

Minutes of the
NIU Board of Trustees
FINANCE, AUDIT, COMPLIANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
November 16, 2017

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:25 a.m. by Committee Chair Tim Struthers in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Vicky Rippberger conducted a roll call of the trustees. Members present were Trustee Dennis Barsema, Trustee Robert Boey, Trustee John Butler, Trustee Giuseppe LaGioia, Trustee Eric Wasowicz, Board Chair Wheeler Coleman, and Committee Chair Tim Struthers. Members absent were Trustee Veronica Herrero. Also present were Acting President Lisa Freeman, Committee Liaison Larry Pinkelton, Acting Executive Vice President and Provost Chris McCord, Deputy General Counsel Greg Brady, and Board Liaison Matt Streb.

VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

General Counsel Greg Brady indicated the appropriate notification of the meeting has been provided pursuant to the Illinois Open Meetings Act. Mr. Brady also advised that a quorum was present.

MEETING AGENDA APPROVAL

A motion to approve the agenda was made by Trustee Eric Wasowicz; seconded by Trustee Dennis Barsema. All were in favor. The motion carried.

REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the August 17, 2017 meeting was made by Trustee Wheeler Coleman; seconded by Trustee Dennis Barsema. All were in favor. None were opposed. The motion carried.

CHAIR'S COMMENTS/ANNOUNCEMENTS

There were no comments.

PUBLIC COMMENT

There was one request for public comment.

Sharon May welcomed the new CFO and addressed issues in the Accounting Department and the Controller's Department as well as the financial audit, pointing out the increase in exceptions.

UNIVERSITY RECOMMENDATIONS/REPORTS

The following items were discussed by the Committee:

Action Item 7.a. – Intercollegiate Athletics and Division of Administration & Finance IHSA State Football Championship Ticket Agreement

Larry Pinkelton explained that NIU, in partnership with DeKalb County Community Foundation, will be hosting the 2017 IHSA state football championship games and related events. This agreement covers the transfer of ticket revenues to IHSA, which is a pass-through. It also covers basic operating expenses.

Mr. Pinkelton read the following recommendation for consideration by the committee:
The University requests the Board of Trustees approval of expenditure authority for FY18 as follows: IHSA Association not to exceed \$400,000.

A motion was made by Trustee Wheeler Coleman; seconded by Trustee Eric Wasowicz.

A discussion ensued regarding the loss that NIU experienced in past years. That loss actually provides a soft benefit, or investment, as it is considered a promotional event for those who are not as familiar with the NIU campus as well as providing financial benefit to the community from these visitors. John Cheney explained, there are also volunteer groups involved as well as a community fund to offset NIU costs.

Greg Brady asked for clarification of the actual recommendation to read as a committee action, not a full Board of Trustees action.

A motion was made to approve the amended language in the recommendation by Trustee Eric Wasowicz; seconded by Trustee Robert Boey.

Further discussion occurred relating to the timing of the event and the approval of the recommendation. Simply stated, the item needs to be approved by the full Board of Trustees prior to payment, but not necessarily prior to the event.

All were in favor. None were opposed. The motion carried

A motion was made to approve the recommendation as amended by Trustee Eric Wasowicz; seconded by Trustee Wheeler Coleman.

A roll call vote was performed. Trustees Dennis Barsema, Robert Boey, John Butler, Giuseppe LaGioia, Eric Wasowicz, and Wheeler Coleman all voted yes. Committee Chair Tim Struthers abstained. The motion carried.

Action Item 7.b. – Fiscal Year 19-23 Intercollegiate Athletics Athletic Apparel Sponsorship Package

Larry Pinkelton indicated that NIU Intercollegiate Athletics requires team athletic apparel, footwear, and accessories for its 17 men's and women's sports programs, coaches, and administrative and support staff and wishes to enter into an agreement with a vendor who can offer the best quality merchandise with the most advantageous pricing and the best overall sponsorship package.

Mr. Pinkelton read the following recommendation for consideration by the committee:
The University requests the Board of Trustees approval of expenditure authority for FY19 through FY23 for \$3,000,000.00 - vendor to be determined.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Dennis Barsema.

A brief discussion was held to clarify that the length of the contract would be five years, up to three million dollars, and would encompass all sports teams on campus. This contract was previously held by Adidas.

All were in favor. None were opposed. The motion carried.

Action Item 7.c. – Fiscal Year 2018 Intercollegiate Athletics Athletic Apparel Amendment

Larry Pinkelton explained that an amendment is required to increase the approval amount for the purchase of team athletic apparel, footwear, and accessories for its men's and women's sports programs, coaches, and administrative and support staff in the amount of \$1M.

Mr. Pinkelton read the following recommendation for consideration by the committee:

The recommendation is for the committee to send to the Board of Trustees approval of this expenditure for FY18 as follows: the original amount was for two million dollars; the amendment is one million dollars for a total amount of three million dollars.

A motion was made by Trustee Wheeler Coleman; seconded by Trustee John Butler.

A discussion ensued beginning with the question of how this happened. Debra Boughton explained that this amount is over the entire five-year period and is likely largely due to attending nine bowl games in a row with an athletic wear price tag of \$50-75 thousand each that was not figured into the original recommendation. Compared to other schools, we are probably a little bit under in our spending than our competitors in the MAC. Trustee Coleman expressed concern as to why this was not brought forth two years ago. Comments followed regarding the issues that arise with multi-year commitments. Debra will provide data showing comparisons with other schools as well as which campus partners took advantage of this contract.

All were in favor. None were opposed. The motion carried.

Action Item 7.d. – Division of Research and Innovation Partnerships Multi-Disciplinary Scientific Instrumentation for “Simadzu Program for Academic Research and Quality of Life: (SPARQ)”

Larry Pinkelton explained that this request is to obtain a suite of modern analytical, scientific instruments to replace aging or non-existing instruments. This is to maintain NIU’s commitment to engaged learning, research and application of current technology and a commitment to public purpose that addresses regional, state, national, and global challenges and opportunities.

Mr. Pinkelton read the following recommendation for consideration by the committee:

The recommendation is to the committee to request approval for the expenditure authority during FY18 through FY22 as follows: Simadzu scientific instrument for \$2.5 million over the five-year period.

A motion was made by Trustee Eric Wasowicz; seconded by Trustee Robert Boey.

A discussion ensued where Jerry Blazey explained the Simadzu program provides a 40% discount on all equipment purchased and includes maintenance. Other universities have SPARQ centers; University of Texas Arlington, University of Wisconsin Milwaukee. The only constraint put on us is that we open up the equipment for other members of SPARQ centers and they do the same for us, thus doubling our ability to acquire scientific instrumentation and really leverage our budget center in that respect. Further benefits were also mentioned.

All were in favor. None were opposed. The motion passed.

Action Item 7.e. – DoIT Voice Trunking Services and Local Domestic/Long Distance Service Contract Renewal

Larry Pinkelton indicated that this contract renewal for Voice Trunking Services is for the period April 21, 2018 through March 21, 2019 and is to continue service while NIU goes through the RFP evaluation process for a new telephone solution.

Mr. Pinkelton read the following recommendation for consideration by the committee:

Our recommendation is for the committee to approve an expenditure authority for FY18 through FY19 for Frontier North for \$305,000.

A motion was made by Trustee Dennis Barsema; seconded by Trustee Wheeler Coleman. All were in favor. None were opposed. The motion carried.

Action Item 7.f. – NIU Outreach – Professional Services Subcontract Amendment

Larry Pinkelton explained that NIU Outreach has subcontracted with Illinois Critical Access Hospital Network (ICAHN) who provides supplemental, direct assistance to Medicaid providers and extends coverage of support across the state of Illinois. NIU Outreach has subcontracted with ICAHN to work with on an Illinois Department of Healthcare and Family Services grant project. The original amount of this project was \$240,000, but due to delays in review by the state, the amount needed has been increased to \$260,000, thus requiring Board of Trustees approval.

Mr. Pinkelton read the following recommendation for consideration by the committee:
The recommendation is for the committee to approve expenditure authority for FY16 through FY18 as follows: \$240,000 for the original amount amended by \$20,000, net approval amount \$260,000.

A motion was made by Trustee Wheeler Coleman; seconded by Trustee Robert Boey. All were in favor. None were opposed. The motion carried.

Action Item 7.g. – Holmes Student Center – Phase I Renovation

Larry Pinkelton indicated the Holmes Student Center project design phase is essentially complete. This request is to proceed with construction, advertising, contract awards, and subsequent construction activities.

Mr. Pinkelton read the following recommendation for consideration by the committee:
The recommendation is to request the committee's approval to proceed with construction, advertising, contract awards and subsequent construction activities for the project. Updates will be provided with subsequent progress reports.

Additionally, John Heckmann gave a presentation indicating that construction documents are being prepared and the award process will begin to enable construction to begin in May/June, 2018. The goal is to conclude construction by August, 2019. There are photos on the HSC website showing the configuration of all the various areas. A timeline was also presented.

A discussion began around the funding for the renovations. All \$20M is all Build America Bonds. Other projects that were originally envisioned for the Build America Bonds were reprioritized, and the bond document does provide the flexibility to move those dollars and priorities around. A concern relating to parking for the HSC was also discussed.

A motion was made by Trustee John Butler; seconded by Trustee Giuseppe LaGioia. All were in favor. None were opposed. The motion carried.

Action Item 7.h. – Holmes Student Center – Renovation Retail Franchise Venues

Larry Pinkelton indicated the need to enter into franchise agreements with selected firms to provide food offerings in the newly renovated Holmes Student Center, leveraging the popularity and attraction of national food and coffee brands.

Mr. Pinkelton read the following recommendation for consideration by the committee:
Our recommendation is for the committee to approve requested authority to enter into franchise agreements with selected firms for a term not to exceed ten years. While actual franchise royalty payments will depend on sales, the overall magnitude of this initiative over the agreement term is estimated to be \$550,000 for the coffee shop and \$315,00 for the food venue.

A motion was made by Trustee Wheeler Coleman; seconded by Trustee Eric Wasowicz.

A brief clarification was made that the numbers did not cover operating expenses. The expectation is that operating expenses would be covered by revenue generated from each venue. Also, it was reiterated that this estimate is over a ten-year period, and this will be tracked.

All were in favor. None were opposed. The motion carried.

Action Item 7.i. – Naperville Out-lease – American Institutes for Research

Larry Pinkelton explained that the University would like to execute a temporary extension of existing lease terms with the American Institutes for Research, who leases space at our Naperville campus, until a new, multi-year lease agreement can be negotiated.

Mr. Pinkelton read the following recommendation for consideration by the committee:

The recommendation is for the committee to approve the extension of the current lease terms until a new lease can be negotiated and enter into a new multi-year lease agreement with the American Institute of Research accommodating their revised requirements. Lease term negotiated to be consistent with the current market conditions.

A motion was made by Trustee John Butler; seconded by Trustee Eric Wasowicz. All were in favor. None were opposed. The motion carried.

Action Item 7.j. – Fiscal Year 2019 Pricing Recommendation

Larry Pinkelton provided details regarding a complex but comprehensive pricing recommendation that will maintain fiscal responsibility and address affordability concerns for full time students by keeping the total cost of attendance as low as possible. The recommendations include no increase in tuition along with the guarantee of the same tuition rate for four continuous years, a minimal increase in room and board rates of 2%, and a 0.5% decrease in fees for undergraduate students. Overall, the recommendations result in an increase in the total cost of attendance of 0.9% for undergraduate students, 0.5% for graduate students, and 0.2% increase for law students. There are differential tuition rates being brought forth for the College of Engineering and Computer Sciences and a revised domestic rate strategy that applies to all undergraduate, graduate, and law students.

Mr. Pinkelton read the following recommendation for consideration by the committee:

Our recommendation for FY19, the committee requests the approval for the recommended 2019 tuition fee, room and board rates as described in this item detailing tables 1 through 3 and summarized in table 4. These figures reflect the average annual cost of a full time student at the undergraduate, graduate and law school level.

A motion was made by Trustee John Butler; seconded by Trustee Robert Boey.

A very lengthy discussion began by asking what process is followed in coming up with a recommendation such as this. Regarding the fee component, Administration and Finance works closely with Student Affairs. A representative from each of the fee constituents [fee managers] submit proposals that are discussed by a committee comprised of all the shared governance groups across campus. This committee, which is about half students and half professional staff, reviews each proposed increase or decrease, and a recommendation is then brought to the Executive Budget Committee and the President. Program Prioritization also was a determining factor in the increase or decrease of any fees. Specific details were provided by Kelly Wesener Michael relating to athletics fees and student activities and service charges as well as the Northern Star. Many of the fees have several components/charges rolled into one fee. Reassurance was provided that enrollment management, marketing and communications is very important, and any funding related to that was not actually reduced. The goal is to have the fee recommendations approved in December in order to be competitive with other institutions' publications.

The Trustees requested further clarification and a meeting between a couple of the Trustees and the constituents whose fees were reduced in order to gain full understanding of the impact on those areas was suggested. It was recommended to pass on the item at this meeting and table it until more information can be presented to the Trustees adding that we want to be mindful of the recruitment and retention piece and getting our rates published in a timely manner with other universities.

Discussion continued around the actual increase in most areas including room and board and graduate tuition. Kelly Wesner Michael explained that the room and board increase, although held steady for the last two years, was increased due to operating costs. The Trustees would like to see a 0% increase to students and to see the money absorbed in other areas. Ultimately, it was decided that the item will be presented in more detail at a special meeting of the Finance, Audit, Compliance, Facilities, and Operations Committee on December 7, 2018.

A motion to table the item was made by Trustee Eric Wasowicz; seconded by Trustee John Butler. All were in favor. None were opposed. The motion to table was carried.

Information Item 8.a. – Fiscal Year 2017 Report on Capital Activities

Information Item 8.b. – Fiscal Year 2017 Annual Report of Transactions Involving Real Property

Information Item 8.c. – Periodic Report on Investments

Information Item 8.d. – Quarterly Summary Report of Transactions in excess of \$100,000

Information Item 8.e. – Quarterly Financial Summary – FY17 Year End

Information Item 8.f. – Quarterly Financial Summary – FY18 First Quarter

Information Item 8.g. – FY17 Internal Audit Update

Danielle Schultz presented an update including a brief introduction to the Audit Department and its mission and requirements. Items covered included staffing, the FY17 audit plan, as well as an update of FY17 activity.

Further comments were made by Chair Struthers stating that we need to be able to answer the question – How did we do? We are making progress toward that question and in the coming months will have internal documents to show that result. This will also incorporate a better way of reporting this information to the Trustees.

A brief conversation arose regarding the expertise of the audit team. Danielle explained that members of her team do have extensive experience in certain areas enabling them to perform successful audits. In areas that the auditors lack expertise, they use outside sources to perform the audits.

OTHER MATTERS

No other matters were discussed.

NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be in February, 2018.

ADJOURNMENT

A motion was made to adjourn by Trustee Eric Wasowicz; seconded by Trustee Giuseppe LaGioia. The motion carried.

Meeting adjourned at 1:28 p.m.

Respectfully submitted,

Vicky Rippberger
Recording Secretary

In compliance with Illinois Open Meetings Act 5 ILCS 120/1, et seq, a verbatim record of all Northern Illinois University Board of Trustees meetings is maintained by the Board Recording Secretary and is available for review upon request. The minutes contained herein represent a true and accurate summary of the Board proceedings.