

Minutes of the  
**NIU Board of Trustees**  
**FINANCE, FACILITIES AND OPERATIONS**  
**COMMITTEE MEETING**  
June 2, 2004

**CALL TO ORDER AND ROLL CALL**

The meeting was called to order by Chair Barbara Giorgi Vella at approximately 10:14 a.m. in the Clara Sperling Sky Room of Holmes Student Center. Recording Secretary Mimms conducted a roll call of Trustees. Members present were Trustee Robert Boey and Chair Vella. Present via teleconference were Trustees Manuel Sanchez and Myron Siegel. Not in attendance was Trustee George Moser. Also present were Student Trustee Kevin Miller, Committee Liaison Eddie Williams, President John Peters and Parliamentarian Kenneth Davidson.

**VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING**

Confirmation of Open Meetings Act notification compliance was given by Board Parliamentarian Ken Davidson.

**MEETING AGENDA APPROVAL**

Trustee Sanchez made a motion to approve the agenda. It was seconded by Trustee Siegel. The motion was approved.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Siegel and seconded by Trustee Boey to approve the minutes of the March 4, 2004 meeting. The motion was approved.

**CHAIR'S COMMENTS/ANNOUNCEMENTS**

Chair Vella welcomed everyone to the Finance, Facilities and Operations Committee. She gave a summary of the meeting agenda items, which included the following items that required Committee approval: the Gilbert Drive Parking Lot Reconstruction, the Grant Complex Fire Marshal Code Remediation, the Fiscal Year 2005 Purchase of Copy Paper, and the Fiscal Year 2006 Budget Guidelines. Included in informational items were periodic and annual reports, such as the summary Report of Transactions in Excess of \$100,000, Reports on Investments, a Progress Report on Active Capital Projects With a Budget Over \$100,000, Fiscal Year 2004-2005 Appropriated Budget Updates, Fiscal Year 2005 Tuition Rates and a special presentation on PeopleSoft.

At this time, the Chair said, I would like to recognize Dr. Suzanne Willis and Dr. Xueshu Song, representatives to this Committee from the University Advisory Committee.

It seems that just when we think the budget could not get any worse, Dr. Willis said, it does. This is a never ending story; although, hopefully, it will have an end at some point. And, through this entire process, I have been very impressed with the way our administration and you, the Board of Trustees, have stood up for us and dealt with all this. Given the conditions we have been dealing with, I am not sure they could have been handled any better than they have been. Also, I want to take this opportunity to tell you that this is my last meeting with this committee. As of July 1, I will no longer be the Executive Secretary of the University Council. So I just wanted to say thank you and let you know how enjoyable and how educational it has been to come to these meetings and find out about a part of the university of which, as a faculty member, I was, essentially, totally unaware.

It has always been a pleasure to have you speak at our meetings and to be here as a participant and an observer, Chair Vella said. We have always appreciated your positive comments. We know that you understand what we are doing and that we are doing the best we can for the university.

I only wish that I were there in person, Suzanne, Trustee Sanchez said. Unfortunately, I will be out of the country and unable to attend the next Trustees meeting. So I want to express my own appreciation for the wonderful representation that you have provided the faculty during the time we have had the privilege of serving as Trustees. I wish I were there personally to thank you because you have brought a great perspective to the meetings, and your fellow faculty members should be proud of the service that you have provided them.

I also want to say, Sue, that our Board is very lucky, Trustee Siegel said, to have had such great members of the University Advisory Committee as well as a fantastic series of Executive Secretaries of the University Council. It makes our job much easier. I know because I have watched the other schools, and I watch the relationship that we are blessed to have here at NIU. The relationships are fantastic, and we will miss you. And we look forward to the next Executive Secretary and hope that we have as good a relationship with that person as we have had with you and your predecessors. Thank you for all your efforts.

There are only so many ways we can tell you how good it has been to have you as a part of our process, Trustee Boey said. You have a tough job, and it is not an enviable one. But somehow, you always carry it out with grace and with understanding. Needless to say, we will miss you. Thank you for in working with us so well for so long. And we look forward to working with your successor.

I want to thank Sue for appointing me to the advisory committee, Dr. Song said. I find the meetings very inspiring and will be attending all of them.

Sue, it has just been great, President Peters said, and we are going to miss you at these meetings. But she will be around doing lots of great things. Also, I believe this is the last Board meeting for Sara Clayton and Beverly Espe. You have given tremendous leadership to the Operating Staff Council and the Supportive Professional Staff. So thank you for your good work.

#### **PUBLIC COMMENT**

The Chair asked Board Parliamentarian Kenneth Davidson if any members of the public had registered a written request to address the Board in accordance with state law and Board of Trustees Bylaws. Mr. Davidson noted that no timely requests had been received for public comment at that Board meeting.

#### **UNIVERSITY RECOMMENDATIONS**

At your places, Dr. Williams said, you will find a copy of the 2003 Financial Report for Northern Illinois University. It is a very excellent financial report. Our status and the strength indicated here shows the work of this university, under the leadership of President Peters, through some very difficult times. Financially, we are very sound, and these numbers certainly support that. I want to commend both Bob Albanese and Keith Jackson for their extraordinary work in producing this document. Again, it is something that we all can be proud of and something that certainly gives reassurances of our stewardship to the public.

#### **Agenda Item 7.a. – Gilbert Drive Parking Lot Reconstruction – Capital Project Approval**

The first item on our agenda, approval of the Gilbert Drive Parking Lot Reconstruction, Dr. Williams said, is a project that this Board approved some time back at \$750,000. The east part of our campus is the older part of the campus. It dates back to the mid to late 1890's, when we first began. During next one hundred-year period, many things were done that were not fully documented. So, as we dug down to put in the new roadway, we discovered there were electric duct banks that were not on our plans and had never been recorded. There were drainage pipes and the like of which we were unaware. There were also items that were only six inches under the ground when they should have been two or three feet underground. So we had some additional costs associated with this project, and we are here today to

ask the Board to increase the budget from \$750,000 to \$810,000 to accommodate these other changes that were required in order to complete the project. The monies come from our revenue bond reserves, so the resources are available.

I just want to say thank you, Trustee Siegel said, you are doing a great job on the documents and managing that money. It looks wonderful.

I know Eddie has been around, President Peters said, because I have seen his truck. But I have made many trips around campus watching the water, checking for puddles and so forth. And Gilbert is a great road project, a beautiful crown, nice and steady. I did not see one puddle, so it is draining well. The storm water management project we initiated several years ago included several million dollars in investment in Watson Creek and other areas on the campus, Dr. Williams said. And the Board will be pleased to know that, as the President indicated, it works. The water left the campus, and we did not have any flooding here to speak of. Like John, Trustee Boey said, I took a drive around campus over the weekend. And Eddie, I am proud to tell you that the holding ponds were in the right place, because they were full of water, including those in the convocation center area.

Trustee Siegel had to leave the discussion for a few minutes at this point.

Chair Vella asked for a motion to approve the Gilbert Drive Parking Lot Reconstruction. Trustee Boey so moved, seconded by Trustee Sanchez. The Chair asked for a roll call vote of the Trustees. The vote was as follows:

Trustee Boey	Yes	Trustee Siegel	--
Trustee Sanchez	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.b. – Grant Complex – Fire Marshal Code Remediation – Capital Project Approval**

This item is for improvements to the Grant Hall Complex residence halls, Dr. Williams said. It is identified as the State Fire Marshal's initiative, but in fact it is also due to our own initiative to assure maximum safety in our residence halls. During his time in office, Governor Ryan was concerned about safety in residence halls throughout the public universities, and he charged the State Fire Marshal to do an evaluation of residence halls throughout the state. So, pursuant to that and to our own efforts in trying to maximize safety, and considering all the other options that we have, there was a recommendation that doorstops be added to all of the doors in Grant Hall. This item is in accordance with that recommendation. Funding for this is from our bond revenue reserves as well. Chair Vella asked for a motion to approve the Grant Complex Fire Marshal Code Remediation. Trustee Boey so moved, seconded by Trustee Sanchez.

The Chair asked for a roll call vote of the Trustees. The vote was as follows:

Trustee Boey	Yes	Chair Vella	Yes
Trustee Sanchez	Yes		

The motion was approved.

#### **Agenda Item 7.c. – Fiscal Year 2005 Copy Paper – ITS Document Services and Materials Management**

Agenda Item 7.c. is a reoccurring item which is bid annually, Dr. Williams said. It provides the necessary copy paper for Document Services and Materials Management for the campus. The bid was taken on March 16, and the university requests approval for the authorization of expenditures in support of this item.

Chair Vella asked for a motion to approve the FY05 Copy Paper for ITS Document Services and Materials Management. Trustee Sanchez so moved, seconded by Trustee Boey.

The Chair asked for a roll call vote of the Trustees. The vote was as follows:

Trustee Boey	Yes	Chair Vella	Yes
Trustee Sanchez	Yes		

The motion was approved.

Trustee Siegel rejoined the meeting via teleconference at this point.

#### **Agenda Item 7.d. – Fiscal Year 2006 Budget Guidelines**

When I discussed this with the UAC people, Dr. Williams said, I used the term “*Alice in Wonderland*” concept. These Fiscal Year 2006 Budget Guidelines will affect the budget recommendation that will be considered a year from now. They describe the priorities, the directions and the needs of our institution to the Board and then to the state legislature. Yes, President Peters said, it does have a certain surrealistic cast to it when we get to June 2, not knowing whether we have an FY05 budget and having just rescinded \$2 million on the FY04 budget, to talk about planning for 2006. But I do it with some spirit of optimism because I firmly believe that higher education will band together to make a case to the state that the bleeding has to stop. This is a bare bones budget, and I think the priorities are straight and clear and consistent. First of all, as always, our compensation packages for our faculty and staff must be addressed. Obviously, we are going into a period where our utility costs, our energy costs and our operating costs are going up. Public health and safety is always number two. And there are other things we have to accommodate such as an increase in library materials in serials and acquisitions. That is something that, if you let it slip, you can never catch up. There are health insurance costs we have to accommodate. But then, even though they are priorities 7, 8 and 9, those are all critically important, particularly the program priority requests. We really need to move in these areas to replenish our professors as they retire and to move in new directions. We are bringing on new buildings without state O&M, and that has to come from somewhere. When you open a building, there are costs associated with it. So, I would hope you would forward this budget. I am sure it will go through some adjustments. But I know, from discussions with other presidents and chancellors, that there will be a broad-based attempt on the part of the academic community, the public higher education community and its friends, to begin to make the case for a major increase in the 2006 budget for public higher education. These are our priorities, and they really have not changed much over the past four years.

I understand that this mirrors the FY05 budget, Chair Vella said. It is the same, and we really do not know where we are going with that, do we? We don't have anything under the appropriation column because it is still up in the air since the budget has not passed in Springfield? President Peters stated that this was correct and that the Board would receive an information update on the budget from Kathy Buettner later in the meeting.

I reflect back on the last three years, then I reflect back on six years ago, Trustee Boey said, and then I take a look at today's Finance and Facilities Committee agenda. We could run through this agenda in a matter of 30 minutes if we really wanted to. And six years ago, we would be lucky if we ran through our agenda in two hours because of the activities that were supported by the budget at that time; although, NIU is still far more fortunate than most because of the discipline we have had under John Peters and his staff.

I would not want to wish this on any other state's higher education boards of trustees, Trustee Sanchez said. But notwithstanding the difficulty and the sacrifice that everybody – staff, faculty, students, parents, etc. – have had to deal with, under the circumstances, as a business man, I would be hard pressed to do as good a job as has been done by President Peters and his management team and all the other participants that make up the university, biting the bullet, if you will, and dealing with some incredibly, difficult times. I can only hope and pray that in the future things improve. How often can you tighten your belt before you have no notches left? I think we are getting close to it. But thank you for your stewardship and your leadership.

I think we have done a great job with everyone's help and under the circumstances, Trustee Siegel said. We need to maintain our vigilance and stay on top of this, and we need to fight for the money for our

faculty. I am glad to see that we have some catch-up money in there. We have to keep pushing and pushing and pushing. That is what we all have been doing and that is what we will continue to do.

Let me add one thing, President Peters said. I am in fighting form and fairly optimistic. And the reason is, as the Trustees have pointed out, we have one incredible academic community. This is a well-managed and well-run institution from the smallest little unit up to the largest unit. There is a sense of purpose, and it is a good purpose. So I am reasonably optimistic – I always say this – but I am fairly optimistic that things are going to turn around. We are in reasonable shape, but we have been rocked very hard.

I would also like to thank Dr. Williams for his hard work. I know that he has really had a difficult time in managing all these cuts, and he has always kept a positive attitude. And I think he is right, if we do not ask, we are not going to get it. So I think he is presenting the right approach to this.

Chair Vella asked for a motion to approve the FY06 Budget Guidelines. Trustee Sanchez so moved, seconded by Trustee Boey. The Chair asked for a roll call vote of the Trustees. The vote was as follows:

Trustee Boey	Yes	Trustee Siegel	Yes
Trustee Sanchez	Yes	Chair Vella	Yes

The motion was approved.

## UNIVERSITY REPORTS

### **Agenda Item 8.a. – Quarterly Summary Report of Transactions in Excess of \$100,000**

The Board has authorized the President to approve transactions between \$100,000 and \$250,000 and report the results of those on a quarterly basis. This year there were eight transactions for a total of approximately \$1.1 million.

### **Agenda Item 8.b. – Periodic Report on Investments**

Also pursuant to Board of Trustees *Regulations*, Dr. Williams said, Agenda Item 8.b. provides the Periodic Report on Investments. We are pleased to report that despite what has been happening with marketplace interest rates and the constraints under which we have to invest, we are doing better than the State of Illinois.

### **Agenda Item 8.c. – Semiannual Progress Report of Active Capital Projects Over \$100,000**

Agenda Item 8.c. provides an update on capital projects throughout the campus. Trustee Boey is exactly right, this list would have been many, many pages in prior years, and now it is down to just a few. But at least we are able to report to you that the projects that are underway are moving forward as scheduled, and we have not encountered any great problems with any of these projects.

### **Agenda Item 8.d. – Fiscal Year 2004-05 Appropriated Budget Update**

This is an update on the Fiscal Year 2004 and the Fiscal Year 2005 Appropriated Budgets, Dr. Williams said. I would like to ask President Peters to comment on what has happened with 2004 and then ask Ms. Buettner to give an update of what is happening in our state capitol.

Just to give you a brief recap, President Peters said, early in the 2004 fiscal year, there were tentative and incomplete discussions with the Office of Management and Budget about setting aside an amount in the 2004 budget as a reserve. The code agencies were compelled to set aside two percent of the appropriated budget, not to be expended. So they were working on a 98 percent budget. We were never given any formal request to hold that reserve – neither in writing or orally. Nonetheless, being prudent, early on we did set aside approximately that amount after hearing nothing from the Office of Management and Budget. As the months progressed, and beginning in January, real needs for that reserve became apparent. We had to teach classes in the spring. We had contractual obligations. And then as we moved forward, we began to release many of those funds for emergency and appropriate priorities. No one in public higher education, the presidents or the chancellors, ever expected that after the

appropriation hearings were concluded in both the House and the Senate, that we would be getting a call from the state to rescind two percent or any percent. Remember, in 2003, we did have a rescission of about 3.2 percent or just under \$3 million. So we were all shocked when we got the call to give back two percent of our base, which for us was \$2 million and change. Obviously, we protested this. Nonetheless, we were given until June 30 to do it. So, as of the Monday before the Wednesday that we were notified of this, we had expended 99 percent of our budget for 2004, which meant we were already in some trouble. However, we did not complain. Internally we got to work and put strong emergency measures in place. Basically, we froze about everything and stopped paying bills except those that were absolutely necessary. We kept basic operations going. We stopped all employee searches, all purchases, all delivery of goods and services, until we knew we could make that \$2 million figure. We knew this would not be easy but, again, it goes back to my comment about what a great organization we have. Everyone pulled together. Dr. Williams and his staff were able to find some pools of funds and do some creative things to cover a good bit of it. And then the academic side of the house, under Dr. Legg's and Frederick Schwantes's leadership, working with the deans and the departments, were able to come up with their portion. Outreach, under Dr. Kaplan, the same. And very quickly, within about 10 days, we were close to having the \$2 million we needed, so we began on a case-by-case basis to loosen up on our emergency preparedness.

You get kind of tired of praising people for bloodletting and for being good budgeteers, President Peters said, but that is what we had. To a great extent, we have not had to borrow against 2005, whatever 2005 might be. So, here we are thinking about 2005 with no budget when we just fixed up 2004. But right now, the job is complete. We are balanced. We will be closing the books. We have taken a hit, but we will survive this. Now we move to 2005, and I will let Kathy Buettner tell you about that.

I wish I had some positive news for the Committee this morning, Ms. Buettner said. As most of you have read in the newspapers, the General Assembly rank and file members left last evening and await a return call to Springfield at the call of the Speaker the House and the Senate President. The Senate President and the Speaker's Office in the Republican leadership in both chambers are still in Springfield attempting to resolve a very difficult budget situation. The key budget negotiators are still in Springfield for each caucus as well. Let me just summarize where they ended up before they left town last night. May 31 was the deadline for the passage of the 2005 budget without going into an extraordinary majority required constitutionally. That did not occur, so now the Republicans in both chambers, since they are the minority party, have additional leverage on the budget process. Therefore, their votes are obviously very important to both Democratic leaders in the chambers and have become much more important to any compromise that might be developed.

When the legislators left, Ms. Buettner said, the House had passed a revised budget scenario over to the Senate for consideration. The House version had the universities at level funding for FY04. The Senate did not consider that. The Senate passed their own version, which was built on the Governor's initial budget recommendations, plus the revenue enhancements the Governor had sought to balance his 2005 recommended budget. Because those did not pass, the Governor worked with the Senate Democrats and created a budget that the Senate voted on and passed on strictly party lines, and which the House did not take up. The Senate version of the budget had the universities down, not only the Governor's two percent that he outlined in his budget draft in February, but it had another mandatory reserve of 2.25 percent for the public universities that had to be taken right off the top at the beginning of the year. So, in that particular budget version, if added together collectively, the universities were hit at 4.25 percent. Obviously, the House did not take up that particular budget either, and budget talks have broken down completely. The issues are large scale. There is not much discussion about individual university budgets at this point in the negotiation process. The issues are much larger in focus and scale. They must first decide what revenue options are available and achievable. That seems to be where most of the attention is right now. After that is resolved, the expenditure issues will come into play. The gambling issue was looked at as a major revenue enhancement. And, as you know, those discussions and negotiations fell apart. I believe they have fallen apart until at least the fall.

July 1 starts the fiscal year, Ms. Buettner continued. The rank and file members are at home in their districts awaiting the call of the chair. At this point, unless the General Assembly adjourns, the rank and file members are not allowed to collect per diems. The legislative leaders are reluctant to keep them in Springfield without a per diem charge being available to them. I estimate that it will be several weeks

before anything is resolved. The four caucuses are so polarized at this point that anything can happen, but I think we are in for several weeks of public posturing and negotiation as the budget process unfolds.

In reply to a query from Trustee Boey, Ms. Buettner stated that since the General Assembly is in overtime, a supermajority is needed to pass legislation. A supermajority would be two-thirds. That would be approximately 72 votes in the House and approximately 36 in the Senate.

This has been said before, Dr. Williams said, but I believe it should be said again. We have been able to weather some very difficult times and very difficult budget scenarios. One of the key reasons for that is our leadership, and we have not really said that. But President Peters, with his experience, really has been key to allowing this institution to respond adequately and effectively when these things have come upon us. When we were hit with this two percent reduction with five weeks left in the fiscal year, there was no panic. There was definite action. This type of strong leadership is one of the things that distinguishes Northern among the public universities in the State of Illinois. The cooperation among the administrative team has just been terrific.

Again, Dr. Peters said, I have to say that we could not do this without this academic community. There is a sense of purpose at Northern Illinois University, and a group of realists such as I have never experienced. Now, I will have to say that for all of us at NIU, I can sense that our patience is running out, and this cannot go on.

#### **Agenda Item 8.e. – Fiscal Year 2005 Tuition Rates**

This is an informational item that clarifies the tuition increase rates established by the Board of Trustees at its March Board Meeting. There was some confusion, and we wanted to make sure that it was very clear, especially for our students who will be receiving their tuition bills. The percentages and all other information are as approved by the Board.

#### **Agenda Item 8.f. – PeopleSoft Status Update**

We are, again, at one of those junctures where there are some options that we can pursue based upon our eventual purchase and implementation of the student system of the PeopleSoft software, Dr. Williams said. As you know, we have been engaged in this ongoing debate regarding Oracle's hostile takeover of PeopleSoft. Dr. Williams asked Steve Pace to provide a brief update on PeopleSoft.

A year ago, Mr. Pace began, we came before this Committee and made a recommendation for implementing a new student system on campus. This Committee endorsed that particular project, and it was forwarded to the full Board of Trustees. The day after your Committee approved the project, Oracle announced a hostile takeover bid of PeopleSoft. In trying to keep the project on track and to move forward with some aspects of it, we divided the project into four steps. In June, we exercised some of our pricing options with PeopleSoft and acquired the student software. In December, the Board approved a project for database migration to move us to a common database and technical platform so that the student system and the financial and human resource systems would all exist on a common platform. Then we had the two steps of actually implementing the student system and, finally, implementing a data warehouse to house the older data from the student system and other data on campus.

For the database infrastructure change, Mr. Pace said, we installed a new database system and other hardware components. We have trained the staff on the new database system and the software engineers on the new hardware. Now we are in the process of converting PeopleSoft to the database platform. Then we need to recertify our PeopleSoft applications and, finally, to install the new student system on the new hardware. Much of this has been completed. We have basically redone the architecture of our administrative systems and added a firewall so that we are protected from the Internet, particularly for our administrative applications.

The Oracle/PeopleSoft hostile takeover issue has not gone away. When Oracle first announced its hostile takeover bid, there was quite a bit of reaction from the user community. Larry Ellison, the CEO of Oracle, commented that when he acquired PeopleSoft, he was going to terminate the applications and fire all of the PeopleSoft developers. He has since retracted that statement through his public relations

people, and they have announced that if they acquire PeopleSoft, they will support PeopleSoft applications for ten years.

We started off in June of 2003 with Oracle announcing its hostile takeover bid, Mr. Pace said. Then, in the same month, it had to raise the price of its offer because PeopleSoft had completed its acquisition of J. D. Edwards, making PeopleSoft the second largest software maker in the world. PeopleSoft rejected both of those offers. Between August and November, Oracle extended its offer three times. Oracle finally raised its price to \$26 a share. PeopleSoft's board unanimously rejected this offer. Oracle tried to take over PeopleSoft's board by announcing its own slate of officers, which was subsequently withdrawn when the Department of Justice filed an antitrust complaint against Oracle. Seven states immediately joined that complaint. Three others have since joined the complaint so that there are now ten states in addition to the Department of Justice opposing Oracle. When Oracle originally made the offer, they stated that if the Department of Justice objected to the offer they would withdraw it. However, Oracle has now said that they will challenge the complaint. PeopleSoft's board, despite Oracle's attempt to unseat it, was unanimously reelected. The European Union, which has a lower standard for what constitutes antitrust, objected to the merger as well.

Last month and within the last week or so, Mr. Pace said, significant things have happened. Oracle lowered its offer from \$26 a share to \$21 a share because of the decline in PeopleSoft's share price. Oracle's share price has similarly dropped. Only 2.2 percent of shares have been tendered for this offer. And since July of 2003, the number of tendered shares has dropped from 43.8 million to 8.5 million. PeopleSoft's board rejected the latest offer and PeopleSoft settled a suit with shareholders regarding its money-back customer assurance program. Under that program, customers who buy PeopleSoft software can get anywhere from two to five times the value if Oracle acquires PeopleSoft and PeopleSoft is not the surviving company. Shareholders objected to that arrangement, and the issue was settled last week. The customer assurance program in its present form will end at the end of this month.

And finally, Mr. Pace said, Oracle and the Department of Justice will go to trial on June 7. A verdict is expected in July, and the issue is whether Oracle is going to appeal that decision.

We are probably running out of rope for the student system. We are on a system that is 25 years old. It is written in languages that people are no longer trained to use. Our developers are retiring.

We began looking at this project almost two years ago in terms of our resources and the risks we were facing, Mr. Pace said. Our resources are declining. Our developers, the people who know the system, are getting older, and they are retiring. So our ability to support the system is declining over time. Conversely, the complexities of the student system are increasing as federal, state and other regulatory agencies impose additional requirements on the university. *Graham, Leach, Bliley, Sorbaines-Oxley*, SEVIS, the state's tuition cap, all of these are causing issues in terms of our ability to continue to maintain such an old system. That was a year ago. There is a very real likelihood in the next 28 to 36 months of a significant failure of the student system because of some regulatory change or some upgrade that we are required to do on obsolete software that we can no longer repair. That will create a serious problem.

We originally proposed a project of about \$8.8 million, Mr. Pace continued. Since that time, we have added about \$1.2 million to the project. Looking at the system we have, we feel that there are some additional software components that we need, particularly in terms of performance management software. We have moved one of the modules that we were planning on purchasing in Step 4 up to Step 3 to take advantage of some of the pricing that is available to us through the end of June. These are additional hardware upgrades that, if the student system goes live, will allow us to handle some additional capacity. The most significant component is the increased cost of consulting services and some additional hours.

When we originally proposed this project, he said, we were in an economic downturn. There were a lot of people looking for work; organizations were clamoring to have some work to do in consulting services; a lot of consultants were on the bench. The economy is improving, and right now there is a worldwide shortage of qualified PeopleSoft consultants. So, we expect that if we send out an RFP, the cost is going to come back higher than we received previously.



We have some options we can look at right now. One option is to do nothing. We would simply purchase software at the prices negotiated, one-third of what they would normally be. If we do not exercise that option, our cost goes up 12 percent a year.

Another option would allow us to continue to work on the project. That would be to exercise our option for the software, get our staff trained and some implementation services to actually lay out a requirements assessment where we compare university policies and procedures and business processes against how the software functions and move forward with the development of a detailed project plan. We believe this would be about a \$2 million project.

Our final option is to move forward with the complete implementation of the student system, which would be a \$6 million project.

The risk of not moving forward is that our licensed software maintenance cost increase if we do not exercise our prepay option. We would lose the price lock we have on the software so far, which is about a third of its normal cost, if we do not exercise that option by June 30. Delaying the implementation of the student system means that we are continuing to pay the costs of our old mainframe, which is over \$600,000 a year; and we are going to continue to pay that until we can bring up a new student system. Delaying going live with the student system means that we have an inability to meet student service requirements and expectations and an inability to meet some changing federal, state and regulatory requirements.

Other institutions have moved forward. Loyola University purchased PeopleSoft student system and started their project in July of last year, and they will be going live this fall. Marquette University will go live on the student system this year as well. This is Marquette's enterprise portal, which we also have as part of the PeopleSoft project. Students can configure their own personal interface with the university, which allows them to enroll in classes, see the course catalog, register for classes, check to see if they have any holds on their account. They can do job searches, check their grades and their academic plan. Students can also check their financial accounts and pay their bills on line. Faculty can view their schedules and check their class rosters. They can look at the people they are advising and the course catalog and scheduling. Marquette will be delivering that to their faculty and students this fall in spite of the Oracle-PeopleSoft takeover attempt.

I want to emphasize that our increased risk of significant failure of the current student system is a problem that is not going to go away, Mr. Pace said. It is just going to get worse over time. So that is where we stand. It is not a decision without risk, but there is also risk if we do nothing.

Trustee Boey asked if he was correct in thinking that the elimination of social security numbers was one of the key reasons all this upgrading started. He wondered whether or not we still needed to use them. Mr. Pace said that Trustee Boey was correct in that the upgrade project was begun to eliminate the use of social security numbers. However, until the student system is implemented, the university still must use the social security number as its official identifier.

In answer to a query from the Trustees, Mr. Pace said that Option 1 would protect the university by locking in the money-back guarantee at three times the value of our investment.

Given court rulings and guarantees that are in place, it is really smart to move ahead with the full project as soon as we can, President Peters said, because even if Oracle does take over PeopleSoft, we are buying that ten-year window. Yes, Mr. Pace said, if Oracle keeps its word. Oracle could at some point force the university to go to Oracle applications. The likelihood of that occurring is not great, because Oracle's student system has never been accepted in the marketplace at all as a viable application. So if they are going to continue in the higher education market, they would have to go with the PeopleSoft student system. And, Mr. Pace said, if Oracle tried to force PeopleSoft people to go in another direction after we have implemented their system fully, we would not be able to maintain the system on our own. There might be companies springing up later that would offer support for the system. There is at least one company that is currently providing support for older versions of the human resource system that are now off of PeopleSoft support, so that is a likelihood.

I would like to make a couple of observations, Dr. Williams said. First of all, this has been presented as an information item so that the Board can see the options. We wanted you to have a good perspective on the status of this project. Also, I want to make clear that the Board has already taken the necessary steps to financially support whatever options we are prepared to move on. That was done over a year ago, so financing is not an issue. Now, as the President indicated, it is more about what level of risk we are prepared to take. Given the fact that our existing system is aging, we could be subjecting ourselves to major calamity if there is a failure. So I wanted to make it very clear that it is not a financial issue that is before the Board, but one of risk management and how far you want to go at this point in time with this project. We will come back to you with more information and a recommendation at a later time.

#### **OTHER MATTERS**

We have information and display boards here on the Evans Field House renovation project, Dr. Williams announced. And later this morning, the members of the Committee are invited to go on a tour. He then introduced Jeff Dwyer, the project manager of the Evans Field House renovation. One of the agreements we had with our students, Dr. Williams said, was that we would renovate Evans Field House for recreation purposes. And true to our stewardship, we have completed that project, and we are very proud of it. We welcome everyone who is in attendance this morning to come and take a look at it, and we are hoping that the Board members will have time to go on the tour this afternoon. I want to thank Jeff for an excellent job. Once you see what has been done with Evan's Field House, you will not recognize it. And I want to thank Bob Albanese for finding the money in the bond revenue system to make it happen. This was done without any additional cost to our students, with no increases in the student fee, just as we promised when we started this whole set of projects beginning with the construction of the convocation center.

I want to thank Mr. Dwyer, Dr. Williams and Mr. Albanese, Student Trustee Miller said. I have been in the Field House, and it is a magnificent building. The project went off better than I could have ever dreamed. I was involved in some segments of this project as far back as three years ago, and I just want to thank you all very much. It is a fantastic facility now, and I cannot wait until it opens this fall. It will be fantastic to see what I know is going to be positive student opinion of the facility.

#### **NEXT MEETING DATE**

Chair Vella announced that the next meeting date would be communicated at a later date.

#### **ADJOURNMENT**

Chair Vella entertained a motion to adjourn. Trustee Sanchez so moved, seconded by Trustee Boey. The motion was approved. The meeting was adjourned at 11:01 a.m.

Respectfully submitted,

Sharon M. Mimms  
Recording Secretary