

Minutes of the  
**NIU Board of Trustees**  
**FINANCE, FACILITIES AND OPERATIONS**  
**COMMITTEE MEETING**  
March 3, 2005

**CALL TO ORDER AND ROLL CALL**

The meeting was called to order by Chair Barbara Giorgi Vella at approximately 9:15 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Acting Recording Secretary Barbara Rice conducted a roll call of Trustees. Members present were Trustees Robert Boey and Chair Vella. Trustee George Moser joined the meeting in progress via teleconference. Not in attendance were Trustees Manual Sanchez and Myron Siegel. Also present were Student Trustee Eric Johnson and Parliamentarian Kenneth Davidson. President John Peters was also present via teleconference. Due to the absence of a Committee quorum, Parliamentarian Davidson announced that in accordance with Article II, Section 2, of the *Bylaws of the Board of Trustees of Northern Illinois University*, the Student Trustee would be counted for purposes of a quorum.

**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 Boey made a motion to approve the agenda. It was seconded by Student Trustee Johnson. The motion was approved.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Boey and seconded by Student Trustee Johnson to approve the minutes of the September 1, 2004. The motion was approved.

**CHAIR'S COMMENTS/ANNOUNCEMENTS**

Chair Vella welcomed everyone to the March 2005 meeting of the Finance, Facilities and Operations Committee. Today's agenda includes items of particular importance to the students and the university community as a whole, she said. Those items include recommendations for student fees and room and board rates for the upcoming year. These recommendations have been developed through a consultative process involving students and staff. They reflect the budget challenges that the university faces in Fiscal Year 2005-2006.

Additional items that require Committee action include contracts and related matters for: Student Accident and Sickness Insurance, Mass Transit, International Programs Travel Services, Printing Services for the *Northern Star*, Waste Management Services, Copier Services, NIU Foundation Professional Services; and expenditure authorization and project approvals for: Athletic Sports Camp Housing and Meals, Mass Spectrometers, Sub-Ice ROV System, Barsema Alumni and Visitor Center Fixtures and Equipment, Residence Hall Ethernet Conduit Project and a Collective Bargaining Agreement. Reports and information items to be received by the committee include: Fiscal Year 2005-2006 Budget Update, Fiscal Year 2006 Legislative Update, Fiscal Year 2005 Increment Summary Report, Bowl Game Charter Air Services, Quarterly Summary Report of Transactions in Excess of \$100,000, Periodic Report on Investments and an Oracle/PeopleSoft Update.

Chair Vella recognized the representatives to this committee from the University Advisory Council, Dr. Paul Stoddard and Dr. Xueshu Song.

## **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**

### **Agenda Item 7.a. – Fiscal Year 2006 Student Fee Recommendations**

The student fee percentage calculation does not include student insurance, Dr. Williams said. It is a pass-through contract. Students can voluntarily opt out of the student insurance program as long as they have comparable coverage and proof of that coverage. We have experienced, as have many organizations and companies around the nation, what seems to be limitless increases in insurance rates and premiums. The initial recommendation from the company we had our contract with was for a one-year increase of 57 percent in the overall contract. The committee rejected that and went to an RFP process to obtain more competitive numbers and programs. They were able to identify comparable coverage that would require only a 23 percent increase. I say “only” in the context of a 57 percent increase versus a 23 percent increase, he said. But we were pleased that we were able to do that. If that pass-through insurance rate is not included, our overall recommendations in aggregate total a 2.83 percent increase in student fees. The university requests your approval of the Fiscal Year 2006 fee recommendations.

Trustee Boey inquired when the West Campus bond would reach maturity. Dr. Williams said there were still approximately 15 years on that bond. That bond rate actually decreased in the Fiscal Year 2006 recommendations. Our commitment at the time we brought this to the Board and to this committee was that in years where the actual debt service rate decreased, we would translate that in a reduction of the actual fee. So, for Fiscal Year 2006, the debt service chart shows a decrease in the amount that is payable. As a result, the West Campus fee rate is being reduced accordingly. I want to thank Bob Albanese and his staff for keeping track of that, he added, making sure our commitment is maintained and doing an excellent job to keep the cost down in the bond revenue area.

For those of you who do not remember, Trustee Boey said, the West Campus bond really was the beginning of all the capital expenditures, which followed initiation of the Board of Trustees. So, the West Campus bond was responsible, for example, for the Stevenson renovation, the West Campus pedestrian reconfiguration and a lot of other things.

Trustee Moser joined the meeting via teleconference at this point.

So this was the first of all the bonds that began everything that transpired in that area over the next five to seven years.

I would like, once again, to indicate how thorough I think our process is, President Peters said. Every group gets a chance to put forward what they think they need to operate. Then we are able to get it down to the lowest possible increase, if any. I always like our overall rate to be under 3 percent with the exclusion of uncontrollables like health insurance, and we have achieved that. I want to thank the student groups and the administration that have worked very hard on this. I wish the increases could be zero, but the cost of the university doing business does go up, and we do have needs. But we still are trying to keep those fees within the reach of students and their parents. So I really do support this total recommendation.

On behalf of the students who get to pay these fees, Student Trustee Johnson said, I just want to say I want to thank the administration for keeping the fees as low as possible. The process is very open. There is student input at all levels of this process, and we are very receptive to your needs as well. Where other universities might look at this as a chance to get more money from the students during difficult state funding times, NIU has kept the prices very reasonable for us, and I just want to thank everyone involved.

Chair Vella asked for a motion to approve the FY06 Student Fee Recommendations. Trustee Boey so moved, seconded by Student Trustee Johnson. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.b. – Fiscal Year 2006 Room and Board Rate Recommendations**

Again, Dr. Williams said, as is the case for our other fees, there was a strong representation of our students in this process. That process included a full review of the full operations in terms of services and other things important to the students. That process kept the numbers very low and confined to a combined increase of 6.27 percent. Page 19 provides a breakdown of how the increase translates to each residence hall and particular type of room. Again, looking at it in the aggregate, it is 6.27 percent. One other point I would like to make is that part of the distribution of cost between doubles and singles and different residence halls is market and demand driven. But the bottom line increase is based upon programmatic need and the critical cost increases that are required to properly manage and operate the residence halls. We need renovations and development of our reserves in order to have sufficient dollars for renovation. So, built into these recommendations are dollars that would go into the reserves that will be used for future projects. We recommend these rates to you for Fiscal Year 2006.

For tuition, room and board at NIU, the cost is approximately \$11,800 per year. That is a very good rate compared to what you read about for both public and private institutions, especially the private tuition, room and board. The numbers I have seen are way above NIU's.

They are good rates, President Peters said, though I do wish we did not have to increase fees. I worry about an NIU education being within the reach of every qualified student in the State of Illinois. But this still is a great education value in the marketplace. For next year, Northwestern's tuition is set at \$41,000.

The point is that \$11,800 is still a lot of money, Trustee Boey said, but in the context of all the tuition, room and board rates in this country and in this state, in particular, that is a very good number in terms of getting an education. So I commend you and your staff for getting to a number which will be affordable by the general student.

Chair Vella asked for a motion to approve the FY06 Room and Board Rate Recommendations. Student Trustee Johnson so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.c. – Fiscal Year 2006 Student Accident and Sickness Insurance Contract**

The health insurance contract we talked about earlier, and this is the formal approval of that new contract. We dropped the multiyear agreement with the other vendor because of the projected increases, and are starting now with a new company with comparable coverage. We ask your approval of the student health insurance contract.

In reply to a query from Chair Vella, Dr. Williams said that the committee involved with the health insurance – Dr. Herrmann, the Vice President of the Student Affairs, and others who served on that committee – are here, and I know have reviewed this whole process. They have made a concerted effort to make sure that the coverage we have is very good. From what I understand, we have the best student insurance program in the state of Illinois, and I believe that. It is certainly a very comprehensive plan, comparable to any other coverage at any other university. And as a parent with a student here at NIU, he said, I certainly appreciate the kind of program the university offers.

Chair Vella asked for a motion to approve the FY06 Student Accident and Sickness Insurance Contract. Trustee Boey so moved, seconded by Student Trustee Johnson. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.d. – Fiscal Year 2006 Mass Transit Contract Renewal**

You approved the increase of the transportation fee for our bus system under student fees in Agenda Item 7.a. Again, this is considered a pass-through in that it is a user fee and something that our students desire. We are in a multiyear agreement, which allows for escalations based upon the cost of fuel and the type and number of routes that are added. We ask that the Board approve this contract.

Chair Vella asked for a motion to approve the FY06 Mass Transit Contract Renewal. Trustee Boey so moved, seconded by Student Trustee Johnson. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.e. – Fiscal Year 2006 Athletic Sports Camp Housing and Meal Expenditures**

This item begins a series of pass-through contracts for various types of services that are paid for by users or external agencies, the first of which is our athletic sports camp housing and meal expenditures. This covers room and board and camp fees primarily for high school boys and girls who are participating in these programs. We ask your approval of this expenditure authority.

Chair Vella asked for a motion to approve the FY06 Athletic Sports Camp Housing and Meal Expenditures. Student Trustee Johnson so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.f. – Fiscal Year 2006 International Programs Division Contracts Renewal**

Students who are involved with international programs and educational opportunities, and this may include students who are not NIU students but choose to participate in our international programs, pay separate fees that are pass-throughs to the various vendors. This provides the expenditure authority by which the International Programs office is able to operate this program. We ask your approval.

Chair Vella asked for a motion to approve the FY06 International Programs Division Contracts Renewal. Trustee Boey so moved, seconded by Student Trustee Johnson. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

**Agenda Item 7.g. – Fiscal Year 2006 Northern Star Contract Renewal**

The Northern Star contract is, again, a pass-through. The revenues that support the publication of the newspaper are generated primarily through their advertising revenue. We ask approval of this pass-through contract for Northern Star publication.

The Northern Star generally wins awards on a regular basis as one of the best student newspapers in the country, Student Trustee Johnson commented. And this year, they took second for best student newspaper in Illinois. I know I like to read mine, Chair Vella said. It is a very good newspaper and keeps me informed about what is going on here at the university as well as in the community.

Chair Vella asked for a motion to approve the FY06 Northern Star Contract Renewal. Student Trustee Johnson so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

**Agenda Item 7.h. – Fiscal Year 2006 Waste Management Contract Renewal**

This is the third year of the Waste Management Contract, which is a multiyear renewable contract. Williams said, and we ask Board approval of this renewal.

Chair Vella asked for a motion to approve the FY06 Waste Management Contract Renewal. Trustee Boey so moved, seconded by Student Trustee Johnson. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

**Agenda Item 7.i. – Fiscal Year 2006 Document Services Copier and Controller System Contract Renewal**

Another similar contract is for the copiers and controller systems that have been strategically placed throughout the campus, Dr. Williams said. The vendor provides all of this equipment under a contract and lease. This is the fourth year of a multiyear agreement. We ask your approval of this contract.

Chair Vella asked for a motion to approve the FY06 Document Services Copier and Controller System Contract Renewal. Student Trustee Johnson so moved, seconded by Trustee Moser. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

**Agenda Item 7.j. – Fiscal Year 2006 Copy Paper ITS Document Services and Materials Management**

Approval for the purchase of copier paper and other types of materials for Document Services is necessary in order to carry out their sales and service activities for the university. This, again, is a standard request for authorization, Dr. Williams said. We ask your approval of this expenditure authority.

Chair Vella asked for a motion to approve the FY06 Copy Paper ITS Document Services and Materials Management Contract Renewal. Trustee Boey so moved, seconded by Trustee Moser. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

**Agenda Item 7.k. – Fiscal Year 2005 Amendment to NIU Foundation Professional Services Contract**

This item is an amendment to the NIU Foundation contract, Dr. Williams said. This particular amendment is necessary because of our agreement with the Foundation which, under contract, provides fundraising activities in support of the university. When we received the initial approval for this contract for Fiscal Year 2005, the contract had salary increment escalators as part of the agreement. However, we were not sure what those increments would be; therefore, they were not included in the original contract approval. We are asking now for your approval to amend the contract to add those dollars necessary to meet our obligations.

I speak for all of us, Trustee Boey said, when I thank the Foundation for the tremendous service they have provided to the fundraising arm of the university. Without them and with the continuing contracting dollar amount from Springfield, we would have been in deep trouble. We are in trouble, in a sense, but nowhere near where we could have been without the help of the Foundation. So, I thank you, Mallory and Mike Malone, for your help.

Chair Vella asked for a motion to approve the FY05 Amendment to NIU Foundation Professional Services Contract. Trustee Boey so moved, seconded by Trustee Moser. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

**Agenda Item 7.l. – Department of Geology and Environmental Geosciences Magnetic Sector ICP (Inductively Coupled Plasma) Mass Spectrometer**

This item begins the series of requests that are in support of our Geology Department and their research efforts. We have a distinguished geology department that is in the forefront of research in the polar areas, and they are part of an international group of universities that are a part of this whole research effort. As a result, Agenda Item 7.l. is for the purchase of a Magnetic Sector ICP Spectrometer. A description is available, and we have some experts from the Geology Department here if anyone would like to have a more detailed description of each piece of equipment. We ask your approval of this spectrometer request.

These are very good acquisitions, President Peters said. We have a tremendous Geology Department, and much of the funding to permit us to purchase this equipment has been provided by our good friend, alumni, and representative of our district Denny Hastert. I was in Washington yesterday, and I met with the Speaker and thanked him for all his support for the university.

President Peters had to leave the meeting at this point.

I know I speak on behalf of all the Trustees, Chair Vella said. We all want to thank Representative Hastert for all the things that he has done to facilitate funding for this equipment and for the things that he has done for Northern Illinois University. We all deeply appreciate his efforts.

Dr. Ross Powell, Professor of Sedimentology and Climate Change in the Department of Geology and Environmental Geosciences gave a brief description of how the spectrometer would be used. It allows us to measure the chemistry and to extract a lot of detail on rocks, water, anything we would like to measure, he explained. That will provide us with a lot of information to help understand the history of how the environment is working. By analyzing our ice samples, we can tell when the ice was formed, which may be a few hundred thousand years ago. And that is how we can tell how the atmosphere today is different

or the same as in the past. That is also how we measure what is happening with the earth's temperature today.

Chair Vella asked for a motion to approve the Department of Geology and Environmental Geosciences Magnetic Sector ICP (Inductively Coupled Plasma) Mass Spectrometer. Trustee Moser so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.m. – Department of Geology and Environmental Geosciences Mass Spectrometers**

The Geology Department would also like to acquire an LCQ Advantage Max Mass Spectrometer and a Delta Plus Advantage Basic System Mass Spectrometer to be used in ongoing faculty grant research into geochemistry analysis of geological and biological materials. Dr. Williams asked approval of the acquisition of these mass spectrometers.

Chair Vella asked for a motion to approve the Department of Geology and Environmental Geosciences Mass Spectrometers. Student Trustee Johnson so moved, seconded by Trustee Moser. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.n. – Department of Geology and Environmental Geosciences Sub-Ice ROV (Remotely Operated Vehicle) System**

The department has also asked for the approval of a Sub-Ice ROV (Remotely Operated Vehicle) System, and we are in support of that. Again, as previously indicated, these acquisitions are coming from federal funds. Dr. Williams asked Board approval of the purchase.

Chair Vella asked Dr. Powell if he could explain the use of the ROV System. We hope to send the ROV underneath the ice in the Antarctic, Dr. Powell said. We have to melt a hole through about 3,000 feet of ice and then put the ROV through it. Then it is going to open up underneath the ice and rove around in the sea water underneath the ice. Its aim is to try and understand what is going on under there because there is concern about what is happening with the Antarctic ice sheet and the global warming of ocean waters. So, this is a collaborative effort among six U.S. universities. And this coming field season, we will be working with New Zealand and German scientists down in the Antarctic. This coming season is a trial season. But once the project gets going, we hope to have some real time relays coming back to institutions here so that students can see what is going on.

Chair Vella asked for a motion to approve the Department of Geology and Environmental Geosciences Sub-Ice ROV (Remotely Operated Vehicle) System. Trustee Boey so moved, seconded by Trustee Moser. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.o. – Barsema Alumni and Visitors Center Fixtures and Equipment**

Those of you who are on the campus can see the construction, as the steel frame has been erected, Dr. Williams said, and we are moving forward to meet the opening date of Homecoming this coming fall. This particular item provides for the fixtures and equipment for the facility. We ask for your approval.

Chair Vella asked for a motion to approve the Barsema Alumni and Visitors Center Fixtures and Equipment. Trustee Boey so moved, seconded by Trustee Moser. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.p. – Residence Hall Ethernet Conduit Change in Capital Project Approval**

Agenda Item 7.p. is for the Ethernet conduit in our residence halls and actually pulling cable through that. We had several approvals at prior Board meetings, Dr. Williams said. This provides the specifics for both parts of that project, both conduit and the actual installation. These are funded through local monies out of the residence halls and our IT area. We ask your approval.

Chair Vella asked for a motion to approve the Residence Hall Ethernet Conduit Change in Capital Project Approval. Trustee Moser so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.q. – Collective Bargaining Agreement**

I want to commend our staff in Human Resources for successfully negotiating this contract, Dr. Williams said. This is a multiyear agreement which runs until June 2009 with the Operating Engineers, in this case, representing the route drivers. These are the individuals in our mail service, primarily. We ask your approval of this contract.

In answer to a question from one of the Trustees, Dr. Williams reported that the university has a total of ten collective bargaining organizations and, to date, the university has settled with each of the individual bargaining units. So we now have contracts with all ten units.

Chair Vella asked for a motion to approve the multiyear Operating Engineers collective bargaining agreement. Trustee Moser so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.

#### **Agenda Item 7.r. – Information Technology Services Computer Laboratory Equipment**

This request for the purchase of computer laboratory equipment comes from our Information Technology area, Dr. Williams said. We ask your approval for the computer laboratories 196 computer systems for a total price of \$275,000.

Chair Vella asked for a motion to approve the Information Technology Services Computer Laboratory Equipment. Trustee Moser so moved, seconded by Trustee Boey. A roll call vote of the Trustees was as follows:

Vice Chair Boey	Yes	Trustee Moser	Yes
Student Trustee Johnson	Yes	Chair Vella	Yes

The motion was approved.



## UNIVERSITY REPORTS

### **Agenda Item 8.a. – Fiscal Year 2005-2006 Budget Update**

I am sorry that the President was unable to stay with us just to give the Committee a general sense of what has happened, Dr. Williams said. The Board of Higher Education submitted its recommendation, which was subsequently approved by the Board of Higher Education, in January. That budget included, I believe, a 1.5 percent salary increment as part of the recommendation. Beyond that, it was pretty much a steady state budget. So increment money was added to this year's operating budget. The Governor, two weeks ago, gave his budget message. In that message, he has recommended that higher education, specifically the public universities' budgets, be held at the Fiscal 2005 level. So, he has eliminated the salary increment that was a part of the IBHE's recommendation. At this point, appropriation bills have been written. Ken Zehnder has submitted our bill at the IBHE level. The Bureau of the Budget has submitted similar bills, but their bills are at the Governor's level. We will be going to Springfield next Thursday for budget testimony before the Appropriations Committees of the legislature. I am sure that the President will update you on the results of those hearings soon thereafter.

### **Agenda Item 8.b. – Fiscal Year 2006 Legislative Update**

The legislative report was deferred until a later meeting.

### **Agenda Item 8.c. – Fiscal Year 2005 Increment Summary Report**

This item reports to the Board a summary of the increments that were approved by this Board. We are showing our due diligence in reporting back to you the increments that were followed per Board instruction.

### **Agenda Item 8.d. – Bowl Game Charter Air Services**

At the December Board meeting, Dr. Williams said, the university asked for authorization to support the NIU football team bowl game in San Jose, California. At that point, there were many expenses on which we had no details, because we were in the midst of negotiations. The Board authorized the university to move forward with acquisitions on the condition that we report any expenditure that exceeded \$100,000. After a final review of our expenditures, there was one area that exceeded \$100,000 as a single budget item. There were three charter flights, which came to a total of \$454,951. They were paid from various fund sources, including revenues from the bowl. One charter worked through the Foundation. The users paid the full cost of their flights.

I continue to receive accolades on that three-day affair in California, Trustee Boey said. The football game was a success, obviously. But it is not just the football game that they rave about. The participants on that trip were talking about the extent to which the university went to make sure that there was a complete package for them during the whole three-day affair and how well they were treated. And they are already talking about the next bowl game. That is the kind of flavor and enthusiasm that we need from our supporters. Some people are already asking about tickets for the Michigan game. I hope that next year we will have six flights for the bowl game. We will be delighted to approve this, Trustee Boey said, because I think it is the kind of support the university needs to give to our supporters. It is all about the university being supplemented by a good academic program and a sports program. That is important. They go hand in hand.

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

The Board has given the President the authorization to approve transactions up to \$250,000, Dr. Williams said. The *Regulations* also require that on a quarterly basis the President report those specific transactions that exceed \$100,000 but are less than \$250,000 back to the Committee. There were 21 such transactions totaling just under \$3 million.

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

The Periodic Report on Investments is also required per Board *Regulations*, Dr. Williams said. The bottom line shows that we have done as well as or better than all other comparable funds in the return on our investments. I commend our investment team for their efforts. As we have mentioned before, our investment portfolio is very limited. That limitation is due to a State statute that indicates where the university can and cannot invest public funds. Because of those limitations, we may not have the performance that one might see in private funds; but under the limitations that we have to invest, we have done very well, he said.

### **Agenda Item 8.g. – Oracle/PeopleSoft Update**

Finally, we wanted to update the Board regarding the Oracle/PeopleSoft situation, Dr. Williams said. As everyone knows, as of December 31 of 2004, Oracle completed its hostile takeover of PeopleSoft. We have been monitoring that situation, evaluating the impact of it upon our institution and our operations. I have asked Steve Pace, who has been NIU's lead and coordinator of this whole implementation, to give you an update of the status and the impact of this hostile takeover on NIU.

Mr. Pace reported that Oracle's acquisition started on June 2, 2003 when PeopleSoft announced that it was going to acquire J.D. Edwards and has evolved over the last 18 months. That acquisition would have made PeopleSoft the second largest software manufacturer, to which Oracle objected. On June 6, Oracle announced a hostile takeover of PeopleSoft. PeopleSoft completed its acquisition of J.D. Edwards on June 18. On February 26, the Justice Department filed to block that merger in seven other states with ten other states eventually engaging in that lawsuit. However, on September 9, the court ruled in favor of Oracle because, we believe, they had difficulty defining what the market was. The trial began on October 4 to remove, along with other things, PeopleSoft's customer assurance agreement, in which NIU had participated. Also on October 4, Craig Conway, the President of PeopleSoft, was terminated by the Board because of statements he made in pretrial testimony of regarding the Oracle impact on PeopleSoft.

Finally, on November 19, Oracle issued a best and final offer of \$24 a share for a tendered 60 percent of shares. Up to that point, only 6 percent of shares had been tendered. Finally, on December 13, PeopleSoft's board approached Oracle and signed a definitive merger agreement with Oracle. On December 28, Oracle acquired PeopleSoft. They replaced PeopleSoft's board and terminated PeopleSoft's executive staff. On January 7, the two companies were officially merged, and PeopleSoft was removed from the stock exchange.

Oracle's initial offer was about \$5.1 billion, or about \$16 a share. In June of 2003, their final price was \$10.3 billion, or \$26.50 a share. The merger creates the second largest application company in the world behind SAP, which is a German company. The combined company has \$5.5 billion dollars of annual application revenue. They have 12 percent of the worldwide enterprise resource planning market; 23,000 application customers; 70 percent of the Fortune 1000 HR platforms; 750 higher education customers, 650 of those are PeopleSoft customers like us. Oracle now controls the application, the database and the technology infrastructure for their applications.

The main players are Janzibar, Datatel, SCT (Systems Computer Technology) and PeopleSoft. PeopleSoft was the top higher education vendor. Both Oracle and SAP (System Application Products) were trying to get into the higher education market, but were not being very successful. So, PeopleSoft and Oracle are now combined to present the higher education offering. Oracle's direction is to maintain the customer base so that they can get a return on their acquisition. They have committed to support the PeopleSoft products through 2013. Oracle has said that they will sell only Oracle applications to new customers; they will not sell PeopleSoft. However, in the case of higher education, that is not true. Purdue, which had decided that they wanted to build their own student system and finally decided that they could not do it, were looking at student systems. Oracle and PeopleSoft were competing for that, and Oracle withdrew. So, Oracle now is trying to sell the PeopleSoft application to Purdue. They will support and deliver PeopleSoft 8.9 and 9.0, but 9.0 will be the final release of PeopleSoft. They will develop a successor product to merge Oracle/PeopleSoft and J.D. Edwards, combining the functionality of those three, and deliver that product by 2008.

At this point, we strongly feel there is a likelihood that Oracle will drop the Informix database, on which we are running financials and HR, in the next one to two years. This is the successor product that is to be developed. They are basically rewriting the whole thing with a new language and new technology, and they are replacing J.D. Edwards, PeopleSoft and Oracle on that new platform.

At some point, customers will be forced to acquire the successor product. There is no stated policy on maintenance costs for it. There is no stated commitment to support the application on non-Oracle databases. Institutions larger than NIU, such as Wal-Mart, Federal Express, etc., Sears have a lot of concerns about this. NIU, prior to the acquisition, had implemented the financial system in 1999, and the human resource system was implemented in 2001. Both are functioning as expected. We initiated steps to incorporate the student system on a new database for DB2. We planned to migrate financials and HR to DB2 and upgrade financials in HR on the latest releases. After the acquisition, our focus is going to be on getting financials and HR upgraded to the current release, and because of our concerns, reevaluate the database and platform, exercise all of our previously negotiated guaranteed contracts, and reevaluate the student system implementation based on Oracle as a company and their guaranteed product direction. At this point, we have promises from Oracle, we do not have contracts with Oracle.

Oracle's proposed successor product requires integrating functionality from three major systems and rewriting the application in a new tool set or language by 2008 – a massive task for anybody. Oracle now has four product lines to support: J.D. Edwards, PeopleSoft and Oracle as well as the new successor product. Oracle has little experience in acquisitions. For all practical purposes, this is really the first company of any significant size that Oracle has acquired. Oracle must integrate two sales forces and three sets of customers; maintain business relationships with IBM and Microsoft, its archrivals in the database and technology areas; and maintain business relationships with third party vendors that PeopleSoft relied on. There are several aspects of the PeopleSoft product where its third party vendors are providing some of the technology.

To stay abreast of what is happening, we are monitoring the media, court and SEC filings; meeting with user groups; participated in a panel discussion with the Midwest Users Group of PeopleSoft users; meeting with independent technology research firms such as Gartner, to see where their assessment of the situation is; and we have been meeting with Oracle executives.

Some of the positive things we know about this Oracle/PeopleSoft transition are: over 90 percent of the PeopleSoft application developers and support staff were retained and PeopleSoft's general manager of tools and technology was placed in charge of the successor product. The development team is composed of both Oracle and PeopleSoft. We feel these are both positive signs.

Here are a few things that concern us. Surveys have indicated that 46 percent of Legacy PeopleSoft customers, including the J.D. Edwards customers, are leaning towards switching ERP applications. Seventeen percent of PeopleSoft HR platform users have indicated a strong likelihood that they would switch vendors, and that is with PeopleSoft as the gold standard for HR applications. Despite "Oracle is your friend" rhetoric, court documents that were filed in the trial indicate that Oracle plans massive migrations. So at some point, Oracle is going to force people to migrate to the successor product. Gartner expects significant attrition of PeopleSoft developers within the next two years. Third party firms are forming to provide legacy support for PeopleSoft products. Some companies have already had their maintenance handled by third party companies instead of PeopleSoft.

Oracle is going to release PeopleSoft 8.9 for HR, the student system is already out, 8.9 for financials is not out yet, and they will begin the technology for the successor product. In 2006, they will release PeopleSoft 9.0, and the first successor technology will be employed.

If we implement the student system, the student system probably will take two to three years to be totally implemented. Of concern is the fact that our installation services for implementation expire July of 2005, and that already has been extended once. In 2007, the training units we have purchased would expire. In 2008, our maintenance caps will be gone, and that is for student, financial and HR systems, which means that at that time we would have to renegotiate maintenance with Oracle. So, at that point, they would probably force us to go to the successor product.

In summary, current issues for the strategy for NIU are to upgrade financials and HR to the current release to get the maximum utilization out of the product; purchase hardware and databases needed to maintain the existing product, especially if Oracle discontinues the Informix database; evaluate future maintenance costs for the successor product; determine if financials and HR should be put on third party maintenance or if we should go to the successor product; delay implementation of the student system until more specific information is available about the successor product; determine the real business risks for delaying implementation; evaluate alternatives from other vendors; and work with Oracle to secure written agreements regarding database maintenance and the successor product. At this point, as mentioned earlier, we have promises, not contracts.

In reply to a question from Trustee Boey, Mr. Pace said that the university continues to rely on Social Security as the student I.D. number until a new system is installed.

To give you sort of a thumbnail sketch of what we are thinking, Dr. Williams said, we have in place a financial system and a human resource system that work and truly meet our needs. Therefore, in case nothing else is done, if we just find a third party independent company that is willing to maintain those systems, we will be fine.

Right now we have systems that are working and will carry us beyond what I consider to be the peak impact of what Oracle will do, which should be somewhere around 2008 to 2010, Dr. Williams said. With the student system, thanks to the Board's perspective and approach to funding the student system it will operate for a while. And if we have to do it, I am hoping that "a while" is past 2008. As Steve's chart shows, if we were to implement the system now, we would not have it in operation until the successor product comes on the market, and we would be implementing something that would be obsolete by the day we start running it. So we need to be prudent in that approach. There are other student systems on the market. So we are not totally or exclusively at the mercy of Oracle. Our Associate Provost, Fred Schwantes, in the meeting with the Oracle representatives, made it very clear that NIU was not going to be strong-armed into any kind of "you have no choice but to accept our terms" situation. There are other viable products out there, and we really need to see if they are products that we would want to use here. One thing I will mention is that there are different aspects of this, Dr. Williams commented, and that is why the database is one of the key issues. If, for example, we went to SCT Banner, we would have to run that on Oracle. That is the only database it runs on. So there may be some aspects of this, regardless of what vendor we look at, that will require our still using some Oracle parts and products. So there are not many viable alternatives, but there are some. The university will make another presentation on this issue in June.

And we did let them know in our meeting that we did not want to hear the rhetoric, we wanted to see, in writing, if in fact Oracle values us as a customer and what they are willing to guarantee us for the future, Dr. Williams said. So their executive in charge of higher education in the state went back to headquarters in California to discuss this whole matter of what they were willing to guarantee us in terms of the future so that we could make a clear evaluation of where we stand. So it has been put to them in very exact terms that we want contracts, he said.

There are approximately 650 other higher education institutions involved with PeopleSoft, who are in the predicament that we are, Mr. Pace said. There are institutions that are much larger than NIU that are running PeopleSoft, such as the whole University of Wisconsin System, the University of Minnesota, the University of Michigan, UC-Berkley and the whole Cal State System. That is one of the issues that will be brought up at the Higher Education Users Conference because Oracle and PeopleSoft know that the higher education group is a very vocal group of people.

In answer to another question, Mr. Pace said that Oracle has a significantly smaller percentage of the Higher education business because PeopleSoft was known in the higher education market, had one of the best products on the market, and was quite well known in the whole public sector accounting area as well in municipalities and state and federal governments. Virtually all of the cabinet agencies run PeopleSoft HR. That actually was one of the reasons that Oracle wanted to acquire PeopleSoft, they needed it because they were not really selling anything in that market.

**NEXT MEETING DATE**

Chair Vella stated that the next meeting would probably be early in June.

**ADJOURNMENT**

There being no Other Matters, Chair Vella asked for a motion to adjourn. Trustee Moser so moved, seconded by Trustee Boey. The meeting was adjourned at approximately 10:40 a.m.

Respectfully submitted,

Sharon M. Mimms  
Recording Secretary

