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4-9-2008

### **Governors State University Board of Trustees Budget and Finance Committee Meeting Minutes - April 9, 2008**

Board of Trustees

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**GOVERNORS STATE UNIVERSITY  
BOARD OF TRUSTEES**

**BUDGET AND FINANCE COMMITTEE**

**Minutes of the Friday, April 9, 2008 Meeting**

**Call to Order**

Chair Jack Beaupre called the meeting to order at 8:02 a.m. Committee members Kristi DeLaurentiis and Kathleen Field Orr were present. Other Trustees present were: Bruce Friefeld, Lorine Samuels, and Elizabeth Green. Trustee Lois Mayer was absent.

Others present: Dr. Elaine Maimon, President; Dr. Gebeyehu Ejigu, Executive Vice President of Administration & Finance/Chief of Staff; Dr. Jane Rhoades Hudak, Provost; Alexis Kennedy, General Counsel; Jeff Slovak, Deputy Vice President for Administration and Finance; Karen Kissel, Associate Vice President for Financial Services and Comptroller; Tracy Sullivan, Director of Procurement and Auxiliary Services; Susan Rakstang, Associate Vice President for Facilities Development and Management; Paul Blobaum, Faculty Senate President; Kathy Miller, Civil Service Senate President; Joan Vaughan, Vice President of Institutional Advancement; Linda Samson, Dean, College of Health Professions; John Stoll, Dean, University College; Heikki Heino, Associate Professor, CBPA; Cathy Casson, Assistant Director Financial Services; Penny Perdue, Executive Assistant to the President; Joan Johns, Special Assistant to the Executive Vice President of Administration and Finance/Chief of Staff; James McNulty, John S. Vincent Company; Andrea Bacon, Chapman & Cutler.

**Action Items**

**1. Approval of Budget & Finance Committee Minutes from February 15, 2008**

Discussion: None.

Action: Beaupre asked that a motion be entertained to accept the minutes of the February 15, 2008 Budget and Finance Committee. Orr made a motion.

DeLaurentiis seconded. The motion carried by unanimous voice vote.

**2. Approval of DCFS Contract Amendment--*Resolution 08-31***

Discussion:

Sullivan presented. Approval is being sought to increase the current contract with the Juvenile Protective Association (JPA) by an additional amount not to exceed \$254,000. Added to the initial contract amount, total spending authority is not to exceed \$628,870. This subcontract, funded by the contract with the Illinois Department of Children and Family Services (IDCFS), provides training statewide. IDCFS has asked to increase training through the end of the current fiscal year with JPA. The additional training is related to the existing Grand Rounds training and focuses on training of staff related to family visits, assessments, case planning and decision making. This subcontract is exempt from bidding.

Samuels asked if GSU receives a percentage for administering the contract. Ejigu explained that we do, and those funds are used to pay some salaries of University employees.

Action:

Beaupre asked for a motion for the Committee to approve the Resolution. DeLaurentiis made a motion recommending Resolution 08-31 be included on the Consent Agenda for the next Full Board Meeting. Orr seconded. The motion was carried by unanimous voice vote.

**3. Authorization of Financing of Capital Improvement Projects—  
*Resolution 08-32***

Discussion:

Ejigu presented. The University is seeking authorization in two forms, 1) to contract with two groups of underwriters, Wachovia Securities (Wachovia) and Griffin, Kubik, Stephens & Thompson-Edward Jones partnership (GKST-EJ), for the sale of the securities; and 2) authorization to proceed with the sale of the Certificates of Participation (COPs), market conditions permitting. In preparing this action we have been working with our financial advisor and bond counsel. We have representatives of the two firms, Andrea Bacon from Chapman & Cutler, and James McNulty from John Vincent & Co. here today. Jeff Slovak, Karen Kissel, Susan Rakstang, and Tracy Sullivan are members of the internal team that have been diligently working on this proposal. Under the strong advice of our financial advisor, taking current market conditions into account, we opted for a negotiated sale of the certificates as opposed to a competitive sale. In order to engage in a negotiated sale we have to select qualified underwriters. On March 6, 2008 an RFP was issued with a deadline for submission of March 24, 2008. Five good proposals were received. A five-person evaluation team was appointed, three from GSU (Ejigu, Slovak, Kissel) and two financial advisors, one each from Chapman & Cutler and John Vincent Company. Using evaluation criteria published in the RFP the top three firms were identified, and all were interviewed on April 2, 2008. From those interviews two firms were identified, Wachovia and the GKST-EJ partnership, as the best underwriting firms for our purposes.

The recommendation being proposed to the Board today, and one that has been reviewed with President Maimon, is to enter into an underwriting contract with these two firms, Wachovia and GKST-EJ for the following reasons, 1) both submitted ideas for structuring and marketing the issues; and 2) depending on the market conditions prevailing at the time of the sale either of them could actually generate the lowest possible total cost of financing through the life of the securities. At the recommendation of our financial advisor we are looking to appoint Wachovia as senior manager because we feel we can qualify for bond insurance with them. If, however, the University is unable to get bond insurance the proposed approach by GKST-EJ has the potential of generating the lowest overall cost of financing, and therefore we recommend they serve as co-manager.

Orr questioned our ability to obtain bond insurance on a bank qualified bond issue over \$10M, which is the cap. Ejigu explained that the bonds will be bid over two years, 2008 and 2009, thus staying below the \$10M threshold for any single issuance. Orr recommended the Board authorize the issue of bonds in excess of \$10M in order to give the University the flexibility to obtain another bank qualified bond issue in 2009, depending on market conditions. Samuels asked what the fee structure was with the co-managers. Ejigu explained there are two kinds of payments that the underwriters will receive, 1) a management fee; and 2) a takedown fee resulting from proceeds received from the actual sale. What they will actually end up with will be proportionate to the amount of certificates they sell. The fees will be higher if we are unable to obtain bond insurance.

The timeline for sale is May to mid-June. DeLaurentiis asked if we need another revenue stream other than the Facilities Fee to debt service both bonds and certificates. Ejigu stated no, this fee will service both. Beaupre asked to what extent contracts are in place for the Deferred Maintenance Initiative. Slovak reported that \$4.5M in contracts has been issued to date out of a total \$22M, however several more contracts will be brought to the June 13, 2008 Full Board Meeting.

Action: Beaupre entertained a motion for the Committee to approve the Resolution. Orr made a motion recommending Resolution 08-32 be included on the Consent Agenda for the next full Board Meeting. DeLaurentiis seconded. The motion was carried by unanimous voice vote.

### **Information Items and Reports Received**

DeLaurentiis reported on her trip to Springfield, where she attended Budget Hearings with President Maimon. The consensus amongst all the public universities as well as many legislators was that the universities would have to undertake the debt of financing operations because of insufficient funding by the State.

#### Report on Contracts \$50,000-\$99,999

Discussion:

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

#### Financial and Compliance Audit Reports for year ended June 30, 2007

Discussion:

Kissel highlighted findings of the audit. The report is in the Agenda packet. Over the past three years GSU has reduced the material audits findings. Orr commended Business Services for the good job they are doing, as there were only miniscule findings by the auditors. DeLaurentiis questioned Maimon about GSU's historically inadequate property control. It was noted by the audit findings that it has been improving. Maimon and Ejigu assured the Board that they are "not asleep at the switch," and are tightening controls. Ejigu reported that we took issues with some of the findings. Ejigu has charged the Chief Procurement Officer with making sure every piece of equipment is identified, located, and tagged (required for items valued over \$500).

DeLaurentiis questioned the role of ethics training as it relates to property control. Maimon explained that the State has issued new mandates on ethics training. The Inspector General met with public university presidents and announced that each institution was now required to develop and administer their own ethics training, and report back to the State with regard to compliance. Alvin Goldfarb, President of Western Illinois University, wrote a letter to the Inspector General asking for the funding to do so. An abrupt response was received, basically stating the universities had the expertise to do the training so just do it. President Goldfarb and President White (University of Illinois) will continue to meet with the Inspector General about these concerns. The hope is that there will be some legislation to provide some assistance. In the meantime the public universities have decided to work on developing an ethics training policy collectively. In particular they will be working closely with the University of Illinois, who has an extremely talented ethics officer. All the presidents agree that ethics training is a serious matter, and the counsel of presidents was dismayed at the approach of the Inspector General's office.

Orr raised a question from the audit on the average number of employees, which has increased approximately 10% between 2006 and 2007, with faculty growing from 233 to 288. Slovak explained in FY07 we significantly increased staffing in response to several initiatives. In FY07 we also had an increase in enrollment hours. Orr pointed out the difference in State appropriations between 2002 and 2006, with State support decreasing by approximately \$7M over the last five years, adjusted for inflation.

Maimon reiterated that GSU has the lowest tuition rate in the State; however since we are upper division it costs more per student to operate. She stated that is a point legislators are developing a deeper understanding of as she, the Trustees, and other administrators visit Springfield. Samuels echoed Maimon's comments, having met with legislators during the Budget Hearings as well. She also pointed out in the audit reports that our graduation rate continues to rise despite our many challenges.

Friefeld raised a question in the audit findings on page 6, with regard to net revenue available from operating appropriations. Maimon stated they did include the earmarks, which should be one-time expenditures. One earmark, \$500,000 for Criminal Justice, got swept up in the vetoes by the democrats in the House. It is a program that is important to us, so we did our best through some re-appropriation to keep it going. While in Springfield Samuels and Maimon had a good conversation with Representative David Miller with regard to this earmark. He would like to see \$200,000 appropriated for safety and security, and the House has asked IBHE to coordinate all university requests for safety and security. Maimon is hopeful we will collect some funds for the earmarks. In our testimony we asked the General Assembly to make these ongoing projects part of our base allocation. Miller's committee will probably recommend step 3 of IBHE, which is not necessarily good news. In the meantime we await the results of both the operating and capital sides in Springfield. However with the increase in tuition and fees passed in February 2008 we will be able to move forward. Maimon stated we will continue to pursue appropriations from the State aggressively.

Mid FY08 Financial Reports for the Period Ending December 31, 2007

There was no request for discussion. The reports are in the Agenda packet.

**Preview of Future Agenda Items**

Ejigu reported that Future Agenda Items will include an update on Debt Financing, the Annual Financial Report, and Review of the Budget Process. DeLaurentiis asked about funding and initiatives for public relations. Maimon explained the Administration's philosophy on marketing and media relations, which is seen as very broad. One example is the new electronic signs at the entrances to GSU, giving constant updates of activities on campus. We are also working hard to strengthen our partnerships with area community colleges. Maimon has received invitations to be the commencement speaker at Joliet Junior College, Prairie State College, and Kankakee Community College, being able to accept all but the latter. These are broad based marketing efforts that will continue. Ejigu stated the FY09 Budget for Public Relations will be highlighted at future Board meetings.

Orr asked when the FY09 Budget will be approved. Ejigu stated the plan is to have it ready the third week of June. Maimon explained that the Deans are being asked to look very closely at their own budget. Hudak and Ejigu are working with the Deans, and expect them to be major budget planners. It is felt this new budget process will be very beneficial to all. Maimon expects senior officers to be very involved and accountable, requesting that everyone look at how they can do things more efficiently. We are also asking them to work more collaboratively with other units and put on their "university hats" as they look at their budgets. Hudak stated that this rigorous and transparent budget process was one of the things that attracted her to GSU. Ejigu explained that we anticipate another long budget process in Springfield, and therefore at the June Board of Trustees Meeting we will be requesting approval of a Preliminary FY09 Operating Budget in order to continue operations.

**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 entertained a motion to adjourn. DeLaurentiis moved that the meeting be adjourned. Orr seconded the motion. The motion was approved by unanimous voice vote. The meeting was adjourned at 9:20 a.m.

Respectfully submitted,

Joan M. Johns