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10-17-2008

### **Governors State University Board of Trustees Budget and Finance Committee Meeting Minutes - October 17, 2008**

Board of Trustees

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**GOVERNORS STATE UNIVERSITY  
BOARD OF TRUSTEES  
BUDGET AND FINANCE COMMITTEE**

**Minutes of the Friday, October 17, 2008 Meeting**

**Jack Beaupre, Chair**

**CALL TO ORDER**

The Board of Trustees Budget and Finance Committee met on Friday, October 17, 2008, in the William D. McGee Hall of Honors. The meeting was called to order by Committee Chair Jack Beaupre at 10:38 a.m. Trustees Kristi DeLaurentiis, Lois Mayer, Lorine Samuels, Bruce Friefeld and Student Trustee Elizabeth Green was in attendance.

Others present: Elaine Maimon, President; Jane Rhoades Hudak, Provost; Gebe Ejigu, Executive Vice President and Chief of Staff; Alexis Kennedy, General Counsel; Joan Vaughan, Vice President of Institutional Advancement; Paul Blobaum, Faculty Senate President; Kathleen Miller, Civil Service Senate President; Jeff Slovak, Deputy Vice President of Administration and Finance; Karen Kissel, Associate Vice President for Financial Services and Comptroller; Susan Rakstang, Associate Vice President for Facilities Development and Management; Gail Bradshaw, Associate Vice President for Human Resources; Tracy Sullivan, Director of Procurement and Auxiliary Services; and David Dixon, Internal Auditor.

**ACTION ITEMS**

**Approval of Minutes**

Chair Beaupre entertained a motion to accept the Minutes of the June 13, 2008 Budget and Finance Committee Meeting. Samuels made a motion to accept the minutes. Friefeld seconded the motion. The motion was approved by unanimous voice vote.

***Resolution 09-07 - Approval of FY09 Operating Budget***

The proposed FY09 Operating Budget was discussed. DeLaurentiis asked for clarification as to whether this is the final operating budget or whether we are still waiting on an appropriations figure from the State. Ejigu replied that this is the final operating budget for the University for the period July 1, 2008 through June 30, 2009, taking into account all revenue sources including appropriations, tuition and fees. This budget was developed and recommended to the President through the Planning and Budget Advisory Council (PBAC) after a significant number of budget hearings and presentations. It is the final budget under which all units in the University will be operating until the end of FY09. As there was no further discussion Beaupre entertained a motion to place Resolution 09-07 on the Consent Agenda. Samuels made a motion. Green seconded. The motion was approved by unanimous voice vote.

***Resolution 09-08 - Approval of FY10 State Appropriations Requests***

Following discussion of the proposed FY10 State Appropriations Requests, DeLaurentiis questioned whether making these recommendations was required by IBHE. Slovak explained that every university is requested to compile their line item requests as part of the IBHE public agenda for the State of Illinois. It is a practice we have done for years, but now it is a formal process under the IBHE. Beaupre stated that in order to get appropriations from the State we have to submit these requests under the rules and regulations of the IBHE. Slovak explained that general guidelines are addressed, such as increases in utility costs and payroll. He emphasized that these are estimated appropriation requests and that we are not held to those details when the final appropriation is made. In this process we do not submit appropriations requests for specific programs. Once the appropriation requests are approved by each university's respective Board of Trustees they are sent to the IBHE. Beaupre asked whether our appropriation requests were appropriate, and whether we were repeating any from previous years. Slovak replied that they are appropriate requests, and that we are including three items from the previous year to add to the University's base. There being no further discussion Chair Beaupre entertained a motion to place Resolution 09-08 on the Consent Agenda. DeLaurentiis made a motion. Mayer seconded. The motion was approved by unanimous voice vote.

***Resolution 09-09 - Farm Lease***

A roll call vote is required for this resolution. Ejigu stated that in the interest of full disclosure we are proposing a slight change in the way this contract is handled. In the past it came before the Board every fall. It is now being proposed that we negotiate a three-year contract. If any issues arise in the administration of the lease, they would of course be brought before the Board. It is, however, felt that renewing this contract on a year by year basis is not necessary. DeLaurentiis questioned how changes to the farm program would be addressed. Ejigu stated that as far as the contract was concerned we would review it and the operations of the farm on a yearly basis, and negotiate for changes as necessary with the farmer. Sullivan added that GSU staff does meet with the farmer regularly, and that there is flexibility built into the contract. Friefeld asked whether we advertised for bids yearly. Sullivan stated we did eight years ago, however it has taken seven years to make the land certifiably organic and therefore we want to continue the program "as is" in order to maintain its organic status. She added that it would be wise to lock into a three-year contract given the high price of agricultural products. Friefeld asked if the University benefited monetarily from this contract. Sullivan stated it is basically a "wash." Ejigu reiterated the fact that the University does monitor the farm activity and that there is flexibility in working with the farmer. DeLaurentiis stated that the Administration should be proactive environmentally, and therefore it is important to review more often than every three years. Beaupre asked what the legal ramifications of changing/canceling the lease were. Kennedy stated the lesser needs to be notified of any changes prior to November 1 of each year in order to allow the farmer to make his spring planting plans.

DeLaurentiis questioned the impetus for going to a three-year lease vs. a yearly lease. Ejigu answered that the Administration did not see the need to burden the Board with the same contract every year; however there is the same expectation of the Administration to administer the contract appropriately. Samuels reiterated the fact that the Board would continue to receive yearly reports regarding the farm. DeLaurentiis expressed her strong feelings about the direction that we took in terms of the farm lease and our farm land, and that we have the responsibility to

continue that stewardship. There being no further discussion Beaupre entertained a motion to move Resolution 09-09 to the Full Board Meeting agenda, where a roll call vote will be taken. Green made a motion. Friefeld seconded. All ayes. A roll call vote will be taken at the Full Board Meeting.

***Resolution 09-10 - Approval of New Procurement Bid Thresholds***

DeLaurentiis asked for clarification of the new bid thresholds. Sullivan answered by stating all of higher education was given permission to increase their bid thresholds as they had not been for several years, in order to take inflation into account. Attorneys from IPHEC (Illinois Public Higher Education Cooperative) recommended Board approval before instituting the new thresholds. DeLaurentiis questioned how this would change how things are done in the bidding process. Sullivan responded that the previous thresholds were much lower. The new bid thresholds allow for more flexibility when making major purchases. DeLaurentiis asked whether this would affect the need for Board approval of major purchases. Sullivan stated “no.” There being no further discussion Beaupre entertained a motion to place Resolution 09-10 on the Consent Agenda. Friefeld made a motion. Samuels seconded. The motion was approved by unanimous voice vote and will be placed on the Consent Agenda.

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Chair Beaupre requested that the Administration address the state of the current economic situation and how it is affecting the University’s stream of income, and how that in turn will affect the budget. Ejigu responded by stating this is obviously a very important issue for the Board to address. President Maimon plans to include some observations in her report; however it is an important topic that requires a great deal of discussion. Ejigu stated that it is true the global financial turmoil is something that will affect the University. The University is closely monitoring the situation including security of fund balances with financial institutions, the effect on our students, and the impact on the limited investments we have. He reported that so far we have not noticed any impact with regard to our students. Enrollment continues to be fairly reasonable, and students appear to be getting the kind of financial aid they have been requesting. In addition a significant number of students have already paid their fall 2009 tuition. Currently approximately \$3.2M in tuition and fees is outstanding; however this is the typical trend. A significant amount of that consists of financial aid funds. However this is not to say we are not being affected, and if the credit crunch continues we are likely to see an impact.

Towards that end, the Administration has been taking actions to make sure that our funds in the various financial institutions are safe. Currently, only 8% of our funds are in bank deposits; we used to have as much as 15% in bank deposits. We felt it would be prudent to move as much of those funds to secure sources, primarily the Illinois Funds Money Market Fund and Illinois Funds Prime Fund. About 91% of our funds are in those funds, which are fully guaranteed by the federal government. There is no impact on the Revenue Bonds and COPs that we have recently sold in connection with our deferred maintenance initiative. We sold the bonds and COPs (Certificates of Participation), we collected the funds, and those funds are in our bank accounts or have been used in financing the various projects that we have been undertaking. They are insured. On that score there is no adverse impact. Perhaps we are lucky that we sold the bonds

when we did. If it were today it would be very hard to get insurance, and even if we did, the insurance premiums would have been significantly higher. Beaupre asked if there are any securities in transition now. Ejigu stated, "No." He added that the GSU Foundation has limited funds invested and those funds have suffered a reduction in their net value, but they are still invested so they will be subject to changes in the financial markets.

DeLaurentiis brought up a discussion that took place at the October 10 Facilities Committee on the next issuance of COPs, and asked for an update. Ejigu replied by stating that all we can do at this time is closely monitor the market, and go to the market if and when the market allows. We are in a "ready-to-go" position, and will wait until the time is right. He stated GSU's credit condition is the same, if not better, than the last time (with Standard & Poor's and Moody's). We are positioning ourselves to be ready to issue the COPs when the time is right. At this juncture we have not started the approval process with the Board. Beaupre asked when that would take place. Ejigu responded that plans are to bring the matter before the Board at the December 2008 meeting. However, given the volatility of the market, that may change. The situation will continue to be closely monitored by the Administration. Beaupre asked what contracts would be affected by a December issuance. Kissel responded those would include the remainder of the parking and street reconstruction; concrete repair of main building; air handling units; and continuation of current deferred maintenance projects. Friefeld commended the Administration for their aggressive approach in tackling deferred maintenance, as well as the financial approach they have taken. Maimon thanked the Board. Samuels echoed Friefeld's sentiments.

#### **INFORMATION ITEMS**

There was no discussion of the reports included in the Board book.

#### **PUBLIC COMMENT**

There were no requests for Public Comment.

#### **EXECUTIVE SESSION**

An Executive Session was not required for the Budget and Finance Committee.

#### **ADJOURNMENT**

Chair Beaupre entertained a motion to adjourn. DeLaurentiis made a motion. Samuels seconded. The motion was approved by unanimous voice vote and the meeting adjourned at 11:20 a.m.

Respectfully submitted,

Joan M. Johns