

Minutes of the
NIU Board of Trustees
FINANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
September 1, 2005

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Manuel Sanchez at 10:20 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Mimms conducted a roll call of Trustees. Members present were Trustees Robert Boey, George Moser, Cheryl Murer, Myron Siegel and Chair Sanchez. Also present were Committee Liaison Eddie Williams, President John Peters and Board Parliamentarian Kenneth Davidson. With a quorum present, the meeting proceeded.

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 Trustee Murer. The motion was approved.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Before I inject any further comments, Chair Sanchez said, I want to echo Bob's comments from earlier this morning about the gravity of the situation that has taken place in not just Louisiana, but also Alabama, Mississippi and parts of Florida. It is a cumulative tragedy unlike anything I have been exposed to in my lifetime. Hopefully, somehow, someday, the spirit of this country will come together and be even more united, almost akin to what we experienced after 9/11. It is unfortunate that sometimes such awful tragedies have to occur for us to realize our own issues; but I am hopeful that you will do whatever you personally can to contribute to assisting those in that horrific situation down there. This time it is not overseas or in some other country, it is right here in the United States. And I am hoping that other countries will come to our aid as well as we always do throughout the world.

I want to welcome everyone who is here today. Every time we start a new year, it is particularly exciting. The students are back. And I am already hyped for my trip to Ann Arbor tomorrow for the game as I know many of you are. I want to welcome back my fellow committee members, Trustee Boey and Trustee Siegel. It is a pleasure to have Trustee Murer now on the committee. I got to know her quite well during her Foundation Board activity, and it is a thrill to have her as a fellow Trustee. I would also like to acknowledge our esteemed Chair, Barbara Vella. It is great to see a woman heading up the second largest public higher education institution in this state.

I also want to recognize our University Advisory Committee representatives, Dr. Paul Stoddard and Dr. Xueshu Song. I would just like to welcome the Board back to campus for another year, Dr. Stoddard said, and also to welcome Trustee Murer to service here on the Board. Beat Michigan! Also present from UAC were Donna Smith, President of the Operating Staff Council, and Shey Lowman, President of the Supportive Professional Staff Council. I also want to recognize fellow Trustees Marc Strauss and Andrew Nelms from the Academic Affairs Committee.

It is a pleasure for me to take the time to step back a second to thank President Peters and his staff. I was extremely proud of the fact that somehow, notwithstanding the really tough budgetary constraints in all of higher education, they have managed to somehow work out a salary increase for our faculty and our hard working staff. I am very proud that they were able to do that because too often we take for granted

the very heart and soul of this university. It is faculty, staff, students and the other supporters of this institution that make this the great higher education facility that it is. And it is tough to ask you each year to continue to do the excellent jobs you do and not recognize it in a monetary way.

Among the items that we are covering today are the Fiscal Year 2007 Appropriated and Nonappropriated Capital Budgets; Fiscal Year 2006 Internal Budget; Family Health, Wellness and Literacy Center-Capital Project Approval; Intergovernmental Agreement Continuation for Federal Participation of West Campus Road Project; Far West Campus Roads-DeKalb Sanitary District Easement; Feasibility Study to Replace Existing Housing for Students with Dependents; Collective Bargaining Agreements; two contract amendments for Business and Industry Services (BIS) Consulting Services; Agreement for Intercollegiate Athletics NIU Huskie Sports Radio Network Affiliate Agreement; Regional Delivery Fee for Off-Campus Doctoral Cohorts in the College of Education; Student System Replacement Project. We will also receive a number of annual and periodic reports, including the Fiscal Year 2005 Report on Capital Activities; Quarterly Summary Report of Transactions in Excess of \$100,000; Public Act 94-0004 SURS-Related Provisions; and Professional Excellence Awards for Faculty and Staff.

REVIEW AND APPROVAL OF MINUTES

Trustee Siegel made a motion to correct the minutes to appropriately reflect Trustee Vella's office as Chair of the Finance, Facilities and Operations Committee. Chair Sanchez asked for a second to the motion to amend the minutes. Trustee Boey seconded that motion. The motion was approved.

Chair Sanchez then asked for a motion to approve the minutes of June 1, 2005 as amended. Trustee Murer so moved, seconded by Trustee Boey. The motion was approved.

PUBLIC COMMENT

There were no timely requests received for public comment at this Board meeting.

UNIVERSITY RECOMMENDATIONS

Agenda Item 7.a. – Fiscal Year 2007 Appropriated Capital Budget Request

We are required to submit to the Board of Higher Education and, subsequently, to the State of Illinois the Fiscal Year 2007 Appropriated Capital Budget Request, Dr. Williams said. We have not had major capital projects approved by the state over the last three years; so this list is consistent with what you have seen in prior years with the Stevens Building as our top priority, followed by the Computer Science Technology Center and Electrical Infrastructure and Wirtz Hall renovation, and the third being our academic building improvements. Also included are our minor capital project requests, which are projects under one million dollars. These are primarily infrastructure improvements and deferred maintenance projects, all reflecting the fact that we have had very limited resources available for capital projects.

Chair Sanchez asked for a motion to approve the Fiscal 2007 capital budget request. Trustee Boey so moved, seconded by Trustee Siegel. The motion was approved.

Agenda Item 7.b. – Fiscal Year 2007 Nonappropriated Capital Budget Request

The 2007 Nonappropriated Capital Budget Request contains projects that are primarily funded through our bond revenue system, Dr. Williams said. As you know, when we issue bonds, we are required to have a repair-replacement reserve. And from that reserve we are required to properly maintain all of the facilities covered under that bond indenture. Each individual project will be brought before the Board for approval as appropriate under the Board *Bylaws* and *Regulations*. However, we request your approval of the budget. It lists several projects, all of which are renovation, and deferred maintenance activities. Also, I would like to point out the note at the bottom of page 21, which is the result of efforts between the Student Affairs Division and Finance and Facilities. We have taken some preliminary looks at the Holmes Student Center and come to the conclusion that some major renovation has to be done there. Much of it is responsive to what is happening in the marketplace to update our facility to make it more user-friendly and to provide a facility that would be state of the art for our students.

Chair Sanchez asked for a motion to approve the Fiscal Year 2007 Nonappropriated Capital Budget Request. Trustee Siegel so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.c. – Fiscal Year 2006 Internal Budget

At your June meeting, Dr. Williams said, we presented the preliminary 2006 internal budget, which was our estimate at that point of appropriations and, based on that, our estimate of revenues and expenditures for the year. This is the final internal budget recommendation for your approval.

I also would like to commend Eddie Williams and his staff, the Provost's Office and Frederick Schwantes, and all the people who worked very hard in these difficult times to put together a budget that meets the needs of our students and our faculty, President Peters said. It accommodates one of my top priorities and that is to make sure our people are compensated as best we can. Even though we have no increase expected from the state this year, we do not expect any rescission, so this budget takes care of our needs and provides for salary increments. I want to congratulate our people for working hard on this.

In reply to a query from Trustee Siegel, Dr. Williams said that this proposed internal budget will contain funds for reasonable faculty and staff incremental increases, money for new hires in open positions, and money for administrative position increases.

Earlier, one of the other Trustees and I were talking about the fact that we as Trustees are entitled to reimbursement for travel expenses, Chair Sanchez said. To my knowledge, every one of the Trustees personally bears that expense. It is just part of what we do for the university. I brought this up because we are talking about the internal budget, Chair Sanchez said. I want you to know that we take this to heart, and that it began well before the budgetary crisis in this state. But it should show you the kind of commitment you have had from day one when we had the privilege of serving as Trustees of Northern Illinois University bestowed upon us. It normally goes unsaid, the Chair said, so I compliment all of my fellow Trustees for that.

I am not going to beat this dead horse for the tenth time, Trustee Boey said. But in looking at the General Revenue Fund at \$102 million, and the total anticipated revenue at \$363 million, that means 29 percent of this public state university's budget is state funded. When the original Board of Trustees began in 1996, the state contribution was around 45 percent. That is a 16 percent drop in nine years. And it is not going to get any better. It points to the fact that we have to be that much more creative in our own funding in all areas.

At the end of this year, President Peters said, \$400 million will have been reduced from the state-based General Revenue Fund for higher education since 2002. In order to replace a dollar of state funding, we would need a 30 percent tuition increase.

Well, Chair Sanchez said, I do want to beat this dead horse one more time and say publicly, as chair of this committee, how shameful I think it is that our state has seen the proportionate support of this institution go down from 45 percent to 29 percent. Frankly, I think we are an embarrassment compared to other states in this country. As chair of this committee, my fellow Trustees and I will make it our business to try, with the help of Kathy Buettner, President Peters and his staff, to get the message across in a politically sensitive way that when it comes to education, they have to fund not just K through 12, but higher education as well.

Dr. Williams recognized two of his staff members, Abby Chemers and Dena Funkhouser, for their work in putting this budget together.

Chair Sanchez asked for a motion to approve the Fiscal Year 2006 Internal Budget. Trustee Boey so moved, seconded by Trustee Siegel. The motion was approved.

Agenda Item 7.k. – Intercollegiate Athletics NIU Huskie Sports Radio Network Affiliate Agreement

I would like to exercise chair's privilege, Chair Sanchez said, and jump to Agenda Item 7.k., the Intercollegiate Athletics NIU Huskie Sports Radio Network Affiliate Agreement, and ask Athletic Director Jim Phillips to brief the Board.

We have a new radio agreement with WSCR, 670 AM out of Chicago, Mr. Phillips said. I will give you a brief summary of the agreement, what it means to NIU and what it means to Athletics. WSCR 670 AM is only one of eight 50,000 watt radio stations in North American with a signal reach of 38 contiguous states and four Canadian Provinces. It is the highest rated sports talk radio station in Chicago and in the Midwest Region. It is currently the home of the Chicago Blackhawks and the future home of the Chicago White Sox in 2006.

I will give you just a few points on the significance of this agreement to Northern Illinois University and Huskie Athletics: Prominent media coverage in the third largest media market, which is Chicago, in the United States and in the Midwest Region; brand association with a major media outlet and prolific sports franchises in the market place (brand identity); and the ability to connect with current and future students, parents, alumni, season ticket holders and fans in the Chicago and Midwest Region is almost limitless.

Elements of the four-year agreement include:

Football – Live coverage of every football game over the next four years, including 30-minute pre-game and post-game shows, which is approximately four to five hours of air time. Huskie Athletics controls all the inventory during the football broadcasts.

Basketball – Live coverage of 20 selected men's basketball games each year for the next four years, including a 10-minute pre-game and a 15-minute post-game show, which is approximately two and a half to three hours of time. Huskie Athletics controls all content and 85 percent of the commercial inventory during each men's basketball broadcast.

Promotional – A weekly 15-minute show to be aired from September to March to talk about things happening in Huskie Athletics and at Northern Illinois University; a bank of 150 commercials to be run every year between July 1 and June 30 to promote anything we would like to see promoted here at NIU; four live remotes per year on campus at any event that we deem appropriate to do their four-hour segment of talk radio, such as a football game or from a building here on campus.

Admissions, the Alumni Association, the Bookstore, the College of Education, the Foundation, the Executive MBA Program and Outreach, to name a few, have now partnered with Huskie Athletics and the SCOR. In the end, that means we own the inventory, we own the time, we get a chance to publicize and talk about anything that is happening institutionally, whether it is a 30-second spot for an Outreach program or for Admissions or whether it is to have people such as President Peters, Dr. Eddie Williams or a Trustee on our pre-game show to talk about what is happening in higher education or here at NIU. It shook intercollegiate athletics around the country. I recently was at Northwestern with my counterpart, and he indicated how unbelievable he thought this was for us. I publicly want to thank two individuals in particular, President John Peters and Dr. Eddie Williams, because this is a major commitment financially and otherwise. But I can report for the record that in year one, we have not only recouped our dollars, we have made a nice surplus for future years.

Chair Sanchez asked for a motion to approve the Intercollegiate Athletics NIU Huskie Sports Radio Network Affiliate Agreement, which extends through Fiscal Year 2009. Trustee Siegel so moved, seconded by Trustee Boey. The motion was approved.

Agenda Item 7.d. – Family Health, Wellness and Literacy Center - Capital Project Approval

This item requests the approval of the Board to authorize the university to enter into an agreement with architects, to develop a budget and to move forward with the design and renovation of the NIU Monsanto property, Dr. Williams said. Trustee Siegel made a motion to approve the Family Health, Wellness and Literacy Center capital project approval, seconded by Trustee Boey. The motion was approved.

Agenda Item 7.e. – Intergovernmental Agreement Continuation for Federal Participation of West Campus Road Project

This item is a request for Board approval to use the residual funds from our federal grant for building roads on the West Campus to extend the road farther north, Dr. Williams said. Trustee Murer made a motion to approve the Intergovernmental Agreement Continuation for Federal Participation of the West Campus Road Project, seconded by Trustee Boey. The motion was approved.

Agenda Item 7.f. – Far West Campus Roads-DeKalb Sanitary District Easement

Dr. Williams explained that approval of this item would give the DeKalb Sanitary District an easement of approximately 20 feet for laying their lines in the right of way of the West Campus roads. Chair Sanchez asked for a motion to approve the DeKalb Sanitary District Easement for the Far West Campus Roads area. Trustee Boey so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.h. – Collective Bargaining Agreements

Dr. Williams stated that the university was seeking Board approval of two bargaining unit agreements, the International Brotherhood of Electrical Workers, Local 362, and the International Union of Operating Engineers, Local 399. They are pursuant to the salary increment guidelines established by the Board for this fiscal year. Chair Sanchez asked for a motion to approve the IBEW Local 362 and IUOE Local 399 bargaining agreements. Trustee Siegel so moved, seconded by Trustee Boey. The motion was approved.

Agenda Item 7.g. – Feasibility Study to Replace Existing Housing for Students with Dependents

Dr. Williams stated that the university would like to initiate a feasibility study for the replacement of existing housing for students with dependents, known in prior years as married student housing. The structure is 45 years old and given all of the deferred maintenance needs, it is impossible to continue to keep it operational. Chair Sanchez asked for a motion to approve the feasibility study to replace existing housing for students with dependents. The new housing would most likely be located in the West Campus area. Trustee Boey so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.i. – Business and Industry Services Consulting Services-Crowe Chizek & Co. Contract Amendment

Agenda Item 7.j. – Business and Industry Services Consulting Services-Workforce Enterprise Services Contract Amendment

Dr. Williams explained that these pass-through consultant service agreements contain amendments to existing contracts. Chair Sanchez asked for a motion to approve the BIS Consulting Services Contract Amendments with Crowe Chizek & Co. and Workforce Enterprise Services. Trustee Siegel so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.l. – Regional Delivery Fee for Off-Campus Doctoral Cohorts in the College of Education

The College of Education has identified several markets in which our doctoral programs would be of great need and of great interest, Dr. Williams said, and they want to set up the financial structure to extend certain doctoral programs into these areas. This is a special fee request that would be associated with these off-campus doctoral programs. Chair Sanchez asked for a motion to approve the Regional Delivery Fee for Off-Campus Doctoral Cohorts in the College of Education. Trustee Siegel so moved, seconded by Trustee Boey. The motion was approved.

Agenda Item 7.m. – Oracle Student System Replacement Project

The Student System Replacement Project is a topic we have been discussing since Fiscal Year 2002, Dr. Williams said. The university has spent a great deal of time in due diligence in analyzing the market place, our needs and the costs involved. We are now prepared to recommend to the Board that we initiate a Request for Proposal (RFP) process that would allow us come back with a specific recommendation for the selection of a vendor for the implementation of a new student system. Chair

Sanchez asked for a motion to approve the RFP process for the Student System Replacement Project. Trustee Boey so moved, seconded by Trustee Murer. The motion was approved.

UNIVERSITY REPORTS

Agenda Item 8.a. – Fiscal Year 2005 Report on Capital Activities

Agenda Item 8.b. – Fiscal Year 2005 Annual Report of Transactions Involving Real Property

Agenda Item 8.c. – Fiscal Year 2005 Report of Tuition and Fee Waivers

Agenda Item 8.d. – Fiscal Year 2005 Annual Report of Cash and Investments

Agenda Item 8.e. – Fiscal Year 2005 Annual Summary Report Obligation of Financial Resources

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

Agenda Item 8.h. – Professional Excellence Awards for Faculty and Staff

Chair Sanchez asked that they move to Agenda Item 8.g. if the Board members had no questions regarding Agenda Items 8.a. through 8.h.

Agenda Item 8.g. – Public Act 94-0004 SURS-Related Provisions

This is a very complex item, Dr. Cunningham said, relating to a lot of historical issues – funding issues, employee benefit issues, and legislative issues. The State Universities Retirement System is one of five major public retirement systems in the State of Illinois. Illinois now has a total of almost \$46 billion in unfunded pension liabilities -- the highest in the nation. So the status of funding is of critical importance with respect to the reliability of benefits in the future. In that environment, SURS accounts for 24 percent of the active participant headcount, 17 percent of the state contributions, and only 4.1 percent of the increase in unfunded liabilities. SURS funds have been well managed and benefits have been implemented in a very responsible way. One problem with the current environment is that SURS is mixed in with the other retirement systems when liabilities are addressed statewide, leading to a lack of consideration of the actual financial status of SURS in comparison to the other retirement systems.

Public Act 94-0004 implemented a set of changes for all of the retirement systems. For SURS, however, it had some special affects. This began with the Governor's budget address in February where the university system was especially emphasized. The Governor's Pension Commission then met and reviewed benefit changes and the status of funding. The Pension Commission highlighted the record of this administration and this General Assembly, with pension funding to date having passed almost \$10 billion in pension obligation bonds and fully funding the state contribution formulas until the current fiscal year. The Pension Commission also underscored the importance of maintaining funding, not to make the crisis worse. And that is one of the significant concerns with this legislation.

The benefit changes for SURS are summarized on the first page of your agenda item with respect to higher education. The first particularly significant issue is the elimination of the money purchase formula, one of the two primary formulas under which higher education employees retire. The State Teachers System money purchase formula was eliminated; but only approximately three percent of those employees retire under money purchase. In the State Universities System, 60 percent of employees retire under money purchase. So the elimination of that benefit was especially significant for new employees in higher education. Another major benefit issue for SURS is the transfer of authority to determine the annual rate of return that is posted to employee accounts from the retirement system to the State Comptroller's Office. That is significant because the retirement system has tended to reflect its market conditions and pass that through to employee accounts. The Comptroller's Office has not yet announced what the rate will be for Fiscal Year 2006.

Second, the state contribution formula is another significant concern. Contributions for the public systems were cut by almost 50 percent for Fiscal Years 2006 and 2007 under this legislation. That is important with respect to the reliability of future benefits; although they are constitutionally guaranteed, the funding crisis is a looming issue.

Thirdly, the legislation created new unfunded employer contribution requirements for the present value, the long-term actuarial liability of salary increases exceeding six percent with no exceptions, in the public act. So things like faculty summer appointments, overloads, overtime and a variety of other issues will be

swept into that formula. The process for determining those contributions is not yet complete. With respect to the retention and recruitment of staff, this is a significant issue. Our council presidents have been working with this as have President Peters, Dr. Williams and several others.

ADJOURNMENT

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

Respectfully submitted,

Sharon M. Mimms
Recording Secretary