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Governors State University Board of Trustees Budget and Finance Committee Meeting Minutes- February 15, 2008

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**GOVERNORS STATE UNIVERSITY
BOARD OF TRUSTEES**

BUDGET AND FINANCE COMMITTEE

Minutes of the Friday, February 15, 2008 Meeting

Call to Order

Committee member Kathleen Field Orr called the meeting to order at 1:00 p.m. Committee member Kristi DeLaurentiis was present. Chair Jack Beaupre arrived at 1:30 p.m. Other Trustees present were: Bruce Friefeld, Lois Mayer, Lorine Samuels, and Elizabeth Green.

Others present: Dr. Elaine Maimon, President; Dr. Gebeyehu Ejigu, Executive Vice President of Administration & Finance/Chief of Staff; Alexis Kennedy, General Counsel; Peggy Woodard, Interim Provost and Vice President for Academic Affairs; Jeff Slovak, Deputy Vice President for Administration and Finance; Karen Kissel, Associate Vice President for Financial Services and Comptroller; Dave Dixon, Internal Auditor; Tracy Sullivan, Director of Procurement and Auxiliary Services; Susan Rakstang, Associate Vice President for Facilities Development and Management; Sherilyn Poole, Associate Vice President for Student Affairs and Dean of Students; Gail Bradshaw, Associate Vice President of Human Resources; Debra Boyd, Director of DPS; Paul Blobaum, Faculty Senate President; Rosa Moran, Student Senate President; Kathy Miller, Civil Service Senate President; Sandra Mayfield, Associate Provost; Eric Martin, Dean, College of Arts and Sciences, Acting Dean, College of Education; Joan Vaughan, Vice President of Institutional Advancement; Joe Addison, Interim Associate Provost; Linda Samson, Dean, College of Health Professions; Diane Dates Casey, Dean of the Library; John Stoll, Dean, University College; Linda Buyer, Associate Director of Institutional Research; Eric Matanyi, Director of Public Affairs; Marsha Katz, Professor, CBPA; Colleen Rock, Director Management Support and Analysis; Paul Wiese, JJR Consulting; Shannon Roberts, JJR Consulting; John Vincent, John S. Vincent Company; Penny Perdue, Executive Assistant to the President; and Joan Johns, Special Assistant to the Executive Vice President of Administration and Finance/Chief of Staff.

Pending the arrival of Beaupre, Orr asked that Agenda Item 10, an information item, *Site Master Planning Update*, be discussed first. Ejigu introduced the topic. He explained the importance of developing a Site Master Plan in order to guide future development of the campus, allocation of capital budget funds, and repair and maintenance of the current infrastructure. In the process we are looking at the land we have, its constraints and potentials, the state of our current programs and our programmatic direction, and determining how we want the campus to develop in the near and long term.

The University's Planning and Budget Advisory Council (PBAC) Facilities Committee co-chairs, Dr. Eric Martin and Susan Rakstang, were introduced. Martin explained the Committee's charges and role, which include deliberating and advising on priority setting of facility needs, serving as an advisory body on policies related to facilities usage and development, allocation of resources for facilities, and developing a campus-wide site plan.

The Committee is looking at the Site Master Plan to determine University priorities, taking into account stakeholder input. Rakstang gave background on the Master Plan that began in 2003 with LCM. That study focused more on academics and on internal utilization of existing buildings, but did not touch on the campus as a whole. In 2006, while looking at deferred maintenance issues, it was felt we needed to pay attention to our roads, sidewalks, land and how we wanted to develop the campus in the future. A Request for Qualifications (RFQ) was issued to firms that have experience in university site planning. Sixteen firms submitted proposals and three were interviewed. JJR Consulting was chosen to develop a Site Master Plan, and Paul Wiese and Shannon Roberts of JJR are here today to present their work thus far.

Wiese of JJR explained the process of developing a Site Master Plan. The presentation was aided by Power Point, posters, and a handout.

A discussion followed the presentation by JJR. Martin asked for feedback from the Board. Wiese and Roberts were available to answer questions. DeLaurentiis asked what kind of timeline the Site Master Plan covered. Ejigu explained the timeline is 50-100 years; however the plan has to be reexamined every five years to address new and evolving needs. DeLaurentiis asked how such a long term plan would address the immediate facilities needs such as deferred maintenance projects. Ejigu explained this exercise is necessary to guide the allocation of funds not only in the long term, but in the short term as well. He used the parking lots as an example, repair of which has to be addressed in the next 6-12 months. If construction of a building was anticipated in the next 5-10 years in an area that currently has parking we would choose to defer repair of it now. Therefore developing a Site Master Plan affects both long term planning and decision making for more immediate needs. Maimon reiterated the need for a contextual framework. The Board asked for more time to analyze the report with the Facilities Committee. They thanked Wiese and Roberts for their presentation.

Orr requested that the Board address Agenda Item 9, *Deferred Maintenance*, as it ties in with the discussion of the Site Master Plan. Hearing no objection, Beaupre asked Ejigu to proceed. Ejigu stated that the Board had a study session on this issue during its August 2007 Planning Retreat. At that study session the University Administration described the alarming nature of GSU's deferred maintenance problems and outlined the process which identified 21 distinct projects to address the problem. These projects were identified by an outside engineering consultant the University had hired for this purpose. With the use of a financial advisor, a proposal was made for debt financing for the estimated \$22-23M needed to correct the problem, divided into two phases. Phase 1, a Revenue Bond issuance, can be debt serviced through revenue generating activities; Phase 2, Certificates of Participation (COPs) are to be debt serviced through a special Facility Fee imposed on students on a per student credit hour basis. We have previously shown what project will be financed by which debt financing mechanism. We have continued to update the Board on the progress of such projects. We had promised to bring specific actions on Phase 2 of financing today. We cannot do that today because of the current market volatility; however we will update you on our progress to date.

Slovak introduced John Vincent, John S. Vincent Company, GSU's financial advisor retained for this purpose. He had participated in the Board's work study session in August, 2007. Slovak explained the biggest issue facing us now is market volatility. We are trying to sell \$13-14M in COPs, and must go into the market at the best time in order to minimize our costs of financing. Under a competitive sale, we would select an underwriter through an RFQ. We would bring that to you, hopefully at the April meeting, for your approval, but given current market conditions, it may have to wait until May. Vincent recommended getting into a market-ready position, and that with a negotiated sale versus a competitive sale, we have flexibility of time. Trustee Orr asked Beaupre to recommend that the Budget and Finance Committee take part in the process of choosing an underwriter. The underwriter's discount on the sale of certificates worth \$12-15M would be greater than \$100K, and therefore would require approval of the Board. A special meeting of the Board may be required. Orr asked why we are pursuing certificates rather than bonds, and Vincent explained the bonds were structured for deferred maintenance projects, while certificates are tied to academic facilities or the pro rata portion that can not be funded through the System Revenue Bonds.

Trustee Orr asked how much of the \$8.9M in bonds issued in November 2007 had been spent. Slovak replied that approximately \$5M is already contracted for projects. We will be proposing another \$5M in contracts at the April meeting, \$2.25M at the June meeting, and \$1.25M at the September meeting, and by law we cannot use the bond money to finance all those projects. Beaupre asked what percentage of that initial bond issue is obligated by contracts, and Slovak responded that 45% was. DeLaurentiis asked if some of these projects could be funded through an energy conservation initiative. Slovak explained they do explore all avenues of funding, and that in fact GSU has used this method in the past 6-7 years. However, the current deferred maintenance projects do not constitute significant enough energy reduction measures to qualify. The current deferred maintenance projects are necessary to repair a crumbling infrastructure.

Action Items

- 1. Approval of Budget & Finance Committee Minutes from December 7, 2007**
Discussion: None.

Action: Beaupre asked that a motion be made to accept the Minutes of the December 7, 2007 Budget and Finance Committee. Orr made a motion. DeLaurentiis seconded and the motion carried by unanimous voice vote.

- 2. Contract Award for Air Handling Upgrades--*Resolution 08-22***
Discussion:

Slovak presented. Approval is being sought for a contract with ECI Mechanical of Mokena, IL, in the amount of \$624,471 for the upgrade and installation of 10 of 52 air handling units and controls as specified in the bidding documents. With the standard 10% contingency, this action authorizes the University to spend up to \$686,918 on this project. Orr questioned why there was such a disparity in the bids. Rakstang explained that our engineers performed an in-house estimate and

checked all the references for ECI. The specifications are finite and include a performance bond.

Action:

Beaupre asked that a motion be entertained to recommend that the full Board approve *Resolution 08-22: Contract Award for Air Handling Upgrades* to ECI Mechanical of Mokena, IL. Orr made a motion for discussion. DeLaurentiis seconded the motion for discussion purposes. Following discussion the Resolution was carried by unanimous voice vote. The Resolution will go on the Consent Agenda before the full Board.

3. Tuition Increase FY09—*Resolution 08-23*

Action: Beaupre asked for a motion to recommend *Resolution 08-23: Tuition Increase* to the full Board and be placed on the Consent Agenda. DeLaurentiis made the motion for discussion purposes to consider Resolution 08-23. Orr seconded the motion for discussion purposes.

Discussion:

Slovak presented. In December the University's Budget and Finance Committee took their recommendations for a tuition increase to the Planning and Budget Advisory Council where it was recommended for approval. They then went to Cabinet where it was approved. Additional meetings with the senates, faculty, and deans, as well as town hall type gatherings with students were held in January. Slovak explained the best way to make a fair comparison of State of Illinois higher education institution tuition rates was to focus on what the IBHE considers a full-time undergraduate student. Through their analysis the Committee found that even if our peers kept their tuition and fees the same for next year, GSU would continue to have the second lowest tuition in Illinois, with only Southern Illinois University's tuition being less.

The increase will result in approximately \$5.7M in incremental revenue. Beaupre questioned how the percentage increase (14%) was determined because it is higher than the increases other Illinois institutions of higher education are proposing. Slovak stated it was based on the four-year tuition freeze for new students. This is a law that was passed years ago before the present administration and Board of Trustees. Maimon stated that GSU is doing catch-up in terms of bringing in revenue through tuition increases as compared to other state universities in Illinois. Ejigu explained that as an upper division institution we have significantly higher costs for education compared to traditional four-year institutions. Green reported the student body is disappointed by the proposed increase in tuition, and that they would like feedback as to how the increase will benefit them. Maimon explained that areas such as campus safety, technology upgrades, furniture and floor coverings, and student services have to be funded through the university operating funds, and GSU has been lagging significantly compared to their peers in terms of overall revenues. Ejigu stated deficiencies in these areas results in compromised learning. Green expressed a major concern of the students is lack of sufficient instructors in certain sections, resulting in students having only one

option of when they can take a class. Beaupre asked Blobaum, Faculty Senate President, to respond to that. Blobaum expressed the Faculty Senate is not happy with the proposed increases. However, he pointed out that students are making an investment in themselves and in the University when they pay their tuition and fees, thus leaving a legacy that others will benefit from. It is important that we do not sacrifice quality of education or no one will want to come here.

Orr stated the percentage increase is too high, especially since it was her understanding that enrollment has been flat. Ejigu indicated that student credit hour enrollment was up by almost 7% in Fall 2007, and up about 2% in Winter 2008 compared to the same trimesters in the previous year. Friefeld questioned how GSU can sell affordability to the legislature during the budget process with the proposed tuition increase. At some point do we become not so accessible because we are not as affordable? Maimon responded by expressing the Administration puts a very high premium on accessibility, but simply put that isn't accomplished by being cheap. It is accomplished by various ways of identifying students in need and making sure those students are not denied higher education because of financial concerns. That in and of itself costs money because it means we need Financial Aid counselors and we need strong Community College outreach initiatives. We're also very dedicated to accelerated philanthropy including the GSU Promise and other initiatives to set aside monies for students in need. We are absolutely committed to providing our students accessibility and affordability in pursuit of higher education. We have been heavily networking with the legislature. My fellow university presidents are real clear that we've been going in maybe too low and therefore not having the wherewithal to do the things we need to do. We are asking the Board of Trustees to help us provide affordable, quality education because we really do believe the quality has been compromised by focusing on being cheaper than other Illinois institutions. Green asked the administration to work with the student body to help communicate these very important ideas. DeLaurentiis questioned whether we could make incremental increases over a several year period that would equal the 14% proposed increase. Slovak responded that because of the fixed four-year tuition freeze we would never catch up in terms of revenue.

Action: Beaupre asked for a motion to recommend *Resolution 08-23—Tuition Increase* to the full Board and put it on the Consent Agenda. The motion failed and will go to the full Board without the Committee's recommendation.

4. Student Fee Increases FY09—*Resolution 08-24*

Discussion:

Beaupre stated that quite a bit of discussion on the proposed fee increases took place in conjunction with the discussion on *Resolution 08-23—Tuition Increase*.

Action:

Beaupre asked for a motion to bring *Resolution 08-24—Student Fee Increases for FY09* up for discussion. DeLaurentiis made a motion. Motion dies for lack of a second.

5. Approval of Charter for the Office of Internal Audit—*Resolution 08-25*

Discussion:

Ejigu explained the need for a Charter for the Office of Internal Audit, as discussed at the December meeting. Orr asked for clarification of verbiage in the charter. Dixon provided an explanation of what consulting services meant. Beaupre stated it should be noted that the Internal Auditor is not required to report to the Committee on a quarterly basis as he was in the past.

Action:

Beaupre asked that a motion be made to recommend that the full Board approve *Resolution 08-25—Approval of the Charter for the Office of Internal Audit*, and include it on the Consent Agenda. DeLaurentiis made a motion. Orr seconded the motion. The motion was approved by unanimous voice vote.

Information Items and Reports Received

Financial and Procurement Reports

Discussion:

Slovak briefly presented. The report is in the Agenda packet. No questions were asked.

Financial Aid Survey FY07

Discussion:

Slovak briefly presented. The report is in the Agenda packet. No questions were asked.

Preview of Future Agenda Items

No Future Agenda Items were discussed at this time.

Executive Session

There was no Executive Session.

Public Comment

Consistent with Public Act 91-0715 and reasonable constraints determined by the Board of Trustees, members of the public may request a brief time on the approved agenda of the meetings to address the Board or its committees on relevant matters within its jurisdiction. Beaupre asked for Public Comment. No request for Public Comment was made.

Chair Beaupre requested a motion to adjourn. Orr moved that the meeting be adjourned. DeLaurentiis seconded the motion. The motion was approved by unanimous voice vote. The meeting was adjourned at 3:15 p.m.

Respectfully submitted,

Joan M. Johns