

Minutes of the
NIU Board of Trustees
FINANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
February 2, 2012

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Robert Boey at 10:45 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 Anthony Iosco, Robert Marshall, Cherilyn Murer, Marc Strauss and Chair Boey. Also present were Trustees John Butler, Wheeler Coleman and Student Trustee Jaemin Robertson, Committee Liaison Eddie Williams, President John Peters and Board General Counsel Jerry Blakemore. 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 General Counsel Jerry Blakemore.

MEETING AGENDA APPROVAL

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

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Strauss and seconded by Trustee Murer to approve the minutes of November 10, 2011. The motion was approved.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Boey recognized the representatives of the University Advisory Committee, Dr. Alan Rosenbaum and Dr. Gregory Waas.

Today's agenda includes items of particular importance for the students and the university community as a whole, the Chair said. Action items include Recommendations for Student Fees, and Room and Board Rates for the upcoming year. These recommendations have been developed through a process involving students and staff. These proposed fees and rates reflect the budget challenges the university faces in Fiscal Year 2012-2013. Tuition rates will not be discussed today, but will be on the agenda for our next committee meeting. Other agenda action items include eight spending authorizations, contracts and contract renewals and a collective bargaining agreement. Information items are the Quarterly Summary Report of Transactions in Excess of \$100,000 and the Periodic Report on Investments.

PUBLIC COMMENT

The Chair asked Board General Counsel Jerry Blakemore 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. Blakemore noted that no requests had been received to address this Board Committee meeting.

UNIVERSITY RECOMMENDATIONS

Agenda Item 7.a. – Fiscal Year 2013 Student Fee Recommendations

Our recommendations for student fees are the result of a deliberative process that includes representative groups of staff and students in every fee area, Dr. Williams said. Each is tasked with the responsibility of reviewing the operations under that fee, to discuss potential additions and/or modifications and to evaluate the need for any changes in the fee, specifically for increases. Those recommendations are then sent to my office where we review them with the Vice President of Student Affairs. After our review, we present them to the President, who meets with all of our student leaders of the Student Association, including the Student Trustee, and reviews the entire fee recommendation package. Based upon that process, the President provides a recommendation to the Board. Dr. Williams pointed out that for those students who opt out of the health insurance program these recommendations represent a 3.63 percent increase. For those students who do participate in the insurance program, he said, if we do not include the increase in the health insurance, these recommendations represent a 2.52 percent increase, which is phenomenal. Each of the committees pursued the President's standing directive of minimizing any increase in fees. In either case, we come in under 4.0 percent at a phenomenal 2.52 percent for those with the insurance.

We have encountered a problem with the health insurance. The carrier has had a fairly poor year in claims experience which has resulted in a very substantial increase in the contract. The committee and I want to go into this a little more because our Student Trustee, very rightly, has been concerned about this. I was very encouraged by meeting with our director, Ms. Christine Grady, who gave a good summary of the process the committee used in evaluating the health insurance, which included soliciting other bids for the coverage. Through that process, instead of facing what could have been a 40 to 60 percent increase in rates, the rates were increased by only 17.59 percent by going to a different carrier. Admittedly, a 17 percent increase is substantial, but compared to what it could have been and in compared with the coverage we provide to our students, this is a modest increase. Due to the fact that costs are escalating for health providers, health services and health related materials, the cost of healthcare in this nation is spiraling upward. These spiraling costs are also reflected in the recommendations we receive.

In reply to a query from Trustee Strauss, Dr. Williams stated that the amount of each recommendation depends on the number of students who qualify and are paying. We normally use 450,000 credit hours as the base number that committees look at. That is adjusted upwards or downwards based upon the committee's experience. For fees that are based on a per credit hour base, there is a complete comparison between generated revenues and the budgets for those areas reviewed by those committees.

The reason I am inquiring, Trustee Strauss stated, is because I have an interest in whether we should have another fee considered. Obviously there is a maximum capacity for paying fees and tuitions that we have to keep in mind, but one of the other things we have a pressing need for is to be able to pay for facilities deferred maintenance. This is a very large number that we have discussed on several occasions in the past, and we do not have a dedicated revenue source to handle that.

In our evaluation of the scope and the charge to each committee, Dr. Williams replied, they are to look at those particular expenses and operational items associated more directly with that fee. In some cases, facilities situations and equipment are part of what is considered, depending on the fee area. Also, through our efforts, the university has identified a repair/replacement reserve that we use each year to help address some of the facility needs after that line item was vetoed from our budget with nothing to replace it some years ago. In that stead, we imposed a fee that we assess at the present time for facilities and facilities improvements that would give us a dollar-per-dollar replacement for what was vetoed out of our budget. The State of Illinois has a responsibility for these facilities, but we will not allow them to deteriorate to a dysfunctional point. The President has made it very clear that any health and safety matters must be addressed. Up to this point, we have tried to find ways within our existing budgets to address these needs. We prefer not laying it on the backs of our students if we at all can avoid that. That is a much broader discussion, and I certainly appreciate your sensitivity to the needs we

have with our permanent improvements. The real fact is that costs are escalating. We have things that need to be done, and if we do not in some way get relief from the State or find some other way to address them, in years to come, we will be facing a backlog of very serious maintenance and repair issues that have no source of funds to cover them.

My purpose in raising this issue today is not to defer consideration of these fee increases, Trustee Strauss remarked, except to point out the fact that there is a natural limit and recognize that it is a more complex question. We have some facilities that carry with them a requirement for a reserve, but we also have many other facilities that have no such requirement. We have an unreliable partner in the State, which is not going to step up and pay that money, even though we might wish they would, and at some point we are going to have to discuss what we can do with respect to a fee or other financing mechanism that will allow us to be able to deal with the deferred maintenance. We invite traditional health insurers to bid in order to avoid a situation where we are faced with the selection of a poor risk. For the bids we have received, I am sure the company has required us to mandate the insurance for everybody who does not have insurance elsewhere. Thus, if there was an individual who did not want to pay for coverage, for whatever reason, that person would be compelled to take the coverage in order to buy down the rate for those who did want to be insured. It is good that we have gone back to market to see whether or not there were other, less expensive options available. But have we compared that implicit subsidy to what might be available if there was an insurer who would offer a program that did not require universal coverage? We probably will not find a carrier willing to provide a very limited program, Dr. Williams replied. Also, we as an institution have a responsibility for the students that come to this campus. I would not want to have a program where students can opt out of insurance and have no other alternative, and then have that student become ill or injured. With no medical coverage, that student then has no alternative as far as getting medical attention for their situation. We have a responsibility to make sure that our students have some type of insurance coverage that will be available to them in one context or another. One of the great dimensions of our program is that it is a 12-month insurance program, so that whether or not a student is here in the summer, they are covered under the program. Under the university's plan, coverage for 12 months costs between \$800 and \$900 when most plans require a \$200 to \$300 per month charge for a similar policy.

We need to protect our entire community, Trustee Coleman commented, so we want all of our students to have insurance and not opt out. That is the right thing to do, and I agree with that approach. It is also smart to occasionally go out and test the market to see what other carriers are offering at a competitive rate.

As we have added new buildings through bond issues and through very forward thinking arrangements, Trustee Murer remarked, especially with our student housing, it was my understanding that we have anticipated maintenance of these new buildings through the bond issues and through the contractual relationships with our developer partners, so that now and in the future, as new buildings go up, deferred maintenance will be taken into consideration. Dr. Williams agreed with her statements and said this is because all of the university's efforts in the direction of new facilities and so forth are in the bond revenue area, and the bond investors will not commit without knowing that appropriate reserves will be taken into consideration to cover it as we move through the project.

I appreciate Trustee Strauss's concern for the future, Trustee Murer said, but I also think it is important that we do not preempt the responsibility of the State of Illinois. The State of Illinois owns these buildings. The State of Illinois owns this campus. We are not a private institution. As we look to the political elements of this, it is important that we continue to reiterate the responsibilities of the State. We are, have been and probably will continue to be disappointed, but we need to remain steadfast in confirming what their responsibility is. You, Dr. Peters and those who work under this structure have done a truly incredible job over the last few years to protect the viability of this institution, but not relinquishing the expectations we have of the responsibility of the State of Illinois. So, even though we do not expect a lot, they have a responsibility. When they come to us at any point and say they will no longer maintain that responsibility, then it would be up to this Board of Trustees to make a determination.

Every year since the Board of Trustees was established, Trustee Boey said, we have had deferred maintenance in the budget, and every year the State just ignored it. The Theatre building was about ready to collapse, and after ten years in the budget, we finally received money to rebuild it. Four years ago, the State told us we can no longer include deferred maintenance in our budget. The question remains, what happens when 20- and 30-year-old elevators no longer work? Where does the State come in? Regarding Health insurance, Trustee Boey asked if the population carrying insurance at the university had been affected by the fact that parents are now allowed to insure their children up to age 26. Dr. Williams stated that to his knowledge, our experience has been a fairly steady percentage of students that remain in the program.

As a student, Student Trustee Robertson said, most students do not want to see fees raised. But also, as a Trustee, I understand that in order for this university to continue to function at its fullest capability, the fees must be raised due to the lack of State funding and things of that nature. In the beginning, I had a concern about the FY13 recommendations, and I want to thank Director Grady and Dr. Williams for taking time to sit down with me and explain everything so that I had a clear understanding. We were able to decrease the health insurance which was a big concern for me. I still had a concern about how high it was, but the great thing about this program is that students still have the choice to opt out with insurance coverage through family. It is very important that we have this, and I am a prime example, because my parents no longer live in the state of Illinois. If it was not for the university's insurance, I would not have medical coverage for the doctor. After spending many hours going through this budget, breaking down and limiting the costs as much as possible, I believe this is the best direction we can go so this university can still function.

Chair Boey asked for a motion to approve the FY13 Student Fee Recommendations. Trustee Murer so moved, seconded by Trustee Marshall. The motion was approved.

Agenda Item 7.b. – Fiscal Year 2013 Room and Board Rate Recommendations

The FY13 Room and Board Rate recommendations come from our Room and Board Committee, which consists of staff and students, Dr. Williams said. The phenomenal thing about the room and board rates is that the combined recommendation is for a 1.55 percent net increase. This comes from an extraordinary effort on the part of those parties involved to maintain and actually reduce costs and look at efficiencies, so that the increase in this area would not be too large.

Trustee Murer inquired whether the reason they were able to keep the increase at an extraordinarily modest level was because of the impact from some of the ecologically efficient systems that have been put into place. Dr. Hemphill and the very dedicated staff we have in the housing area have spearheaded this effort, Dr. Williams noted, and they do all of these negotiations. It is the students themselves who come up with many ideas which are designed to be considerate of environmental issues, energy conservation and ways we can cut costs. These recommendations certainly reflect a team effort, and they should be commended for it.

We have spent a lot of time over the last two years talking about performance based contracts that relate to environmental savings, Trustee Murer said, and I wondered if you are seeing this as being in direct correlation to maintaining costs. As we look at the statements that come through on our utility costs, Dr. Brian Hemphill, Vice President for Student Affairs and Enrollment Management stated, we note that we have been able to reduce those costs in some cases, so we know it is making a difference.

Dr. Williams stated that the reason the new residence halls currently under construction were not included in these rates was due to the fact that the accompanying room and board rates were set when the Board approved the issuance of the bonds and that financing. Those rates are set and will not change, he said. From a competitive basis, our rates are at or below that of other residential campuses, and our services are comparable or better than most offer.

Chair Boey asked for a motion to endorse the FY13 Room and Board Rate Recommendations. Trustee Strauss so moved, seconded by Trustee Marshall. The motion was approved.

Agenda Item 7.c. – College of Law Graduation Fee

This item was withdrawn and deferred to a later meeting.

Agenda Item 7.d. – Fiscal Year 2013 International Programs Division Expenditures

This is an annual renewal of expenditure authority that we normally do at this time of year, Dr. Williams remarked. For the International Programs Division, we set an expenditure authority of \$3 million. This is a complete pass-through item.

In reply to a query from Trustee Strauss regarding the duration of these programs, Provost Alden stated that typically, many of our students are going for the shorter term, faculty led efforts, but some are a semester, some are a full year, and sometimes it is for a summer period of six to eight weeks. These programs are usually under contracts and there are different arrangements on tuition and rates for each program.

There has been a whole industry of third party providers developed in the past 20 years that arrange for a turnkey approach, dorms and so forth, the President said, and they sometimes even provide the academic programming.

The international exposure is great for our students, Trustee Strauss commented, and what struck me was that if there are 600 students expected to enroll and the budget is \$3 million, that is \$5,000 a student. I was curious as to the quality of the experience they were going to get for that \$5,000, and whether this is something we ought to take a look at having some involvement in sponsoring ourselves instead of just passing through all of the money involved in it. Basically, President Peters said, the short answer to that is no, because we have looked at that over the years. We do have a few programs like this where we have a historical relationship. But we are buying certified, qualified, bonded enterprises that have national and international reputations used by all of the universities, and on occasion we would want our own program. For us, the most important thing in all of these programs is the academic content, which our faculty have evaluated and judged. These can be very expensive programs if done on our own because we have to do all of our own contracting, have to have special relationships, and basically, need people on the ground with arrangements all the time. There are four or five well regarded enterprises that do this, a lot of them are based in Washington, and, we have had good relationships with them.

Chair Boey asked for a motion to endorse the request for FY13 International Programs Division Expenditures. Trustee Strauss so moved, seconded by Trustee Marshall. The motion was approved.

Agenda Item 7.e. – Fiscal Year 2013 NIU Foundation Professional Services Contract

I believe everyone on this committee has been involved in approving our annual NIU Foundation Professional Services Contract in the past. It is for the fundraising services that we obtain from the Foundation. I do not want to let this opportunity pass without making the comment that opposed to the bad partner we have with the State, we have a great partner with the Foundation, Trustee Strauss remarked, so I will be pleased to vote for this. Chair Boey asked for a motion to endorse the FY13 NIU Foundation Professional Services Contract. Trustee Strauss so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.f. – Fiscal Year 2013 Document Services Copier and Controller System Contract

This is the annual renewal of our copier and controller systems usage contract, Dr. Williams said. This is the initial year of a new series of renewal contracts, and we ask your approval. This is a not to exceed amount based upon our actual usage of the equipment.

Trustee Murer inquired why only three proposals were submitted from the 34 vendors that were solicited. In the marketplace right now, there is a great deal of interest in any form of contract that may come up for bid, Dr. Williams replied. The vendors then have to evaluate whether or not they are in a position to put forth the necessary initial capital investment. This contract is going to be over a ten year period. The payback for them may not occur until the latter years, and many companies are not able to do that. The three companies that provided bids, one being one of the nation's largest, were able to do this and provide the necessary services. Most vendors are interested, they make the evaluation, and then come to the conclusion that they simply cannot meet the terms of the contract.

Trustee Coleman inquired why, with technology changing so often, the university went with ten-year contracts. The cost of maintaining copier equipment can become very high. That is why we do not want to own it. We have tried that and it does not work. This is a cost-effective approach. We are in a position that provides all of the maintenance and other needs for these machines, and there is context in the contract that allows us to get the latest technology and upgrades. Wally Czerniak, Associate Vice President for Information Technology Services, noted that the university also has the option every year to rebid. If they do not provide the service, or something better comes along that they are not providing, we can rebid it.

In reply to a query from Trustee Marshall, Dr. Williams said that when we bid, and especially when we rebid, we are looking at ways we can cut down on costs, look at efficiencies, look at ways in which we can incorporate certain of the services or certain of the activities within our existing staff in a cost effective way. It is not a simple RFP, and a lot of thought and effort goes into it. We have done this for multiple years, and that has given us the experience that allows us now to further evaluate what kind of issues, needs and services come up, and are there ways to modify process. That is why rebidding is a good thing, because, as Wally indicated, if we do discover another or more efficient way, we have an opportunity to make modifications in the contract.

This is a very complex bid process, Mr. Czerniak said, and it is not in anybody's best interest to renew this every year or to do a full bid. This just gives us the option, if we are happy with the service, and they keep upgrading the equipment, to renew it every year up to ten years.

The fact that only three vendors gave us a bid on this tells you that this is not an easy bid process. This is one of the toughest bids we have ever sent out. As part of this contract, the vendor has to come in and replace all of the equipment and put in brand new technology. The biggest unmet demand we have had over the last few years has been for color copies. With this bid, we will lower that cost and access to color copies will be available to the entire campus.

The vendor has the option to increase costs. But this has been ongoing for almost 20 years, and the cost increases have been almost nonexistent.

I want to save both the forest and the trees, President Peters stated, and 30 million copies a year is unacceptable, especially with the electronic technology we have available. As part of Vision 2020, one of our goals is to reduce this drastically to hard copy only those kinds of things that are high end, such as color copies. There is no reason, for instance, that we should have to print these Board Report books. They should be available to load on a tablet, so you can expect to be hearing from us soon on that approach.

Chair Boey asked for a motion to endorse the FY13 Document Services Copier and Controller System Contract. Trustee Strauss so moved, seconded by Trustee Murer. The motion was approved.

Agenda Item 7.g. – Fiscal Year 2013 ITS Document Services and Materials Management Copy Paper Contract Renewal

This item is the annual renewal to purchase the paper necessary to print on the copiers in the item you just approved, Dr. Williams said.

This is a not to exceed number. As efficiencies, technologies and directives from the President occur, that will give us an opportunity to lower the costs of purchasing more paper. Chair Boey asked for a motion to endorse the FY13 ITS Document Services and Materials Management Copy Paper Contract Renewal. Trustee Murer so moved, seconded by Trustee Strauss. The motion was approved.

Agenda Item 7.h. – Fiscal Year 2013 Mass Transit Contract Renewal

The \$4.2 million Mass Transit Contract covers all expenses completely in the fee, Dr. Williams commented. There are escalations in the contract which deal with fuel costs. The Student Mass Transit Committee has recommended both the fee increase and this contract renewal. Trustee Boey asked for a motion to endorse the FY13 Mass Transit contract Renewal. Trustee Strauss so moved, seconded by Trustee Marshall. The motion was approved.

Agenda Item 7.i. – Fiscal Year 2013 NIU Outreach Radiation Oncology Physician Services Contract Renewal

This is an annual renewal of our contract for the radiation oncology physicians who service our neutron therapy facility at FermiLab, Dr. Williams said. Chair Boey asked for a motion to endorse the FY13 NIU Outreach Radiation Oncology Physician Services Contract Renewal. Trustee Murer so moved, seconded by Trustee Strauss. The motion was approved.

Agenda Item 7.j. – Fiscal Year 2013 Student Accident and Sickness Insurance Contract Renewal

This health insurance item was discussed earlier in the meeting, Dr. Williams stated. This is the approval of the insurance contract based on a \$488 per semester rate. Chair Boey asked for a motion to approve the FY13 Student Accident and Sickness Insurance Contract Renewal. Trustee Strauss so moved, seconded by Trustee Marshall. The motion was approved.

Agenda Item 7.k. – Fiscal Year 2013 Transportation Services Motor Fuels

This contract is for the fuel used for our transportation services, Dr. Williams explained. This item does not give all of the details because the final bid opening will not occur until just before the full Board meeting scheduled for March 1. Details on this item will be presented and approval sought at the March Board meeting.

Agenda Item 7.l. – Collective Bargaining Agreement

Our collective bargaining agreement approval is with Teamsters Local 330, representing approximately nine employees classified as Automotive Technicians and Motor Vehicle/Operator Mechanics, Dr. Williams said. I commend Bill Finucane, Steve Cunningham and our employees for working through the intricacies of this contract negotiation. This is a full, four-year successor agreement effective July 1, 2011 through June 30, 2015. Chair Boey asked for a motion to endorse the Collective Bargaining Agreement for Teamsters Local 330. Trustee Murer so moved, seconded by Trustee Strauss. The motion was approved.

UNIVERSITY REPORTS

**Agenda Item 8.a. – Quarterly Summary Report of Transactions in Excess of \$100,000
Agenda Item 8.b. – Periodic Report on Investments**

Dr. Williams drew the Committee's attention to the Quarterly Summary Report of Transactions in Excess of \$100,000 and the Periodic Report on Investments, which were presented for committee review.

NEXT MEETING DATE

The Chair announced that the next meeting of the Finance, Facilities and Operations Committee is scheduled for Thursday, April 19, 2012, in DeKalb.

ADJOURNMENT

Chair Boey entertained a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Murer. The motion as approved. The meeting was adjourned at approximately 11:44 a.m.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording Secretary