CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:49 p.m. by Committee Chair John Butler in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Vicky Ripberger conducted a roll call of the trustees. Members present were Trustee Wheeler Coleman, Trustee Matthew Holmes, Trustee Robert Marshall, Trustee Cherilyn Murer, Trustee Tim Struthers, Board Chair Marc Strauss, and Committee Chair John Butler. Members absent were Trustee Robert Boey. Also present were President Douglas Baker, Committee Liaison Alan Phillips, Vice President and Provost Lisa Freeman, Deputy General Counsel Jerry Blakemore, and Board Liaison Mike Mann.

VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

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

MEETING AGENDA APPROVAL

Chair Butler advised that Item 7.a. is being removed.

A motion to approve the amended agenda was made by Trustee Strauss; seconded by Trustee Struthers. All were in favor. The motion passed.

REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the August 25, 2016 meeting was made by Trustee Strauss; seconded by Trustee Marshall. All were in favor. None were opposed. The motion passed.

CHAIR’S COMMENTS/ANNOUNCEMENTS

Chair Butler began, this is the opportunity for me to make comments. I don’t have any this afternoon. I appreciate everyone’s presence and their continued commitment to these meetings. If I could, then I’ll ask if Dr. Long has any comments from the University Advisory Committee.

Greg Long addressed the Board, thank you. Just a very quick comment to say that within shared governance we’ve been working closely with the Resource, Space and Budget Committee and Al Phillips and Administration Finance to have at our monthly meetings both content as well as discussion. For example, we’ve already had some educational content on the use of cash reserves and how that works. John Heckmann presented a very nice presentation a week and a half ago on capital projects. We’re working to make sure that the members of the Resource, Space and Budget Committee have a broader overview of the number of the budgetary issues so we can hopefully provide more helpful advice. The Resource, Space and Budget Committee is currently working on an updated 2016/2017 budget guidance report. We’re trying to make that different than previous reports because previous reports have been fairly generic - we want salaries, we want a budget, the kinds of things that aren't particularly directive. Within the committee we’re working to offer more specific suggestions related to the kinds of things that we think the University ought to prioritize and look at. That’s what we’re doing from a shared governance standpoint.
Chair Butler thanked Dr. Long. I would like to add that the Resource, Space and Budget Committee invited Trustee Strauss and I to a meeting not so long ago, and I think that it’s an excellent body. They do some great work, and we were very pleased to learn that there’s a very strong relationship between the administration and the committee. I just want to assure the committee that shared governance is working well in the area of finance and facilities.

**PUBLIC COMMENT**

General Counsel Blakemore indicated that there were no requests for public comment.

**UNIVERSITY RECOMMENDATIONS/REPORTS**

**Action Item 7.a. – Bowl Game Participation Expense**

Item removed from agenda

**Action Item 7.b. – Grant South Steam Vault Replacement & DeKalb Campus Electrical Infrastructure Replacement Phase III**

Dr. Phillips explained that this item is simply to request a change in the funding source for the Grant South Steam Vault Replacement and DeKalb Campus Electrical Infrastructure Replacement Phase III. This is not a change to the actual projects. The Grant South steam vault project was originally approved June 16, 2016, and the electrical infrastructure project was approved March 27, 2014. Due to cash flow concerns, of which we’re all aware, the phase III electrical infrastructure project was placed on hold at a logical breakpoint, and it’s about 30% complete. Since Build America bond funds were used to fund a portion of that project, we would like to shift $750,000 of the Build American bond funding to a more critical active and eligible project, the Grant South steam vault replacement, to facilitate earlier expenditure. This also enables us to spend the Build America bonds which we’re more concerned about spending as quickly as we can since those funds were borrowed for these purposes. Since the Grant South steam vault project originally identified the bond reserve funds, an identical amount of bond reserve funding will be allocated for future use by the phase III electrical project when resumed. We request the Board of Trustees authorize to amend the originally approved funding sources as indicated in the Board item.

A motion was made by Trustee Murer; seconded by Trustee Strauss.

Trustee Struthers questioned, regarding the Build America bonds, we refer to those quite a bit in various projects in the packet today as well as Holmes Student Center in the past. Can we get an accounting, just at a high level, down the road of just how much is still in escrow and such?

Dr. Phillips responded, we have currently set aside the remaining funds from the smaller projects. $20 million is slated for the Holmes project. Once that money is obligated, I believe we’ll have somewhere in the vicinity of about $5 million remaining, but we’ll be happy to give you a more detailed breakdown.

Trustee Murer added, as a follow-up to Trustee Struthers question, I would like reassurance that we’re timely on the disbursement of that money? It’s good for the record.

Dr. Phillips replied, absolutely. The purpose for borrowing the funds was to generate revenue to pay for the funds. We certainly would like to expend all those funds to get them working for us as quickly as possible, and that’s a priority.

Chair Butler asked for other questions or discussion. There was none. All were in favor. None were opposed. The motion passed.
**Action Item 7.c. – Stevenson and Grant Towers Building Envelope Repairs**

Dr. Phillips explained that this item and the next item both address critical roof issues. As you know, due to our budget challenges, we have largely restricted projects to those that are very critical in nature. One of those categories is roof repair. During major rain events, Stevenson and Grant Towers experience significant water infiltration. Repair of the building is necessary to curtail current and prevent future damage to the building interiors and HVAC infrastructure due to rainwater infiltration. Precast panel repair, joint repairs, and replacing caulk joints at the windows will restore the exterior envelope to a weather tight condition which will protect the interior space. The effort should extend the integrity of the building for 15 to 20 years. This request is to proceed with the design phase of this project based on an assessment design budget of $525,000. Design efforts will include contracting with an A&E firm for assessing extended repairs required as well as preparing design and specification. Once we have the cost estimate developed and the scope of the repairs required, a subsequent authorization will be requested of the Board to proceed with the construction phase.

A motion was made by Trustee Strauss; seconded by Trustee Marshall.

Trustee Struthers questioned, I want to make sure I’m reading this right. $525,000 for the design phase. Assuming the old rule of thumb of ten percent for engineering and design, is this truly a $5 million kind of project we may be looking at?

John Heckmann answered, yes sir that’s in a rough magnitude. That’s what it could be. Once we get through the assessment and design we’ll have a more precise number to really see, but when we’re thinking about Stevenson and Grant complexes, that’s a lot of building and a lot of surface area and a lot of high elevation to try to assess.

Trustee Struthers continued, I guess my next question would be as we look at our priorities with our buildings and that sort of thing, are we spending 5 million bucks on the right properties?

Dr. Phillips responded, we are looking at our future housing strategic plan. We are not currently looking at putting significant amounts of resources into facilities that we may be looking at not using in the future. These are buildings that we believe will remain in operation for the foreseeable future.

Chair Butler interjected, if I can follow-up with that. So you may then come to us in the future with the actual budget for the construction and repairs in stages; you might say Grant Tower or Stevenson Towers A and B and then subsequently C and D, etc, etc?

Dr. Phillips confirmed. What we’re trying to do with all of our capital projects is to phase them out over time so that we can do a better job of managing not only them but the resources that we have available. Associate Vice President John Heckmann will update shortly on our facilities projects and management and will talk to that point.

Chair Butler asked for other questions or discussion. There was none. All were in favor. None were opposed. The motion passed.

**Action Item 7.d. – Holmes Student Center Hotel Envelope Repairs**

Dr. Phillips indicated item is similar to the previous item. We are requesting the Board of Trustees authorize to proceed with the design phase of this project based on an assessment design budget of $250,000. Once again, once we have the cost estimate we will come back to the Board with a request to proceed with the construction phase.

A motion was made by Trustee Strauss; seconded by Trustee Coleman.

Trustee Struthers began, I’m going to talk while I’m thinking. As I voted yes, I kind of closed my eyes and winced a little bit. I’ll just take the prior projects. I’m not debating the necessity; I realize they’re critical;
they may be on the A list for housing; and, we need capacity, but that will be $5 million, and this will be a couple million more, so just for ease of conversation, 8 to 10 million dollars of just no more capacity, no more value proposition other than water not seeping into rooms which I guess is value. But from a value proposition perspective, how we’re advancing the attractiveness of our University, that’s $10 million, and it’s going to do zero to bring in students. I realize this is defensive, and we can’t attract students when there’s water coming in the windows, but $10 million is a lot of money. You think of what you could do with that. To some degree I know when we’re voting on the design piece today we’re really starting the drain, and it will be really hard to say no to the next phase when you’ve just spent the 250 or 525 million dollars. We’re talking about $775,000 in the last two votes. I surely don’t want to lose that $775,000 either. I feel better getting it off my chest and talking a little bit about it.

Dr. Phillips responded, there’s two points of concern. The first one is that based on the University footprint we probably should be spending somewhere in the order of $40,000,000 a year just in maintaining the facilities where they are. We have pulled back on that to just the critical issues. The second issue is, if you walked around this building, if you don’t fix the roof, it then creates more damage that is much costlier in the future. So this is all part of our strategic plan where we are in fact trying to address, and what do they say, half a million dollars just doesn’t seem to go as far as it used to. We are very aware of the challenges associated with good stewardship of ever more scarce resources, but these are very critical items. These are certainly areas that serve our students. It’s where they live. As we move into our renovation of Holmes, I don’t want to put $20 million in the building and then have leaky roofs and water running down the sides of walls and those kinds of things. So to your point, we agree completely. We’re trying to be judicious. We should be spending somewhere in the vicinity of $40,000,000 a year. This is just a fraction of that, and it is only for what we view as the most critical projects.

Trustee Murer commented, you know one of the things I’ve been very concerned about over the 12 years that I’ve been on this Board is the amount of money that we have not put into deferred maintenance. Well we’ve had deferred maintenance that we haven’t put into, and I know it’s not’s glitzy or glamorous or whatever, but I am feeling much more encouraged to see that we’re going to be the caretakers of the buildings that we have as we look to building other things. I personally have been very concerned over many years that money to maintain our buildings has always taken a back seat obviously to crisis orientation, but it would appear that this is status quo for the next three to five years, and I think some allocation appropriately needs to be made. Even if you can’t see it, it’s very important that we maintain these buildings.

Dr. Phillips added, in addition to having a strategic plan for capital and repair and maintenance, as we push the budgeting process out multiple years, you can see how we’re building that into the budget process. It will become much more obvious what our priorities are and how we’re trying to address these issues.

Chair Butler asked for other questions or discussion. There was none. All were in favor. None were opposed. The motion passed.

**Information Item 8.a. – Semi-Annual Progress Report of Active Capital Projects**

Dr. Phillips explained, this report identifies projects previously approved by the Board of Trustees and are currently in process with a budget over $100,000. This is status of all the projects currently underway.

**Information Item 8.b. – Periodic Report on Investments**

Dr. Phillips introduced the quarterly report on the status of our investments for the period of July 1 through September 30. As you can see, not a lot of change. As I stated previously, it’s kind of disheartening when you have this much money invested but the return on the investment is not very high. This is very consistent with the reports that we’ve provided over the last several quarters. Not much has changed.

Trustee Struthers questioned, we’ve talked in the past with respect to our policies in the respective categories, and it would be nice to have what the policy limit is and make sure that we’re in compliance with it. So that would be one, and secondly, can you confirm that we’re in compliance?
Dr. Phillips answered, we absolutely are. As a matter of fact, our investment committee meets on a monthly basis. We have recently added the chair of the Finance Department to the investment committee. We are currently reviewing our policies and procedures, and we plan to bring some changes to that policy to the Board in the near future.

**Information Item 8.c. – Quarterly Summary Report of Transactions in excess of $100,000**

Dr. Phillips explained the next item is the quarterly summary report of transactions in excess of $100,000. These do not reach the $250,000 threshold for presentation to the Board, but this is a list of the quarterly projects that have been approved.

**Information Item 8.d. – Quarterly Financial Summary – FY17 First Quarter**

Dr. Phillips presented the quarterly financial summary. This is the first quarter of fiscal year 2017. This does include the funding that we have received so far from the state. Even though the appropriation was provided at the last day, literally, that it could be used for fiscal year 2016, we had actually not received the money until this year. It was the 48.3 million that we had expected to receive. I believe to this point, we've received about 25 million of that, and we expect to receive the total amount by the end of the calendar year. We are hopeful when they come back, and there has been discussions over the last couple of days although not fruitful, that we will get some level of an appropriation for the second half of the year, but this reflects the first quarter's funding for 2017.

Trustee Struther commented, Al and I have had this conversation, but just for the record, a few things I desire on this is in the projection pieces we have revenue, and we've flat lined that. We all know when it's expected to come in, so it would behoove us all to have a better budget or forecast when we have them in the appropriate quarters. Again, you can get fooled by looking at something that says boy we're $88 million ahead of plan, we should all be excited. Unfortunately, we'd say no. If we know that, we should bring that information and knowledge into the forecast so it's more meaningful. But this is great progress for sure so I'm respectful of that.

Dr. Phillips added, and as Trustee Struther knows, we are working to do that. We've come a long way in a short period of time. We also understand that the revenue expenses are cyclical, and so the report needs to reflect projections based on actual inflows and outflows. We're working to do that and certainly expect that we will get there.

**Information Item 8.e. – Annual Financial Summary – FY16 Year End**

Dr. Phillips introduced the fiscal year ‘16 end of year report. It’s very similar in format as the quarterly report, but this is the all fund comparison as of the end of the 2016 fiscal year. It reflects the fact that for 2016 as opposed to the $91 million funding request, we received $26.4 million. We did cover the shortfall with working capital we had available, but at the end of the year there was a shortfall due mostly to the lack of funding from the state level.

**Information Item 8.f. – Fiscal Year 2018 Pricing Item**

Dr. Phillips explained that the fiscal year pricing item would include tuition and fees, and room and board, and health insurance, and as we look to tuition and fees also differential tuition similar to what we brought to the Board last year. We are still in the process of pulling that information together, and that will be brought to the Board for approval in December.

Chair Butler asked, is this consistent with our timeline that we have used in the past two years?

Dr. Phillips answered, I know we did at least last year. We've tried to do this much earlier in the year. I think we've moved it up at least one Board meeting. That gives the enrollment management and the institutional aid folks more of an opportunity to market actually what our tuition and fees, room and board
will be. In the past, in many cases decisions had already been made where students were going to go to school before we had even decided on what our tuition and fees were going to be. So last year I believe we moved it up a quarter, and that’s our intent to do so again this year to better position the University for success.

Chair Butler suggested, I think I speak for the committee when I say as soon as the University has a recommendation that’s formed that we receive that information so we can have time to process.

Dr. Phillips explained, I expect to have the remaining information right after the Thanksgiving weekend, and we should have that pulled together shortly after that. I will get that out to the Board well in advance of the board meeting for review.

Trustee Coleman requested, it would be nice if you can give us a perspective on your thoughts about tuition and tuition fees and how we compare to maybe some of the other institutions that we’re competing against. Specifically, Illinois State who for some reason has found a way to either stabilize their enrollment and increase it be it a little bit. Can you share your thoughts on that?

Dr. Phillips shared, when you look at our tuition and fees, room and board, we are roughly in the middle. We’re certainly not as expensive as University of Illinois. Actually we’re slightly more expensive than Illinois State University. We are more expensive obviously than Eastern and Western. Our goal, as we look at how we position ourselves in the market, is to understand, this has been brought up before, what our value proposition is and the value that you get for coming to NIU relative to what it costs. Our preliminary analysis is that in all likelihood we will probably recommend no increase, at least for another year, to better position ourselves in the market. The other thing we’re looking at is tuition and fees relative to certainly the adjacent states and whether or not we would continue to charge out of state rates for those students because we are losing a lot of Illinois students to our competition. We’re looking at what the other institutions in the state are doing, how we are positioned relative to them, as well as the private institutions, and other peer institutions outside of the state.

Trustee Coleman continued, so cost and affordability becomes a major factor in whether or not someone selects an institution. Enrollment is our number one priority right, and so when we select to either maintain, increase, or even decrease our tuition and fees, we need to be aware of the potential impact, positive or negative, to enrollment. I know we’ve got a team of folks that are working to try to move the bar as it relates to enrollment. My fear is that we’re not going to have enough in place to have a positive impact on this coming class, so then tuition and fees become really, really critical. Do we increase? Do we decrease? I don’t know. Do we have peer institutions that have decreased their tuition and fees over the years, are you aware of?

Dr. Phillips replied, I think Eastern decreased theirs slightly, but it is not a common occurrence. It’s very unusual to have an institution actually decrease, especially at this point in time. Usually it’s the institutions that are really struggling, and their doing anything they can to get their enrollment numbers up.

President Baker interjected, when we think about enrollment and enrollment management, we’re thinking about kind of a Pareto optimal curve and headcount is one thing. We’re also looking at quality of students. We’re looking at net revenue, which is one of my biases, and we’re looking at the diversity of our student body in all aspects of diversity. So you’re really trying to maximize all four of those at the same time and making trade-offs across them. When we think of the price to students, we often think of tuition and fees, but that’s not the net price to students. Net price is the charged rate minus PELL, MAP, and institutional aide. So when we think about these issues, we need to think about net price relative to peers and then how do you communicate that proposition to everybody. When we come in December to think about setting the price, I encourage us to think about all those variables and not just a number for tuition and fees. It’s more complex than that. And then we need to break it down, and we’re working on this, to look not just at the total price as one number, but also is there any differential elasticity across areas where we might be able to have special tuition or fees to maximize our revenue. It looks like, at least in the past decade or so, there’s been any elastic demand. So as tuition went up, even though our enrollments went down, our
net revenue went up. If that’s an experiment, I don’t know if it’s a good experiment or not. We need to think about all those factors and have some sense of elasticity and how it may be across all of our students, then how it may be different across particular segments. We’ll be back to you with a little more complex analysis.

Trustee Coleman commented, I’m looking forward to seeing that in December Dr. Baker. In our last ad hoc meeting, we had people from the community that raised concerns about the enrollment decline and what impact it was having on the community. I think, from an institution perspective, we’re a little concerned, and so knowing that cost is only one variable in the whole mix of things, I welcome a good comprehensive game plan that says, ‘this is how we’re gonna try to have an impact as it relates to the fall class of 2017’.

Trustee Murer added, I agree this is a much more complex matrix than just the cost of tuition, whatever the retail price is, because it is what’s the net, and when parents and students are looking at the package, what’s the package that’s being offered. But also on a long range plan for our University I think of the issue of the caliber of our students, the state of excellence of our students, and the disbursement of the students into what programs, which goes back to the program prioritization, what are we known for, who are we. If we have five centers of excellence, let’s just say theoretically, and of those five centers of excellence we have full enrollment at a higher entering ACT, I think all those factors are important on a long-range strategic plan. I think as we move into December and into next year these are the variables that all have to be intertwined.

Trustee Struthers also commented, I know in our last ad hoc committee on enrollment Marc’s kind of concluding piece of that was ‘is the focus on the value proposition’, which is all these things, and it’s the market we’re going after, the price proposition, the student living experience, product, place, and promotion; but the promotion piece is every bit as important and it’s an intriguing question that you ask about price decline. A little bit of my mind goes to, ‘could that be a splash?’ ‘Could that be a story that gets attention?’ On the other hand, I realize that when you do put yourself on sale, you look like you are a little bit desperate, but all of that needs to be put in the blender for sure, but the promotion of it is critical. We can put our housing on sale because we have excess capacity, but all of that needs to be packaged in a marketing message that hits the right people effectively and in a hurry. In concluding, I think about Marc’s message in our last committee meeting that it’s the whole thing and it’s delivered in one concise, in-full, message is critical.

Trustee Coleman requested, at our December 15th meeting, I’d like to recommend that we allocate the right amount of time to have this discussion and to see and hear about the package itself, and I would also recommend that we have this first on the agenda versus last on the agenda. Mr. Chair, do we need a motion or is this comment good enough?

Trustee Strauss confirmed, it’s good enough.

**Information Item 8.g. – Facilities Update**

Dr. Phillips introduced Associate Vice President, John Heckmann to provide a facilities update.

Mr. Heckmann thanked the Board for the opportunity. I want to come back on a routine basis and bring you up to date on various key projects, hot projects. I have a few items that I’ve prepared that I’d like to walk through. The agenda, you already have that in front of you, but let me go onto the first one, the Holmes Student Center design status. Since the last time the Board talked about this item we were requesting approval to go into the design stage of this major renovation. We had started down the path of soliciting a new A&E firm to come on board to finish the complete design. We had only done a concept design up to this point. We had also gotten IBHE’s approval because of the size of the project. We are now in the final stages of making that selection for the A&E firm. In the very near future and the coming weeks we’ll be getting into actual price negotiations and starting the design, I expect in December. At the next FFOC update, I hope to provide you with details on when the milestones for the designs are established and hopefully give you progress updates as we go through each step of that way. I’m being cautiously
optimistic about the overall schedule of the project. I wish it was going a lot faster. We’re going to try to push it along as quickly as we can, but we also want to do it right. At the bottom here I’m showing construction bidding in the fall. I actually have, in the back of my mind, some hope that we might be able to fast track something out of the project and maybe squeeze it into the summer time frame but yet to be seen. I don’t want to promise too much at this point. If there’s no questions I’ll keep pressing forward. The next project is the Stevens construction. After being kind of in hold for over a year, the state has re-appropriated the required funds to not only finish the project but also address all the issues that restarting a project after being on hold for a year would cause. I give examples of some of the issues that the capital development board and our prime contractor have had to work through, very laboriously over the past few months, uncompensated issues that the contractor never got paid for previously - the deterioration and other damages caused after a year’s worth of being on hold, and then of course the whole environment changing after a year of price changes from labor and materials and the like. They’ve been working very hard to get all that sorted out, and we’re working closely with the capital development board to insure that there is the required funding to sort through all that. I hope to give you future updates on how that progresses. Right now the prime contractor is on site and is progressing with the work. We are very hopeful that things will continue to progress smartly throughout the winter. One of the things that, just to give you an example, they’re busily trying to address is, and there’s an illustration to remind you of what the final building is going to look like, there’s a portion of the building, a very significant portion of the building, that hasn’t yet been started. It’s the new black box theater area; the portion off to the left of the diagram. The contractor wants to get in and break ground literally before the frost sets in. So we’re busy trying to make that happen and facilitate all the things they need so they can progress on that work. Again, I wanted to give you a little bit of a refresher on what the project entailed. On the lower right was a completely new wing. The shell of that wing was already constructed as of last July, but the interior was really not completed at all. There’s still a lot of significant work left to be done there. On the lower left, again that was not completed at all, so all of that needs to be completed. On the upper right side is the original Stevens Building that had been gutted previously, and a lot of utilities and other amenities had been roughed in, but a lot of finish work is still yet to be done. And then of course in the original portion of the theater, in the center of the building, the only work that was included in this project was to redo the roof, and that still needs to be done as well. My point is there’s a lot of significant work left to be done, and we’re going into a season where a lot of construction work is really hard to do in the winter but we’re going to make the best of it. As I get a better idea of what the contractor’s schedule is going to look like, I’ll be able to come back with a realistic projection of when we think we’ll have this project done. Right now I’m very cautious to throw out any date. Again, if no questions I’ll keep pressing forward onto the next item I’d like to share with you. At the past FFOC and board meetings we talked about the boiler and steam assessment and asked for authorization to proceed with a very significant investment strategy. Our boilers, being 50+ years old and at the end of their life, needed to be replaced. We needed to develop a strategy of how do we do that. This is a huge, significant investment for our entire campus. We’ve found the right consultant with the expertise to come in and advise us on this. They did a complete assessment of our steam generation capacity plus our steam distribution plus our satellite boilers that we have at various sites including our satellite campuses as well. We got a very good overall assessment of our steam system. With that, they were able to walk us through a very logical process of assessing our options, and we are in the midst of going through that. One of the options for our centralized steam generation being considered is whether or not we just do a boiler by boiler replacement. That’s a very simplistic way, and maybe the initial cheapest way to do it, but I’m also trying to push for what’s the life cycle cost and what’s the long term perspective we need to keep in mind. One angle that I’m trying to explore very carefully is, is there an opportunity for co-generation, and by that I mean the ability not only to produce steam but with the residual heat that gets commonly produced out of a boiler, can you use that for other purposes, thinking electrical generation. We could possibly reduce our electrical costs if we could do both at the same time. That is being examined as we go through this process. What’s being envisioned so far? Just to give you a little glimpse into how things are developing is that the final solution is more likely going to end up with a combination of boiler replacement, straight forward boiler replacements, and then a few, maybe one or two, units that maybe have the capability of doing dual purpose; steam generation and electrical generation. What that final mix will be will really come down to the economic analysis we do and see if there really is a payback for a higher cost, co-generation capability like that. So we’re going to be looking very closely at that. Another conclusion that we think we’re going to end up with is not having two plants.
We’re going to probably come down to one plant. It’s probably more logical and cost effective to centralize our steam production. The sites are being put on the west plant as opposed to the east plant because of site constrictions and things like that. But the good news is we’re coming down in overall size of boilers. Instead of nine boilers in our current makeup, on projection we should have somewhere between four and five boiler capabilities. That’s going to be a tremendous savings right there. I mentioned the co-generation capability. That will depend a lot on what our electrical load is and how we can push electricity around the campus. There’s also the potential for a long-term shift to how we distribute heat across the campus. Right now we do it by steam. There may be potential that we do that instead by hot water and being more cost effective in the long run with that sort of distribution. The other benefit that I think we’re getting out of this assessment is that we’re figuring out how we can do this incrementally. We’re not going to have to take a big 50 or 60 or larger investment all at once. We can probably do this in bite size chunks of maybe 15 million initially with the first chunk and after that maybe 5 million chunks. I’m just throwing some numbers out there to give you an idea. I laid out a potential conceptual timeline down there based on what we know so far. We’re hoping that within the first three years we can get that first phase of the first segment of boilers replaced, and then after that we can bring in one more and then another one and then consider down the road if we convert over from a steam distribution to a hot water distribution. The one big footprint change is going to be at the west plant. We are realizing that the capacity of the west plant just does not exist to be able to have all those boilers inside and be able to configure all the equipment. It means that we’re probably going to need to add on to that west plant to accommodate everything we need. This is coming together quite nicely. I’m feeling very comfortable that we have a plan of how we need to make investments smartly as we go forward with this major investment. More to come as this develops further. I also wanted to give a quick review of where we are with the bigger picture of the projects. As we reviewed earlier, the envelope projects that we talked about with the Holmes and Grant and Stevenson Towers, I highlighted those in orange on here. Just to give you an idea, we are going after this design right now. Because of the cash flow issues and lack of funding from the state in this particular year, we’re shifting our focus and trying to put as much money as we can into preparing for a lot of projects even though we may have to delay the actual repairs to a subsequent year. But because of the similarity of all those projects, they’re all envelope issues, we’re going to try to package and get some efficiencies out of our design effort by doing all those envelope issues on very tall buildings all at once. We’re going to be doing strategies like that as much as we can. As for other projects we have identified for FY17, we’re thinking very hard at what we can do. Some of these are going to slip to FY18 because of the cash flow concerns with the state, but we’re going to try to at least prepare for those projects and get as much design work done so that when the money does come, hopefully, from the state, we’ll be able to spend it and execute the project as timely as we can. As I mentioned just now with the boiler projects, on the next slide we’re going to rework the whole time frame and strategy for the steam generation change. Right now I laid out a very simplistic boiler every year for the foreseeable future, but now that we have a more feasible way being planned out, I’ll revise that with the next update. Lastly, I wanted to touch on just a point to I guess brag a little or at least highlight success that we’ve had. We’ve recently started implementing a new process for systematically reviewing our leases. We’re getting to the point that all of our leases are going to go through an annual review to validate and revalidate if they’re needed. Are they at the right price? Are we getting what we want out of that lease? This is for both an in-lease situation where we need property or even an out-lease situation where we have property that can be used by others. One example that we’ve successfully been able to revalidate and then find an opportunity to save money has been with our law clinic in Rockford. As we looked at the current property that we’re leasing, we realized it was too large. It was more than what we needed. We were probably paying too much for the size of property that we really needed. So we took that opportunity to go back and look at what other properties were available. We found another piece of property that was in the right location, the right size, and as we even build out that property to meet our specific needs inside that building, we found it’s going to give us somewhere on the magnitude of about 53% savings over what we’re currently doing with the existing property. I wanted to at least highlight that we’re trying to do a lot of good things with our programs all across the board. With that I hope you appreciate these little updates. Again, I’ll keep trying to do these from FFOC to FFOC. If there’s more you want or something different, I will adjust. Thank you very much.

Trustee Marshall asked, do you see anything on solar power in the NIU future?
Mr. Heckmann responded, it’s an element that I look hard at. It’s a difficult issue because it takes a large, upfront capital investment, and it really depends on what the payback is for an investment like that. I have seen examples where institutions have done that. In fact, I was just listening in on a webinar this morning where a university in New Jersey happened to do a solar field. They had significant funding support from the state to be able to make that project viable. It’s going to be something we have to keep in mind, but weighing it in the priorities of where we should spend the scarce resources we have right now is what I struggle with frankly.

Chair Butler asked for comments or questions from the committee? Thank you for the report. Appreciate it. These meetings are usually preceded by significant amount of activity between the committee chair and the liaison and those working with the liaison. Mr. Heckmann has met with myself and the committee’s vice chair Marc Strauss on these issues, so we always hear this report before the committee does, but even hearing it a second time there’s a lot there. On behalf of the committee we appreciate your work.

OTHER MATTERS

Chair Butler reiterated that we want to discuss the issue of pricing in more detail at the December meeting. No other matters were discussed.

NEXT MEETING DATE

The next meeting of the Finance, Facilities and Operations Committee will be Thursday, February 16, 2017.

ADJOURNMENT

A motion was made to adjourn by Trustee Strauss; seconded by Trustee Murer. The motion passed.

Meeting adjourned at 1:41 p.m.

Respectfully submitted,

Vicky Rippberger
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.