

Minutes of the
NIU Board of Trustees of Northern Illinois University
Finance, Audit, Compliance, Facilities and Operations Committee
February 13, 2020

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 10:58 a.m. by Committee Chair Eric Wasowicz in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sandy McCartney conducted a roll call of the Trustees. Members present were Trustee Rita Athas (joined meeting at 11:00 a.m.), Trustee John Butler, Trustee Montel Gayles, Trustee Bob Pritchard, Trustee Madalynn Mershon, Board Chair Dennis Barsema, and Committee Chair Eric Wasowicz. Members absent were Trustee Veronica Herrero. Also present were President Lisa Freeman, Committee Liaison Sarah McGill, General Counsel Bryan Perry, and Board Liaison Matt Streb.

2. VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

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

3. MEETING AGENDA APPROVAL

A motion to approve the agenda was made by Trustee Montel Gayles; seconded by Trustee Bob Pritchard. All were in favor. None were opposed. The agenda was approved.

4. REVIEW AND APPROVAL OF MINUTES

A motion to approve the minutes of the November 14, 2019 meeting was made by Trustee Bob Pritchard; seconded by Trustee Montel Gayles. All were in favor. None were opposed. The minutes were approved.

5. CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Wasowicz commented, since the start of 2020, the state has released more than \$9M for NIU to move forward on building two new facilities; \$7.7M of which will be used to launch planning and design efforts for the Health Informatics building. Governor Pritzker released \$1.5M of the funds for the Northern Illinois Center for Community Sustainability (NICCS). This will be the hub of the Illinois Innovation Network (IIN). IIN is a place where faculty and students will engage in research and innovation focused on food systems, water resources, and environmental change, and make use of research to inform law and policy. These are large undertakings and investments that will help shape the campus for years to come. President Freeman and her leadership will be launching a series of planning activities. Chair Wasowicz encouraged everyone on campus to get involved. Additionally, Chair Wasowicz acknowledged the collective success of Northern Illinois University to move the needle forward on building partnerships with businesses owned by women, minorities, veterans, and persons with disabilities. The University increased its spend with vendors certified through the State's Business Enterprise Program (BEP) from \$845,000 in FY18 to \$6.8M in FY19; a \$6M increase. Increasing vendor diversity and expenditures under the BEP program is

a top University priority identified by the Board and the President. Chair Wasowicz thanked President Freeman and Antoinette Bridges for their leadership and thanked the entire campus for their commitment to this priority also thanking Trustee Gayles, who's been very diligent in this area. Trustee Montel Gayles added his thanks to the staff and administration for doing a great job.

Chair Wasowicz acknowledged members of the University Council. There were no comments.

Chair Wasowicz confirmed that Sarah McGill will use her newly married name of Sarah Chinniah going forward.

6. PUBLIC COMMENT

There were no public comments. There was one request, but the requestor was not present.

7. FINANCIAL UPDATE

Information Item 7.a. – Series 2010-2011 Bond Reissuance Update

Sarah McGill explained that the University has \$175.5M that is connected with the series 2010-2011 bonds. These bonds became eligible to be refinanced January 1, and a refinance will occur sometime early in calendar year 2020. This refinancing will be broken into two parts: a fixed-rate publicly offered series of bonds, and variable rate bank placement bond issuance. The bond issue will not include any monies for new projects, and the new debt payments will not exceed beyond the April 1, 2041 maturity date of the series 2010 bonds. As part of the refinancing, about \$14M will be directed towards fiscal years 2020 to 2023 to help mitigate the budgetary impact of closing the structural budget gap in these years. Commitment was also made to modernize NIU's bond resolution that would provide some flexibility regarding the Auxiliary Facilities System (AFS) network to take buildings out that no longer meet the qualifications, to redefine buildings, as well as to count tuition pledges. During the December 5, 2019 meeting of the Board of Trustees, the Board approved a pool of five bond underwriting placement agent firms along with their Business Enterprise Program (BEP) partners to work on the refinancing, approved a seventh supplemental AFS revenue bond resolution, and other bond documents that were subject to the final approval of authorized officers including the President, Vice President & Chief Financial Officer, and General Counsel, and authorized the refinancing of the series 2010-2011 bonds, subject to meeting certain parameters of size not to exceed \$185M initial rate and duration.

Michael Boisvert spoke to key events since the December 5th Board meeting including events that have happened as early as this week and were not included in the write-up. In December, a Request for Proposal (RFP) was completed for a group of underwriters and decided on Piper Sandler and Wells Fargo. Several things needed to then be accomplished: Finalize the size of that variable rate piece; Put the last piece of the puzzle together on the bond resolution; Work with Moody's to update NIU's rating; Put out the request for proposal for banks to do the variable-rate piece; And, get bond insurance. Discussions were held about how to these things in a competitive way and get bids from a couple of the different bond insurers. The size of the variable-rate piece was finalized at \$30M, and the fixed-rate bond will wrap around that. A \$185M maximum was set with the potential that there might have to be a debt service reserve fund, which would add to the size of the issue. The bond resolution has been finalized. This went through the process with Moody's and was affirmed at the same Ba2 rating that currently exists. Mr. Boisvert stated that NIU is in a good framework for improvements in the future through this whole process. Mr. Boisvert continued explaining that after receiving four bids from different banks, the placement agent RFP for the bank that will handle the \$30M is close to being completed. This bank was amenable to

NIU's requirements, and the rates may be lower than expected. The rates should be locked in by the March 5th Board of Trustees meeting.

Both Sarah McGill and Chair Wasowicz thanked Michael and the internal NIU team for all their work getting NIU to this point.

Information Item 7.b. – Quarterly Financial Summary – FY20 Second Quarter

Sarah McGill presented the FY20 Second Quarter Financial Summary. She explained that at the end of the second quarter, the University recorded a positive performance of approximately \$112.9M, which is about \$17.7M less than prior year due primarily to timing in how the debt service payment was recorded. On the revenue side, University Tuition and Student Fee revenues have decreased approximately \$7.3M from prior year and is tracking about \$4.6M behind the year-to-date budget. Ms. McGill clarified that the performance was not due to not meeting current enrollment as enrollment is trending in line with the Strategic Enrollment Plan goals. The reason for the variance is due to the transition to a new financial model and work that needs to be done to improve forecasting abilities. Other revenues are tracking close to budget. The University is down about \$2.2M from the budget at this point, but looking toward the end of the year, the other revenues are expected to level out. Ms. McGill further explained that expenses through the second quarter exceeded budget by approximately \$1.15M, about half a percent. In total, the first quarter net results are \$8M worse than budget. It is expected that personnel services and contractual services will balance out at the end of the year. She confirmed that with the rollout of a multi-year budget plan, the strategic enrollment plan, and the transition to local control of budgets within the University, Management is demonstrating its ongoing leadership to monitor and develop strategies to effectively control expenses and expects to finish the year on budget of \$5.2M in expenses exceeding revenues.

Trustee Dennis Barsema asked for more information on the \$7.2M that the University is over in personnel services. Ms. McGill explained that part of it is timing as well as to lower expenses in contractual services. The relationship between personnel services and contractual services should balance out. She also confirmed that the reason debt service is higher than last year is also timing in that an entry is posted in a different quarter than it had been previously. Trustee Barsema asked what the biggest challenges are from a budgetary standpoint. Ms. McGill responded that there are areas to grow and priorities to invest in as well as assessing continuation of other projects and initiatives. President Freeman agreed and added that the faculty and staff are incredibly committed to the mission of the University and making sure the University is sustainable over the long term. Trustee Barsema congratulated the University administration and faculty for being relatively on the same page with regard to University goals.

Trustee Bob Pritchard asked for explanation about the capital repairs citing the underspending in that area. Ms. McGill explained that the University is about a half a million dollars behind the budget. The issue is timing and making sure that the teams across the University are in place to support that level of activity. Trustee Pritchard requested that the \$2.6M allocated goal is achieved by the end of the year. Trustee Barsema requested a readout on deferred maintenance at the next meeting. Ms. McGill agreed to provide this information.

Chair Wasowicz added, the University is making great progress and the work is appreciated.

8. UNIVERSITY RECOMMENDATIONS

Action Item 8.a. – Research and Innovation Partnerships Intellectual Property Counsel

Sarah McGill explained, The Division of Research and Innovation Partnerships requests permission to enter into agreements with as many as four intellectual property legal firms. Each contract will be for an initial one-year term followed by eight one-year renewal options. Services will not exceed \$250,000 per year or \$2.25M in the aggregate from March 1, 2020 through June 30, 2028. As part of this agreement, the firms awarded under the RFP conducted in spring 2019 may be requested to provide a wide variety of legal services relating to intellectual property and technology transfer.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its special meeting on February 13, 2020.

A motion was made by Trustee Rita Athas; seconded by Trustee Montel Gayles.

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

Action Item 8.b. – College of Business New Creativity and Empathy Lab

Sarah McGill explained that the College of Business has received donor funding towards the creation of a Creativity and Empathy Lab space which is to be located on the entry level of Barsema Hall. The new lab will be a flexible collaborative working lab space for NIU students to be able to test out their new business and product ideas and will facilitate and support development of creativity and empathy skills among students, faculty, staff, alumni, business partners, and the local community. This \$400,000 project is being funded by donors, however this project needs Board of Trustees approval as it is a facilities modification over \$250,000.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Dennis Barsema; seconded by Trustee Montel Gayles.

Sarah Marsh, Associate Professor and Chair of the Department of Management, explained the plans for this lab became part of the College of Business strategic initiative to strengthen its culture of innovation and experimentation. This space is designed to foster the type of collaboration that focuses on a process of design thinking, creativity, and empathy and aligns with the University's mission and values of excellence and experiential learning enabling students to see problems as opportunities and help them draw on techniques that are proven to help innovation succeed as well as have partnerships across campus and with community members. A number of initiatives have been piloted to test ideas and contribute to the goals. Ms. Marsh acknowledged members of the Board as well as meeting attendees for their contributions.

Trustee Montel Gayles pointed out that as a \$400,000 job, this would be a very good small business opportunity for the local construction companies. Trustee Rita Athas asked about the space allotted and the access to the space. Ms. Marsh explained that this would be an open space and open at all times that the building is open. It is anticipated that there would be a director and a group of graduate assistants that would help manage the space. Trustee John Butler asked how interdisciplinary this would be. Ms. Marsh responded that this is not a discipline-based methodology, but a major goal for the space would be to bring in students with different

perspectives. Jerry Blazey, Vice President for Research and Innovative Partnership commented that this is being viewed as a continuum, and the creativity lab is more about ideation and the design thinking versus 71 North which encapsulates more of the spectrum, helping people commercialize, and helping them start with incubators and prototyping.

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

Action Item 8.c. – Stevenson Towers A, B, C & D – Roof Replacement Capital Project Approval (Revised)

Sarah McGill indicated that this is a revised request and had previously been approved as two separate projects as they were envisioned to be executed in separate years to spread out the expenditures, however, competing priorities caused delay. While leveraging competitive bidding across eight interested companies, the cost for completing the roof replacements has increased from the original combined approval of \$1.25M to \$1.4M. This is due to inflation and continued deterioration of the roofs.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Bob Pritchard; seconded by Trustee Montel Gayles.

Trustee Dennis Barsema asked about the continued operation of the Stevenson Towers. Ms. McGill explained that there has been internal discussion, and for the foreseeable future, Stevenson plays a role in the University footprint. At this time the roofs are so bad that no students are housed on the top floor. This is a good and needed investment for the buildings. Trustee Montel Gayles asked if there would be a need for any repair to the dorms after the roofs are replaced. Ms. McGill explained that might be a possibility, but that would be a different project. Trustee Madalynn Mershon inquired as to when these repairs would take place. Ms. McGill confirmed that they would be done over the summer.

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

Action Item 8.d. – Chicago Based Office Leases for The Education Systems Center and College of Business MBA Programs

Sarah McGill indicated there are two leases that have been in place since August 2016 supporting the Education Systems Center, part of the Division of Outreach, Engagement, and Regional Development and two College of Business Master's Programs. A dispute had arisen concerning electrical charges for the leased property at 105 West Madison where NIU believed the charges were included in the rent, and the property management believed the charges should be paid in addition to the rent. NIU worked closely with the Office of Legal Counsel and after numerous discussions with the property management firm, the parties desired to settle the disagreement in an interest to avoid legal costs. The leases will be extended, and NIU will begin paying electrical charges as of November 1, 2019, in addition to the rental amount. The property manager will forgo the past claim on electrical charges since 2016. This request is for additional spend authority and to extend the leases. For the Education System, the total lease authority is \$620,000 for August 2016 through December of 2022, and for the College of Business, the total lease authority is \$305,000 for the period August 2016 through July of 2021.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Rita Athas; seconded by Trustee Dennis Barsema.

Trustee Bob Pritchard asked for elaboration on the amount of square footage of this space and its usage. Ms. McGill explained that NIU does have a regular presence in the space during normal business hours, including the MBA program. John Heckmann, Associate Vice President for Facilities Management and Campus Services added the space consists of one floor of this downtown tower that's split between the College of Business and the Education Systems programs but was not certain of the actual square footage. President Freeman pointed out that the Education space is largely office space with a conference room and is used continuously during working hours. The College of Business space is largely classroom space and tends to be used during nonworking hours immediately after work. Trustee Rita Athas asked if this was the same space that is used by the Alumni Association. Ms. McGill responded that the Alumni Association had previously occupied space, but the Division of Outreach took over that space. Trustee Montel Gayles commented that this is a great location centralized in the downtown area, but a review of the use of the facility needs to be conducted prior to any further extensions.

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

Action Item 8.e. – FY21 Master Agreement Facility Contract Renewals

Sarah McGill indicated that a Master Agreement for labor and materials supporting facility repairs and improvements is required to be established or renewed for FY21 for various contractors. Although the total amount being requested is \$17M, the amounts listed are 'not-to-exceed' limits. The open order provides flexibility to respond quickly when needs become critical. The Board will still need to approve any specific projects that are over \$250,000.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Montel Gayles; seconded by Trustee Dennis Barsema.

A roll call vote was held. Trustees Rita Athas, Montel Gayles, Madalynn Mershon, Bob Pritchard, Dennis Barsema, and Chair Eric Wasowicz all voted yes. Trustee John Butler abstained. The motion carried.

Action Item 8.f. – FY21 Open Order Agreements for Consumable Commodities

Sarah McGill explained commodity purchases for consumable items are required to support the operations of various University departments. These commonly include materials for cleaning, office supplies, postage, and fuel. These open orders provide flexibility to respond to and meet operational needs. These amounts do not reflect obligations but serve as an upper limit for the cost for materials that may be procured under these agreements. Any individual orders under these agreements at or above \$250,000 will come to the Board for the necessary approval.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee John Butler; seconded by Trustee Montel Gayles.

Trustee Montel Gayles pointed out that the category with vendors for fuel to be determined could be a good sheltered market opportunity and requested that research be done to that end. Ms. McGill indicated that no vendors with any BEP designations were found on file with CMS but agreed to continue to monitor this to see what can be done.

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

Action Item 8.g. – FY21 Student Health Insurance

Sarah McGill explained the University provides group health insurance funded solely by student health insurance fees. The fees are collected and submitted to the broker insurer as a pass-through expense by the University. President Freeman tasked the committee to strategically review student health insurance. This committee was comprised of students and other University stakeholders. Following the good work of this committee, NIU leveraged an Illinois Public Higher Education Cooperative (IPHEC) contract for the fiscal year 2021 program. The health insurance offering is offered at a premium of \$1,131 per semester, lower than the premium offered in fiscal years 2020 and 2019 for the exact same program. This agreement supersedes the previous RFP for student health insurance.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Dennis Barsema; seconded by Trustee John Butler.

Trustee Bob Pritchard asked for clarification to make sure the vendor accepts Kish Northwestern, in-network. Ms. McGill confirmed stating that was an important component in the partnership with Northwestern. Trustee Montel Gayles asked why NIU is not merging with all the other state institutions health insurance coverage. Ms. McGill explained that all state institutions likely offer some sort of health insurance for their students, and NIU administration looked to see if there would be any benefit to pooling purchasing power. Every institution offers a slightly different premium or offerings and has a different student demographic that impacts the claims that they may have. If some schools offer self-insured program or offer less coverage in their plan than NIU, there's really not the incentive to come together. The great thing about leveraging the IPHEC contract is it allows a larger purchasing power. President Freeman commended the committee for the analysis, deliberation, and discussions involved and thinking, above all else, about the welfare and wellbeing of students.

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

Action Item 8.h. – FY21 Division Information Technology Microsoft Enrollment Contract Renewal

Sarah McGill explained the Division of Information Technology requests permission to issue an open order in the amount of \$400,000 for FY20-21 renewal of the Microsoft Enrollment for Education Solution software for resale during this period. This is the seventh of nine, one-year renewal options.

Ms. McGill read the following recommendation for consideration by the committee:

The University recommends that the Finance, Audit, Compliance, Facilities and Operations Committee endorse this request and asks that the President forward it by means of the President's Report to the Board of Trustees for approval at its meeting on March 5, 2020.

A motion was made by Trustee Montel Gayles; seconded by Trustee Madalynn Mershon.

Trustee Montel Gayles commented that he would like NIU to take a look at shortening the duration of these contracts to provide better competition in the marketplace. Chair Wasowicz agreed that the University needs to look for shorter-term contracts to promote more competition. Trustee Barsema agreed that NIU should be shopping for deals and asked if the University looked around and confirmed if this is still a competitive price. Matt Parks, Associate Vice President for the Division of Information Technology and Chief Information Officer, indicated that NIU does talk with peers and has a good idea of the licensing structure and the price points. Since this contract is near its end, the University did not shop around, but will go out to bid when this agreement comes to its end and will take the Board's comments relative to the terms of future contracts. Trustee Barsema asked about how this process compares with competitive universities and what value is added by using a supplier like these as opposed to going directly to Microsoft. Mr. Parks explained that the University actively engages with this vendor, Scholar Buys, frequently on the overall pricing and the volume, and this contract covers many different services within the Microsoft portfolio. The price point is very efficient for the campus community. In the higher market you'll find the value at a reseller community is very, very active at selling these types of contracts to universities. So it's more common to do that than to go directly to Microsoft. This company has done an exceptional job at working with the University, specifically at maintaining licensing for the institution. The University might not get that type of benefit directly from Microsoft as these types of deals are often done through reseller agreements. Chair Wasowicz commented that Microsoft will probably prefer not to deal with the University directly. Mr. Parks agreed stating they'd rather go through a local or smaller evaluated reseller.

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

9. UNIVERSITY REPORTS

Information Item 9.a. – Periodic Report on Investments for Period Ending December 31, 2019

Ms. McGill stated that there were four informational items provided with comprehensive write-ups and no formal discussion planned. However, she did draw the committee's attention to the Cash and Investments Holding Summary noting that NIU's total holding is nearly \$25M less than the reported \$150M in December 2018. This change is due to the planned spending of the Build American Bond proceeds on the Holmes Student Center renovation throughout the year. She also noted that NIU is expected to almost fully exhaust the remaining Build American Bond funds, about \$4.2M, that's showing by the end of the academic year. This is also planned and will support some of the project work that is currently underway. Finally, Ms. McGill pointed out that in December 2019, there was \$9.8M transferred from an interest-bearing cash account to a

contributory trust that is invested in a money market fund. These funds are ear-marked for a Capital Development Board project for the boilers. In addition to the money from the State, the University contributed \$9.8M for the project. Ms. McGill committed to putting together a more comprehensive update on the deferred maintenance for a future meeting.

Information Item 9.b. – Quarterly Report of Transactions in Excess of \$100,000 for the Period October 1, 2019 to December 31, 2019

Information Item 9.c. – Facilities Update

Information Item 9.d. – Clery Report Update

Trustee John Butler asked for more information regarding how the University is contending with the recent legalization of Marijuana based on the Clery Act material.

Chief Phillips explained that possession continues to be recognized as a schedule one drug, federally, and remains prohibited on campus, so not much has changed in regard to enforcement. He further explained that the campus continues with an education and awareness philosophy as it relates to cannabis, which means when a student is encountered with a small amount of cannabis, it is confiscated and they are referred to student conduct and put through a drug education training or class. Ultimately, federal law trumps state law. It goes along the lines of things related to Title IX and the Violence Against Women Act. There are implications related to funding provided to the University.

Trustee Bob Pritchard pointed out that there seemed to be more date-related crimes on the report and asked what NIU can do to change that trend.

Chief Phillips explained that NIU is currently working on a couple of things along those lines including working with ADI and Student Affairs on a grant to reduce domestic violence and sexual violence. This grant would include education, awareness, prevention, and response. NIU police also do on-scene lethality assessments and will contact Advocacy on-scene as well as provide information and resources on-scene. Working with the State’s Attorney’s Office, NIU Police will be co-sponsoring a training and education for regional law enforcement as it relates to domestic violence and strangulation in March.

President Freeman added that we should not necessarily interpret increased reporting as an actual increase in sexual violence. The violence was happening, but the awareness that has come to this issue as a result of the NIU campus, community, and federal spotlight on the problem has resulted in an increased reporting.

10. OTHER MATTERS

There were no other matters

11. NEXT MEETING DATE

The next meeting of the Finance, Audit, Compliance, Facilities and Operations Committee will be May 14, 2020

12. ADJOURNMENT

The meeting adjourned at 12:21 p.m.

Respectfully submitted,

Vicky Rippberger/Sandy McCartney
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