow local units additional time to understand and plan in this uncertain environment.

Many FY21 budget parameters driven by environmental factors are not yet clear. These factors include Academic Year 2020-21 enrollment, State operating support to the University, and the ability to conduct on-campus classes. The status of intercollegiate sports seasons, scheduled academic and professional conferences, and contracts for some services also remain uncertain at this time. These factors suggest flexibility is necessary as we embark on FY21 budget development and are likely to force a revision of the University's multi-year budget framework.

Later in calendar year 2020, the University will embark on planning for future fiscal years, including a revision of the multi-year framework. Worksheets will be created and distributed to local University units to capture preliminary plans for FY22. This information, combined with greater certainty about the post-pandemic fiscal environment, will be critical to setting multi-year University budget goals.

FY21 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 hour/7 days a week technical support for the University's campus-wide, Cisco-based enterprise network for FY21.

Background: To provide a robust, dependable, and stable network, the University's enterprise network infrastructure requires Cisco vendor maintenance support. This maintenance agreement, procured annually, via a one-year term, through an Illinois Public Higher Education Cooperative (IPHEC) approved vendor, supports the entire campus-based network equipment infrastructure to assist DoIT in troubleshooting, break-fix repairs, and replacement of hardware in case of failure.

Funding: Institutional – Local Funds **\$350,000**

CDW Government, LLC, Vernon Hills, IL.....\$ 350,000

Recommendation: 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 June 18, 2020.

Amount Approved for FY20: \$400,000

**FY21 DIVISION OF INFORMATION TECHNOLOGY CAMPUS
PRINTER/COPIER PROGRAM CONTRACT RENEWAL**

Summary: The Division of Information Technology (DoIT) - Integrated Media Technologies program requests permission to issue an order for renewal of the campus copier/printer program consisting of approximately 400 Canon multi-function devices (MFD) of various configurations and 3 Canon high-speed production devices. Last year’s quantity of campus-wide printed pages was approximately 13,000,000.

This program is provided under a rental agreement based on a flat rate per copy charge, which includes all equipment, toner, and maintenance. Devices are operated with a campus printer card controller system. Peripheral devices, such as fax boards and networking cards, are included in the contract. This is the final year of nine, one-year renewal options based on a bid opened December 2, 2011 under RFP # WLC127824. The renewal award will be advertised in the *Illinois Procurement Bulletin*.

Background: Considering the reduction in print volume due to the Covid-19 pandemic, the total anticipated spend with the Gordon Flesch Co in FY20 is \$700,000 and is comprised of the following two components:

- 1. Campus Fleet Printing:** FY20 spending for Campus Fleet Printing is approximately 80% of the total spend. The negotiated rates with Gordon Flesch Co are between 9% and 37% lower for monochrome printing, and 50% lower for color printing. This puts NIU on track for a cumulative savings in print of \$3.1M since May of 2016, despite seeing some increase year-over-year in print volume.
- 2. Campus Production Printing:** FY20 spending for Campus Production Printing is approximately 20% of the total spend. Spending for FY21 is unpredictable due to uncertainty around when staff will return to Campus, thus driving high-volume prints through DoIT’s Document Service production operation. For now, we are assuming fixed year-over-year spending performance.

Funding: Institutional/Local Funds

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

Recommendation: The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and ask that the President forward it by means of the President’s Report to the Board of Trustees for approval at its meeting on June 18, 2020.

Actuals

FY20 anticipated: \$700k

FY19: \$806k

FY18: \$795k

**FISCAL YEAR 2021 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 FY21 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 FY20.

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 18, 2020.

Amount Approved for FY20: \$743,600

**FY21 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, 2020.

Background: This FY21 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 seven 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 18, 2020.

Amount Approved for FY20: \$325,000

**NAPERVILLE OUT-LEASE WITH AMERICAN INSTITUTES FOR
RESEARCH
(NIU as LESSOR)**

Summary: The current lease with American Institutes for Research at the Naperville satellite campus ends June 30, 2020. The University would like to continue the long-standing relationship with this tenant by executing a 6-month extension of the existing lease terms, followed by a new longer-term agreement incorporating a tenant-funded renovation of the space to better accommodate their requirements.

Background: The American Institutes for Research (AIR) is a not-for-profit organization that conducts and applies behavioral and social science research and evaluation towards improving people's lives, with a special emphasis on the disadvantaged. They and their predecessor organizations (North Central Regional Education Laboratory and Learning Points Associates) have been a consistent tenant at the Naperville satellite campus since its opening in 2000.

AIR currently occupies approximately 12,500 square feet of office space on the second floor of the Naperville building and desires to renovate about 10,000 square feet to accommodate their longer-term staffing requirements. The AIR organization is willing to fund the necessary renovation work.

Funding:

This is a revenue-generating agreement where the 6-month extension is estimated at \$125K and the longer-term lease is anticipated to provide a total net revenue of approximately \$0.8M to \$1.8M to the University, depending on the final negotiated terms including lease length (5 to 10 years), rental rate, broker costs, market-based concessions, and other related factors.

Recommendation: 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 June 18, 2020.

**OUT-LEASE WITH ILLINOIS DEPARTMENT OF AGRICULTURE
(NIU as LESSOR)**

Summary: The current lease with IL Dept of Agriculture ends June 30, 2020. The University would like to continue the support of this tenant by executing a new 5-year lease. The leased office space is in the DeKalb Ag Original Building at the intersection of Route 23 and Bethany Road.

Background: The Department of Agriculture is headquartered in Springfield and maintains the 2280 Bethany Road, DeKalb location as its Environmental Programs Regional Office. The organization occupies approximately 3,015 square feet of office space.

Funding:

This is a revenue-generating agreement anticipated to be approximately \$375,000 in value to the University.

Recommendation: 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 June 18, 2020.

PERIODIC REPORT ON INVESTMENTS FOR PERIOD ENDING MARCH 31, 2020

In accordance with the approved University Investment and Cash Management policy, this report on cash and investments is submitted at the end of each calendar quarter to the Board of Trustees. This report is required by Board of Trustees *Regulations* (Section V, Subsection D). The following schedules are included:

- Cash and Investment Holdings Summary as of March 31, 2020
- Investment Earnings for the quarter ended March 31, 2020

The *Cash and Investment Holdings Summary* at March 31, 2020 shows NIU's total holdings at \$154.3 million, which includes \$14.1 million in restricted funds, \$40.5 million in investments, and \$99.7 million in operating cash. The total holdings balance is nearly \$31 million lower than the balance at March 31, 2019. A portion of the decrease is a result of NIU's planned spending of Build America Bond proceeds on the Holmes Student Center renovation project. The remaining difference is a result of lower cash receipts and higher cash disbursements over the same time period of the previous fiscal year. Most operating funds were invested in money markets and investment savings accounts because cash and cash equivalents were earning higher yields than long term investment instruments during the third quarter of Fiscal Year 2020.

The *Investment Earnings* report shows the interest earnings of \$662,150 and an overall annualized rate of return of 1.59% for the 3rd quarter. The lower return this quarter over prior quarter resulted from a decrease in interest rates and lower cash balances.

Due to the COVID-19 global pandemic, the US economic outlook for the remainder of this calendar year has drastically changed since the second quarter report on investments. Economists had predicted the Federal Open Market Committee would raise interest rates in 2020. Instead, the Federal Reserve issued an emergency rate cut of .5% on March 3, 2020. They followed up with an additional 1% cut on March 15, 2020, leaving the federal reserve funds rate near zero. As a result, current cash balances and new investments for the university will provide a lower yield than previously expected.

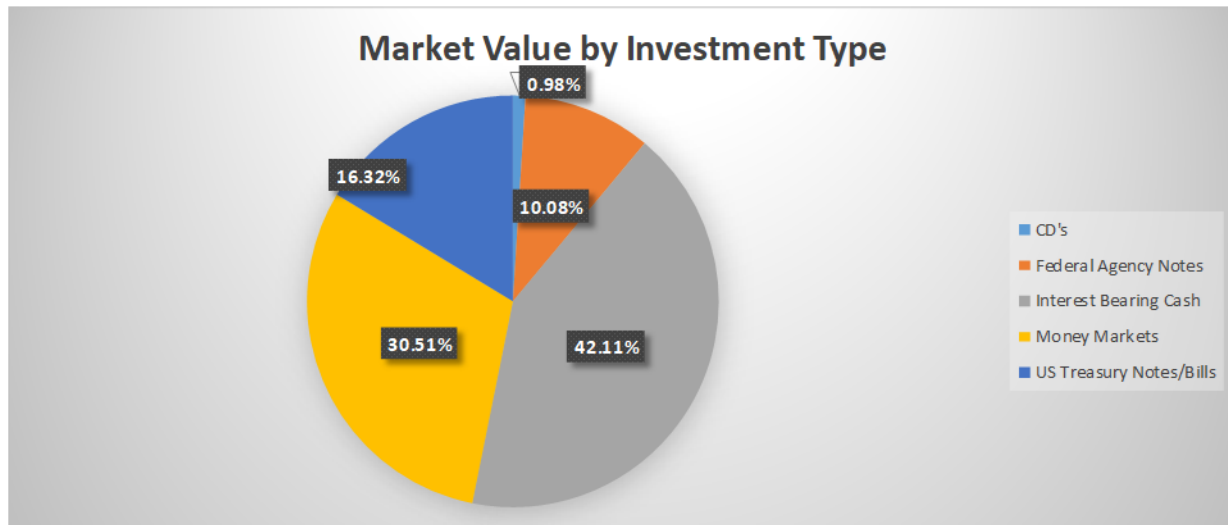
Government stimulus programs will provide some relief of this economic crisis for NIU and its students. The Coronavirus Aid, Relief, and Economic Security Act will provide NIU with approximately \$14 million, half of which must be disbursed directly to students. Given the unknown timeline for virus containment, it is difficult to predict the timing of a financial turnaround. Management is monitoring the financial impacts of COVID-19 and continues to provide senior leadership with information to aid in aligning fiscal policy with operating capacity.

CASH and INVESTMENT HOLDINGS SUMMARY

March 31, 2020

For Fiscal Year 2020

Investment Type	Purch Price/ Ending Bal *	Book Value **	Market Value ***
CD's:			
Local Funds	\$ 1,513,349	\$ 1,513,349	\$ 1,513,349
Federal Agency Notes:			
Local Funds	\$ 15,386,884	\$ 15,516,926	\$ 15,555,471
Interest Bearing Cash Accounts:			
Local Funds	\$ 64,963,825	\$ 64,963,825	\$ 64,963,825
Money Markets:			
Contributory Trust	\$ 9,834,900	\$ 9,834,900	\$ 9,834,900
Local Funds	34,651,440	34,651,440	34,651,440
Project Funds	2,599,662	2,599,662	2,599,662
	<u>\$ 47,086,002</u>	<u>\$ 47,086,002</u>	<u>\$ 47,086,002</u>
US Treasury Notes/Bills:			
Local Funds	\$ 25,116,947	\$ 25,078,833	\$ 25,187,360
TOTAL INVESTMENT HOLDINGS	\$ 154,067,007	\$ 154,158,935	\$ 154,306,007
Non-interest Bearing Cash	\$ 294,253	\$ 294,253	\$ 294,253
TOTAL CASH & INVESTMENT HOLDINGS	\$ 154,361,260	\$ 154,453,188	\$ 154,600,260
TOTAL REPORTED FOR 03/31/2019	\$ 185,907,019	\$ 186,201,857	\$ 186,126,563



* 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 2020
July 1, 2019 - March 31, 2020

	March 31 Ending Balance	Qtr 3 Average Daily Balance	Percent of Portfolio	Qtr 3 Income Earned	Annualized Rates of Return			
					FY 2020		FY 2019	
					3rd Qtr	2nd Qtr	1st Qtr	4th Qtr
Short-Term Investment Accounts								
Illinois Funds	\$ 34,651,440	\$ 53,323,546	32.04%	\$ 202,194	1.521%	1.818%	2.239%	2.435%
Investment Accounts - Financial Institutions	\$ 64,963,825	\$ 66,469,113	39.94%	\$ 257,713	1.555%	1.865%	2.342%	2.477%
Contributory Trust	\$ 9,834,900	\$ 9,840,581	5.91%	\$ 33,870	1.180%	1.540%	-	-
Investment Accounts - Project Funds	\$ 2,599,662	\$ 3,049,284	1.83%	\$ 12,048	1.585%	1.776%	2.178%	2.245%
CD's	\$ 1,513,349	\$ 1,509,977	0.91%	\$ 4,037	1.072%	1.347%	1.639%	1.710%
ST Investment Accounts Total	\$ 113,563,176	\$ 134,192,501	80.63%	\$ 509,862	1.524%	1.695%	2.275%	2.414%
Fixed Income Securities								
Local Funds	\$ 40,503,831	\$ 32,234,610	19.37%	\$ 152,288	1.890%	1.915%	2.029%	1.883%
Fixed Income Securities Total	\$ 40,503,831	\$ 32,234,610	19.37%	\$ 152,288	1.890%	1.915%	2.029%	1.883%
Non-interest Bearing Cash	\$ 294,253	\$ -	-	-	-	-	-	-
COMBINED TOTAL	\$ 154,361,260	\$ 166,427,111	100.00%	\$ 662,150	1.59%	1.73%	2.23%	2.27%

Assets reported in INVESTMENT EARNINGS 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, 2020 TO MARCH 31, 2020**

Purchase Amount	No. of Transactions	Appropriated*	Non-Appropriated	Total
Over \$100,000	8	0	\$1,222,037	\$1,222,037

TRANSACTIONS DETAIL:

Purchases:

1. Finance and Treasury requested permission to issue payment for audit costs allocated to the University Income Fund for the period ending June 30, 2019. This purchase is exempt from the bid process as the engagement is with a state agency and is not subject to the rules of the Procurement Code and applicable laws. (Office of the Auditor General, Springfield, IL) 225,000
2. Northern Public Radio requests permission to purchase radio equipment to repair the NPR radio transmitter. The NPR cannot broadcast without these repairs. This is an FCC violation. This is the main transmitter that feeds the LaSalle, Sterling, Freeport, and Rockford repeaters. This affects 60,000 listeners including donors and advertisers. This order is considered an emergency and is exempt from being advertised on the Illinois Procurement Bulletin. (Broadcasters General Store, Ocala, FL) 118,727

Capital Improvement Projects:

1. The Holmes Student Center Ground floor and portions of the basement level have recently undergone major space renovations which had not included the bowling center lanes. The scoring system for the 16-lane bowling area was last updated in the early 1990's and is beyond its useful life. This scoring system was planned to be restored after the major space renovations for the upper and lower Huskie Den areas were completed. However, when the system was restarted, it was found to be non-functional and determined to be unrepairable. Replacement of the scoring system and associated seating area is considered the most economical solution and in keeping with the recently renovated décor of the surrounding Den area. Work will be completed by outside contractors and in-house workforce under the coordination of a NIU project manager. 248,600

2. Annual maintenance and repair are required at the West Plant each winter to ensure that the aging steam boilers and associated steam distribution equipment at the West Plant will have the ability and capacity to operate and generate steam needed for the entire campus during the summer season. Many of the repairs are related to worn, broken or non-functioning steam valves, nozzles, gauges, vents, expansion joints, control calibration, inspection/repair of fireboxes 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 must be completed during the winter shutdown of the West Plant. Work will be completed by outside contractors and in-house workforce under the coordination of a NIU project manager. 114,950

3. The West Plant cooling towers and chillers require periodic maintenance to ensure the campus will have chilled water for the upcoming cooling season. These repairs include replacing cooling tower fill valves, cleaning 4,000 chiller tubes, painting and addressing safety issues. To ensure that the reliable and safe cooling capacity is available for the next cooling season, the maintenance and repair must be completed during the winter heating season. Work will be completed by a combination of outside contractors and in-house workforce under the coordination of a NIU Project Manager. 114,750

4. This project will replace the elevator controls for the Convocation Center passenger elevator which is the only option for ADA access to seating in the suite level, as well as public ADA access to the floor level. Work will consist of upgrading controls, door and cab operators, cab wiring, machine room wiring, oil tank unit with battery lowering unit and car/hallway fixtures. Work will be completed by a combination of outside contractors and in-house workforce under the coordination of a NIU Project Manager. 172,400

5. This project will replace the existing Convocation Center Cooling Tower fan belt drive system with a more durable and reliable fan gearbox drive system. This will include removing the motor, bearing, belts and fan assembly and installing a new gearbox, fan assembly and high efficiency motors. Work will be completed by a combination of outside contractors and in-house workforce under the coordination of a NIU project manager. 122,850

6. This project involves repairs and upgrades to three existing restrooms at the Holmes Student Center. The restrooms are within a high student traffic area adjacent to the recently renovated space on the ground floor and have not received any major improvements since original construction in the 1960's. Scope of work in the old south entrance men's and women's restrooms will include new ceilings, light fixtures, lavatories and countertops, partitions, floor tile refresh and painting. Scope of work in the single user restroom includes inversion to all gender, installing a new water closet, lavatory, mirror, lighting and upgrading finishes. Work will be completed by in-house workforce under the coordination of a NIU project manager. 104,760

*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 (CDB)-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 Planning Phase

1. Health Informatics and Technology Center Building

Total Project Budget: \$80,000,000

Funding Sources: State Appropriation

Authorization Date: January 2020 (for \$7.7M)

Status: The University was notified by CDB in January 2020 that funds were pending from the Comptroller's office for this project. NIU will be working with CDB to define the scope of work to be used by CDB for advertising to solicit proposals for design firms to work on this project. CDB will be contracting with a firm to develop the building program, design and construction documents. Schedule for solicitation is to be determined at this time.

2. Northern Illinois Center for Community Sustainability

Total Project Budget: \$20,000,000

Funding Sources: Grant Funding & NIU Local Funds

Authorization Date: December 2018

Status: The University was notified by CDB in February 2020 that this project will be run by CDB. Funds have not yet been released. Following release, NIU will be working with CDB to define the scope of work to be used by CDB for advertising to solicit proposals for design firms to work on this project. Schedule for solicitation is to be determined at this time.

II. Projects in the Design Phase

1. DeKalb Campus – Repair Steam Tunnel Distribution

Total Project Budget: \$5,024,000

Funding Sources: FY2019 - CDB State Appropriated

Authorization Date: September 2018

Status: The University was notified by CDB in May 2019 that funds were pending release from the Comptrollers' office for this project. CDB will be contracting with a firm to develop design and construction documents for the project. Selection was made in December 2019, with contract negotiations following that in early 2020. Per CDB this project is currently on hold due to COVID-19 crisis. Consultant should be able to begin work once CDB hold is lifted.

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

Total Project Budget: \$16,000,000
Funding Sources: Institutional - Auxiliary Reserves &
FY2019 – CDB State Appropriated
Authorization Date: August 2017

Status: The University entered into an inter-governmental agreement with the Capital Development Board to manage the project using a “design/build” project delivery method. CDB contracted with a firm to develop bridging documents to be used to select a Design/Build contractor team. Design/Build team proposal solicitations were in process when CDB placed this project on hold in March due to COVID-19 crisis. The design/build contract was anticipated, prior to the hold, to be awarded summer 2020, award timing to be determined at this time.

III. Projects in the Construction Phase

1. Critical Steam Isolation Valve and Expansion Joint Replacement

Total Project Budget: \$501,000 (\$476,000 CDB + \$25,000 NIU)
Funding Source: FY2019 - CDB State Appropriated & NIU local funds
Authorization Date: December 2018

Status: The University entered into an Inter-Governmental Agreement with the Capital Development Board whereby NIU would execute the work and be reimbursed once work has been completed. Work is 98% complete and is anticipated to be completed by June 2020. This will be the last report on this project.

2. Stevens Building – Addition & Renovation

Total Project Budget: \$37,300,135
Funding Source: FY2010 – CDB Amended FY2017 &
FY2017 – NIU Appropriated Funds

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. Remaining punch list and other work items are being reviewed and addressed. Final completion of project is anticipated Summer 2020 depending on possible COVID-19 delays.

B. NORTHERN ILLINOIS UNIVERSITY PROJECTS

I. Projects in the Planning Phase

None at this time.

II. Projects in the Design Phase

1. College of Business – Creativity and Empathy Lab

Total Project Budget: \$400,000
Funding Source: Donor Funds
Authorization Date: March 2020

Status: In collaboration with NIU, NIU Foundation hired a design firm to work with the College of Business to develop the design and prepare construction documents. Contractor bids have been received, evaluated and final selections made. Construction to begin as soon as contracts are in place. Construction schedule may be impacted by COVID-19 crisis but is planned to be completed prior to the Fall semester.

2. Recreation Center – Changing Room remodel

Total Project Budget: \$1,100,000

Funding Source: Institutional - Auxiliary Reserves

Authorization Date: September 2019

Status: Following board approval a consultant architecture and engineering firm will provide design services to proceed with design. Design development was completed by March of 2020. Request for approval to proceed with construction is on hold due to the COVID-19 crisis.

3. Stevenson and Grant Residence Halls - Building Envelope Repairs

Total Project Budget: \$525,000

Funding Source: Institutional - Auxiliary Reserves

Authorization Date: December 2016

Status: Progress was previously limited by resource availability and other priorities. Selection of a design firm to prepare an assessment of the existing exterior building envelope (walls) is in process. Depending on COVID-19 impacts, assessment may be able to be completed by Summer 2020 with design and bidding to follow. Construction work will be planned and scheduled to take advantage of semester breaks and summer schedules.

4. Holmes Student Center Hotel Tower - Building Envelope Repairs

Total Project Budget: \$250,000

Funding Source: Institutional - Auxiliary Reserves

Authorization Date: December 2016

Status: Progress was previously limited by resource availability and other priorities. Selection of a design firm to prepare an assessment of the existing exterior building envelope (walls) is in process. Depending on COVID impacts, assessment may be able to be completed by Summer 2020 with design and bidding to follow. Construction work will be planned and scheduled to take advantage of semester breaks and summer schedules.

III. Projects in the Construction Phase

1. Holmes Student Center – Restroom Upgrades

Total Project Budget: \$104,760

Funding Source: Bond Series 2010 Project

Authorization Date: March 2020

Status: Materials orders are in process. Work will be performed in coordination with building operations and is intended to be completed by June 2020 depending on COVID-19 delays.

2. Convocation Center – Passenger Elevator Controls Upgrade

Total Project Budget: \$172,400

Funding Source: Bond Series 2010 Project

Authorization Date: March 2020

Status: Materials are on order for this project. Work will be performed in coordination with building operations and is intended to be completed by June 2020 depending on COVID-19 delays.

3. Convocation Center – Cooling Tower Fans – Drive Upgrades

Total Project Budget: \$122,850

Funding Source: Bond Series 2010 Project

Authorization Date: March 2020

Status: Materials are on order for this project. Work will be performed in coordination with building operations and is intended to be completed by June 2020 depending on COVID-19 delays.

4. West Plant – 2019/2020 Winter repairs

Total Project Budget: \$114,950

Funding Source: Institutional Auxiliary Reserve Funds
& Appropriated income funds

Authorization Date: January 2020

Status: Project in process and is approximately 70% complete.

5. West Plant - FY20 Chiller & Cooling Tower Maintenance & Repairs

Total Project Budget: \$114,750

Funding Source: Institutional Auxiliary Reserve Funds
& Appropriated income funds

Authorization Date: January 2020

Status: Project in process and is approximately 80% complete.

6. Holmes Student Center – Huskie Den Bowling Center Upgrades

Total Project Budget: \$248,600

Funding Source: Bond Series 2010 Project

Authorization Date: December 2019

Status: Preparations for the new equipment are in process while the equipment order is in process. Work is being coordinated with building operations and is anticipated to be completed by summer 2020 depending on COVID-19 delays.

7. Founders Memorial Library – B30 Burma Art Compact Storage Install

Total Project Budget: \$350,000

Funding Source: Grant Funding & Institutional Local Funds

Authorization Date: December 2019

Status: Renovation of the space has been in process while equipment order was in process. Equipment installation will be coordinated with building operations. Work is anticipated to be completed by summer 2020 depending on COVID-19 delays.

8. Holmes Student Center Tower Elevator - Controls Upgrade

Total Project Budget: \$1,500,000

Funding Source: Institutional Auxiliary Reserve Funds

Authorization Date: December 2019

Status: Equipment orders are in process. Work will be scheduled in coordination with facility operations in order to minimize impact on events and normal operations. Work is anticipated to be completed by August 2020.

9. Campus Life Building – Ground and First Floors – Remodel and move in

Total Project Budget: \$133,000
Funding Source: Appropriated Income Funds
Authorization Date: December 2019

Status: Work occurred largely over winter break to minimize interrupts to normal operations through to March. Remaining punch list items re being addressed and final work items are being reviewed. Final payments are in process. This will be the last report for this project.

10. Broadcast Center - Roof replacement

Total Project Budget: \$164,950
Funding Source: Appropriated Income Funds
Authorization Date: August 2019

Status: Roofing replacement work is complete. Remaining punch list items are being addressed and final work items are being reviewed for execution. Final payments are in process. This will be the last report for this project.

11. Stevenson Towers A, B, C & D – Roof Replacement

Total Project Budget: \$1,400,000
Funding Source: Institutional Auxiliary Reserve Funds
Authorization Dates: Revised March 2020

Status: Bidding documents are complete, and bids were received in November 2019. Contracts are in process. Construction work is planned for the summer 2020 semester break. Schedule of work to be coordinated with housing operations.

12. Holmes Student Center South Entrance Elevator – Controls Upgrade

Total Project Budget: \$198,950
Funding Source: Bond Series 2010 Project
Authorization Date: August 2019, revised February 2020

Status: Work is in process and being coordinated with building operations and is intended to be completed by June 2020 depending on COVID-19 delays.

13. Soccer Field Complex - Press Box Replacement

Total Project Budget: \$129,000
Funding Source: Institutional Local Funds
Authorization Date: June 2019

Status: Site preparations are complete and prefabricated, and the Press Box is ready to be shipped. Box will be installed as weather allows and in coordination with Athletics operations. Work is anticipated to be complete by June 2020 depending on COVID-19 delays.

14. Parking Lot A – Extension

Total Project Budget: \$217,850
Funding Source: Institutional Local Funds
Authorization Date: May 2019

Status: Work has been completed and final payments are in process. This will be the last report for this project.

15. East Heating Plant - Summer Repairs

Total Project Budget: \$127,650

Funding Source: Appropriated Income & Institutional Aux. Reserve Funds

Authorization Date: May 2019

Status: Annual maintenance and repairs work was performed during the summer shutdown of the plant. Work is complete and final payments are in process. This will be the last report on this project.

16. Convocation Center – Cooling Towers Repairs

Total Project Budget: \$239,250

Funding Source: Bond Series 2010 Project

Authorization Date: March 2019, revised January 2020

Status: Work was completed by September 2019. Final payments are in process, this will be the last report on this project.

17. Holmes Student Center - Phase I Redevelopment

Total Project Budget: \$20,900,000

Funding Source: Bond Series 2010 Project & Auxiliary Reserve Funds

Authorization Date: February 2019 Amended

Status: Construction work began in October 2018. The renovated space opened for Homecoming weekend October 2019 with the exception of the Qdoba food venue. Qdoba construction was completed by March 2020. The project complete. Contractors are completing remaining punch list items and final work items are being reviewed for execution. Final payments are in process. This will be the last report for this project.

18. Stevenson Complex - Security Camera Upgrade

Total Project Budget: \$130,000

Funding Source: Bond Series 2010 Project

Authorization Date: December 2018

Status: Work is approximately 90% complete with completion anticipated in Spring 2020. Final work items are being reviewed and final payments are in process. This will be the last report on this project.

19. 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 was completed during the summer break of 2019 and completed by the fall semester 2019. Final work items to provide A/C in Neptune East student lounges is being reviewed for execution. Project completion is anticipated in Spring 2020 depending on COVID-19 delays.

20. DeKalb Campus - Electrical Infrastructure Replacement Phase III

Total Project Budget: \$2,550,000

Funding Source: Appropriated Funds, Bond Series 2010 Project & Institutional Auxiliary Reserve Funds

Authorization Date: March 2014

Status: Construction work began in late 2014 and is approximately 75% complete, the project had been delayed due to previous funding concerns. Due to the projects' overall age and other competing priorities, this project will be closed once current work items are completed. Future electrical infrastructure replacement work will be addressed under separate projects as necessary.