

Minutes of the
NIU Board of Trustees
FINANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
August 28, 2008

CALL TO ORDER AND CALL ROLL

The meeting was called to order by Chair Robert Boey at 10:39 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Banks-Wilkins conducted a roll call of Trustees. Members present were Trustees John Butler, Barbara Giorgi Vella, BOT Chair Cherilyn Murer and Committee Chair Boey. Not present were Trustees Manuel Sanchez and Myron Siegel. 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

Chair Boey asked for a motion to approve the agenda. Trustee Vella made a motion to approve the agenda. It was seconded by Trustee Murer. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Vella and seconded by Trustee Murer to approve the minutes of June 5, 2008. Trustee Butler pointed out that the minutes reflected that he made a query regarding the tuition recommendations, but that the query was not in the minutes. Because I think the responses are so informative and so useful for people to read, he said, I want to put on record what my concern was so that people understand the context of those excellent responses. I expressed reservations about the 9.5 percent tuition increase on the grounds that the constituency most impacted by that tuition increase were not present yet on campus to have a voice in whether or not they thought that was right, and that it was a position the university was locked into because of the Truth-in-Tuition legislation, which was well explained after that query. Noting Trustee Butler's request, the motion was approved.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Today's agenda includes a number of items that require committee approval, Chair Boey said, and among them are: the Fiscal Year 2010 Appropriated and Nonappropriated Capital Budgets; the Fiscal Year 2009 Internal Budget; the new Campus Improvement Fee; request for expenditure authority for grants in the College of Engineering, Department of Physics, Northern Illinois Proton Treatment and Research Center; budget increase authorization for the East Campus chilled water project, and the approval of the lease of Chicago office space. We will also receive a number of annual and periodic reports, including Academic Program Enhancement and Instructional Technology Surcharge; fiscal year annual reports on Capital Activities, Transactions Involving Real Property, Cash and Investments, Obligation of Financial Resources, and Tuition and Fee Waivers; the student tuition comparison item; the Quarterly Summary Report of Transactions in Excess of \$100,000; and the Professional Excellence Awards for Faculty and Staff.

At this time, I would like to recognize the representatives to this committee from the University Advisory Committee: Dr. Nancy Castle and Dr. Paul Stoddard. I would just like to echo what Dr. Bryan had said at the previous meeting, Dr. Stoddard said, that my impression is that faculty, staff and students are all

ready to go on with the business of the university, to get started teaching, learning, doing research and artistry, and have a very successful year.

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 the Board of Trustees Bylaws. Mr. Davidson noted that no timely request for public comment had been received.

UNIVERSITY RECOMMENDATIONS

Agenda Item 7.a. – Fiscal Year 2010 Appropriated Capital Budget Request

The first item on our agenda is the requested Fiscal Year 2010 Appropriated Capital Budget, Dr. Williams said. Each year, the university develops a capital request and, after Board approval, it is submitted to the Board of Higher Education and made a part of the overall priority listing of capital projects that goes to the state legislature and then to the Governor. This year, our request reflects prior year requests. Since we have not had a capital budget in about four years, none of our priorities have been funded, and each year, we do some reevaluation, taking current inflation factors into account so that today's actual costs are reflected. The Stevens Building remains our number one request, the Computer Science and Technology Center as well as infrastructure improvements in Wirtz Hall remain number two. We also include capital renewal projects which are usually projects under \$1 million, and are usually a separate appropriation. Dr. Williams also noted that the Stevens Building had been on the list for at least seven years.

In reply to a question from Trustee Butler, Dr. Williams stated that the parenthetical notations on some entries indicated that the particular project was approved through the state process and part of the appropriation request, but funding for that project had not been released by the Governor's Office. So those projects are approved, but unfunded. Those projects without parenthetical notations were never appropriated and never approved.

Since it might be a little confusing to the general public, President Peters said, I would like to comment on the relation of this list for next year to events that have occurred with the capital bill this year. In the various forms of the capital bill that have gone forward this year and the lobbying that was associated with it, I believe in the Senate-passed version of a capital bill, Stevens is fully funded, planning money of about \$2.8 million is included for the technology building, and the Cole Hall revised proposal is at \$7.7 to \$7.8 million in that particular version. So you do not see Cole Hall on this list because it is outside the capital process, but in the state's capital bill. I hope that is helpful about how this relates to what exists today and, if we receive these, then everything moves up on the list.

Chair Boey asked for a motion to approve the Fiscal Year 2010 Appropriated Capital Budget Request. Trustee Murer so moved, seconded by Trustee Vella. The motion was approved.

Agenda Item 7.b. – Fiscal Year 2010 Nonappropriated Capital Budget Request

We list in aggregate projects of \$100,000 or less in the request for the 2010 Nonappropriated Capital Budget, Dr. Williams said. The difference here is that these projects are primarily within our bond revenue system where reserves are set aside for repairs, renovation and upgrades of bond revenue facilities and the funds are restricted by covenants to bond buildings only. One of the larger projects included is the installation of a sprinkler system in Neptune Hall, which this Board has already approved in an overall master plan to provide sprinkler systems in our residence halls. This is one of many unfunded mandates that the university faces. All public universities in the state of Illinois are required to have sprinkler systems in residence halls by the year 2013.

Chair Boey asked for a motion to approve the Year 2010 Nonappropriated Capital Budget Request. Trustee Vella so moved, seconded by Trustee Butler. The motion was approved.

Agenda Item 7.c. – Fiscal Year 2009 Internal Budget

The Board approved a preliminary Fiscal Year 2009 Internal Budget in June because we were not sure what the state appropriation was going to be for the fiscal year. We now have that appropriation and bring to you the actual budget for Fiscal Year 2009. Chair Boey asked for a motion to approve the Fiscal Year 2009 Internal Budget. Trustee Vella so moved, seconded by Trustee Murer. The motion was approved.

When asked about the percentage increase between FY08 and FY09 and how that compares with other state universities by Trustee Butler, Dr. Williams stated that one should really look at the appropriated side of the house because that is what is comparable between institutions. That was pretty much a standard number at 2.8 percent for all public universities. NIU's number was less than that at 1.5 percent due to a line item veto that the Governor imported on the NIU budget, which will be discussed later in the meeting. All of the public universities were rated very fairly at the same level. Beyond that, the other line items deal with revenue areas that vary from university to university – the bond revenue system, depending on how big it is, what is being done, if buildings are being constructed or whatever, those numbers would be different and the increases would be different for those. So the comparative number would be under the appropriated side, and all the institutions were treated the same.

Talking about trends and comparisons, Trustee Boey said, in my review with Dr. Williams, something really hit me. Looking at the 2009 university income fund, which is the tuition income fund, at 122 million, and the general revenue fund at \$107 million, that means at this moment the tuition revenue is bigger than the general revenue fund. Going back eight to ten years ago, he said, the tuition revenue was one-third that of the state revenue fund. Today, it is 20 percent more than the state's contribution. That shows how the trend has changed and why things are so expensive to our students.

Chair Boey asked for a motion to approve the Fiscal Year 2009 Internal Budget. Trustee Vella so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.d. – New Campus Improvement Fee

The New Campus Improvement Fee is the other part of the response to Trustee Butler's question regarding the appropriation and why NIU's number was less than the average allocated, Dr. Williams explained. We did receive the average, but given the fact that the legislature basically appropriated approximately \$2 billion more than the expected revenue for Fiscal 2009 and the fact that the State Constitution requires a balanced budget moving into the new fiscal year, the Governor was obligated to reduce the appropriation bills down to the projected revenue. Among the things that were line item vetoed were the permanent improvement lines of public universities. Up to this point, there were only a few public universities that maintained a permanent improvement line. Ten out of the 12 public universities, had already replaced their permanent improvement line with a campus improvement fee or facilities fee and, therefore, did not have any substantial funds, if any, in the permanent improvement line under the appropriation. NIU has resisted instituting such a fee and tried to maintain a line item in the budget for permanent improvements. The Governor vetoed that. The result was a loss of \$1.3 to \$1.4 million from NIU's bottom line or the base budget, and that reduces our percentage as well as the overall increase. Unfortunately for this institution, however, we have the problem of trying to find necessary resources for emergency repairs, for renovations, for ADA and other required compliance activities, to repair roofs, to repair electrical systems, potholes, sidewalks, and these are routinely part of our annual operation. Therefore, we have no choice after evaluating this, but to recommend that we institute a campus improvement fee to replace the funding lost through the appropriation process. Though the other ten institutions have fees that range from \$75 to \$260 a semester, we have chosen to just replace what we lost. This would translate into a \$75 per semester fee, falling at the lower end of the scale, Dr. Williams said, which we would like to implement in the spring semester.

It is really disheartening that the State of Illinois has not funded our permanent improvements, Trustee Vella commented, so that we have to add this extra fee. We have to do these things to become compliant and to also keep a safe environment for our students, so we are forced to do this. My concern is that it may go up or it may become something we have to do permanently, and I hate to think it would come to that. But, we cannot do anything else because we cannot provide unsafe places for our students to learn.

Yes it is, Chair Boey said. Every time the state government issues an edict, between items like this and unfunded mandates, then we have to come up with it. Roofs need repair, roads need to be filled in and repaired, and it has to come from somewhere, unfortunately.

Just for the record, Trustee Murer said, I would like to echo those comments as well. I am most disturbed about the lack of resources for infrastructure. And we have seen in our own country what happens when you do not put forth the monies for bridges and the tragedies that occur when you do not put forth money for roads. It is wonderful to mandate fire extinguishing and sprinkler systems, but to not fund a state university makes those things difficult. The university political issue, as stated by both Trustee Vella and Chair Boey, is that you have to get the money from somewhere. Unfortunately, the only place we can go is to fees such as this, and that is not something that this Board of Trustees desires to do or takes lightly. But we have a greater commitment to the safety of the university, and we have to do these things. It is the infrastructure and the lack of money. The problem comes when it is not funded year after year and it becomes cumulative.

Let me give you some context on this, President Peters said, because I have remained firm on this issue. The heart of the problem is deferred maintenance on our university campuses, which runs to the billions of dollars. Our deferred maintenance is estimated at between \$275 million to \$300 million. The campus improvement fee is a little different, it is emergency money. If you drove by Douglas Hall both in May and in the last few weeks, you have noted a difference in the ride. Where does that money come from? It has to come from this. I went on record with my colleagues several years ago to say that if their approach to deferred maintenance problems was establishing a deferred maintenance or a building fee, the political structure of the state would take that as a signal that they do not have to fund that. And that is what has happened. There is very little hope that this will be put back into any base budget. Now we are in the unenviable position of biting the bullet and instituting this emergency fee. We have not gone to the high end as some other universities have, which may be the right thing to do because that permits them a stream of funding for deferred maintenance, and we may get there someday. But right now, my directive to Dr. Williams and his people was that we only need to replace it at a level that existed and look toward the future.

The saddest part, Chair Boey said, is that deferred maintenance will eventually become emergency repair. Right now our total is \$300 million, which is going to become \$500 million, and eventually it will become emergency repair. It is not going to go away. It is going to become an emergency situation time and time again.

I hope that I will develop a reputation of being fairly aggressively opposed to these kinds of things, Trustee Butler said. I have spent some time talking on this subject with Dr. Williams and with the Student Trustee, and I think the remarks of the other Trustees are right on. This has been a very difficult thing to do, and I appreciate the conservative nature of this action. And I hope that the students on this campus will pay attention to this and other actions of the Board that have had to be taken as a result of some actions that they could have some impact on through their vote, through their action, through their lobbying and so forth. So, I appreciate this action as necessary and appropriately conservative.

Many of my comments are consistent with some of the things that have already been expressed, Student Trustee Smith said. I can tell you from a student standpoint, particularly a student who has been working to fund my college experience independently, it is not an easy thing to hear about the possibility of implementing an additional fee. But after giving it a lot of thought, I came to the conclusion that you cannot deny the relationship between campus improvement or the campus environment and healthy and conducive learning for the education of students. A good many of the proposed projects for 2009 that a large portion of this fee would fund are specifically related to safety issues, handicapped accessibility, public health regulations and emergency types of projects. So I definitely feel that, although I really am saddened to give my support, it is necessary to do so. I am very appreciative and believe the students will be appreciative that we are implementing this fee at the lowest possible rate we can. My only recommendation is that we create some way to get student feedback or student comments relating to key areas such as classrooms and buildings that they may see are in need of improvement. If we are going to implement this fee, it is important that students get the opportunity to voice and have some input in what types of repairs can be done as well.

Chair Boey asked for a motion to approve the New Campus Improvement Fee. Trustee Murer so moved, seconded by Trustee Vella. The motion was approved.

Agenda Item 7.e. – College of Engineering and Engineering Technology ROCK Program – Research and Project Development Amendment

The ROCK Program has received another year of funding under the U.S. Department of Defense grant which is expected to end in December 2010, Dr. Williams said. Therefore, it is necessary to amend the initial request which received Board approval in September 2007. Chair Boey asked for a motion to approved the College of Engineering and Engineering Technology ROCK Program Research and Project Development Amendment. Trustee Vella so moved, seconded by Trustee Murer.

I always like to see how the Finance and Academic Affairs Committees intertwine, Trustee Murer said. In Academic Affairs, we were talking about research and had a presentation on where we were this past fiscal year in our research funding. Dean Vohra has done an excellent job in realizing the value of research funding and also community integration. This is a fine example of a research project that has practical community impact as well as a contribution to the university, and we need to continue to do this. And it is very much in keeping with the strategic plan.

Agenda Item 7.f. – Department of Physics Monochromator Upgrade

Dr. Williams stated that the Department of Physics had received a National Science Foundation grant to make upgrades to the ChemMatCARS synchrotron x-ray resource at the Advanced Photon Source (APS) at Argonne National Laboratory. The facility is part of the Consortium for Advanced Radiation Sources of which Northern Illinois University is a member. This Double Crystal Monochromator upgrade is a critical component for an x-ray beam line system that will enhance current research and expand future research opportunities. The upgraded system will be used by NIU students, faculty and other researchers. This is a pass-through expense. Chair Boey asked for a motion to approve the department of Physics Monochromator Upgrade. Trustee Vella so moved, seconded by Trustee Butler. The motion was approved.

Agenda Item 7.g. – Northern Illinois Proton Treatment and Research Center Grant

I am very pleased to share with the Board that NIU has received two grants from the Department of Defense in support of the Proton Treatment and Research Center, Dr. Williams said. As we have done with many grants, the funding comes into the university and the university subcontracts the activity to a separate entity which, in this case, is the Northern Illinois Proton Treatment and Research Center, LLC, which is responsible for the proton treatment project.

Again, this shows the integration of our programs, Trustee Murer said. This funding, especially since it comes from the Department of Defense, is very important to us. Vice President Buettner, along with Dr. Lewis, has done an exceptional job in seeking out this funding in support of this project.

Chair Boey asked for a motion to approve the Northern Illinois Proton Treatment and Research Center Grant. Trustee Murer so moved, seconded by Trustee Vella. The motion was approved.

Agenda Item 7.h. – East Campus Chilled Water Plant Funding

The Board approved this project to provide a central cooling plant that would serve 11 buildings on the East Campus a couple of years ago, Dr. Williams said. Our funding plan included funds from the Capital Development Board through state appropriations, as well as the Department of Commerce and Economic Opportunity (DCEO). Unfortunately, as we moved forward with the project, the Capital Development Board survived the step over to the new fiscal year, but it was not reappropriated through DCEO and, as a result, our project was short. Our choices were to wait until that funding would be restored in some future appropriation or to look internally for ways to keep the project moving and not lose the Capital Development Board funds. Therefore, we are bringing a request to the Board to contribute these funds.

Trustee Boey asked for a motion to approve the East Campus Chilled Water Plant funding. Trustee Vella so moved, seconded by Trustee Butler. The motion as approved.

This is another excellent opportunity for those who want to learn or better understand how the university has to react to the relationship between state politics and actual physical projects here at NIU, Trustee Butler said. This is, again, a great case study of the situation the Board and the university find themselves in because of what is happening in Springfield.

Agenda Item 7.i. – 33 North LaSalle Lease

As the Board knows, Dr. Williams said, for several years we have had a location in the City of Chicago, first at the Chicago Athletic Club and then in another building, both of which were sold. Now it is necessary to move our Chicago operation, one more time, to 33 North LaSalle. It is vitally important that the university have a Chicago presence, Trustee Murer said. This is a very modest amount of space, and \$26 per square foot is a very good rate for Chicago. Dr. Williams pointed out that credit for the lease negotiation went to Jeff Daurer and Christine Black of Finance and Facilities.

Chair Boey asked for a motion to approve the 33 North LaSalle Lease. Trustee Vella so moved, seconded by Trustee Murer. The motion was approved.

UNIVERSITY REPORTS

Agenda Item 8.a. – Academic Program Enhancement and Instructional Technology Surcharge

We have several information items, Dr. Williams said, and I will go over them very quickly. One of which I wanted the campus to be especially aware is our academic program enhancement and instructional technology surcharge which the Board of Trustees approved over six years ago and was renewed recently. Approval was for up to \$250 a semester. We have only charged \$100 a semester because that is what was needed primarily for the implementation of our new student system. As we have moved forward with our strategic plan, portions have been implemented this year. Other expenses and commitments have been made regarding upper divisional courses and other courses of that nature. To meet those obligations, we are taking the half step to activate an additional part of that previously approved surcharge and increase it from \$100 to \$150 a semester, which is still \$100 below the actual approval amount.

Agenda Item 8.b. – Fiscal Year 2008 Report on Capital Activities

Dr. Williams stated that this fiscal year report is a review of all of the capital activities for the university. It covers five years, listing all of the active projects, and you will note a lack of state-supported projects in that number.

Agenda Item 8.c. – Fiscal Year 2008 Annual Report of Transactions Involving Real Property

This annual report shows all of the different leases the university has entered into, Dr. Williams said. For the record, the one lease that is above \$100,000 is for the Zeke Giorgi Law Clinic in Rockford, which is a very successful operation.

Agenda Item 8.d. – Fiscal Year 2008 Report of Tuition and Fee Waivers

Because several years ago the legislature had a problem with the way they were allocating waivers, Dr. Williams explained, all state agencies, specifically the public universities, were then required to report on the allocation of waivers. As part of that requirement, the university annually reports to the Board the total waivers allocated, which waivers and the detail behind those waivers.

You will notice that some of these are unfunded mandates, such as the veteran's grants and scholarships, President Peters commented, and we are happy to do this. Our share of the unfunded portion of the Illinois veterans grants is about \$1.58 million for our troops that are coming back. The state has statutorily given them tuition waivers, but there is no funding, so that means the university has to pick it up. I appreciate the fact that we have a \$2 billion gap in the budget this year and the governor was forced to make vetoes to meet the constitutional mandate to balance the budget. But many of the higher education programs, the HECA programs, for years have been distributed to campuses through the IBHE and have made a huge difference in this state because so many of those grants went to help economic

development, to help people. The diversified faculty initiative, which was funded at the state level through the IBHE which helped diversify our faculties throughout the state, was vetoed. All of the presidents and chancellors of the public universities have continued that funding. For NIU, that number is about \$231,000 a year, but this program will die when these people track through. So, when all of those things are added up, that is a pretty grim picture of state funding.

Agenda Item 8.e. – Fiscal Year 2009 Entering Student Tuition Comparison-Public Universities

This item lists the FY09 entering student tuition at public universities around the state. Based on the President's leadership and his directives, we have kept our tuition as low as possible. Under this scenario, NIU ranks sixth in tuition with universities such as Chicago State, Southern Illinois University at Carbondale, University of Illinois at Springfield, Illinois State University, University of Illinois at Chicago and University of Illinois at Urbana having tuitions higher than NIU.

Agenda Item 8.f. – Fiscal Year 2008 Annual Report of Cash and Investments

Our Fiscal Year 2008 report shows that in aggregate we have received a 4.17 percent return on our investment portfolio, Dr. Williams reported.

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

The Board has authorized the President to approve projects between \$100,000 and \$250,000, Dr. Williams said, and we report those approvals on an annual basis. There were 61 such transactions in this quarter.

Agenda Item 8.h. – Annual Summary Report - Obligation of Financial Resources

This report provides a distribution of our transactions or purchase orders by dollar amounts, Dr. Williams said. As indicated, over 90 percent of the transactions are between zero and \$25,000, with only a few above \$250,000, and those are always brought to the Board for approval.

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

The professional excellence awards for faculty and staff were discussed in the Academic Affairs, Student Affairs and Personnel Committee and lists those faculty and staff chosen to receive the awards.

NEXT MEETING DATE

The next meeting of the Finance, Facilities and Operations Committee is scheduled for Thursday, November 13 in DeKalb.

ADJOURNMENT

There being no Other Matters, Chair Boey asked for a motion to adjourn. Trustee Murer so moved, seconded by Trustee Vella. The motion was approved. The meeting was adjourned at approximately 11:31 a.m.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording Secretary