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Agenda and Minutes for the Governors State University Board of Trustees Budget and Finance Committee Meeting February 13, 2009

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

Minutes of the Friday, February 13, 2009 Meeting

Jack Beaupre, Chair

CALL TO ORDER AND ROLL CALL

The Budget and Finance Committee of the Board of Trustees met on Friday, February 13, 2009 in the William D. McGee Hall of Honors. The meeting was called to order by Chair Beaupre at 9:52 a.m. Trustees Kristi DeLaurentiis, Lorine Samuels, Bruce Friefeld, and Student Trustee Elizabeth Green were in attendance. Trustee Lois Mayer was absent.

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; Linda Samson, Dean CHHS; Paul Blobaum, Faculty Senate President; Kathleen Miller, Civil Service Senate President; Jeffrey Slovak, Deputy Vice President for Administration and Finance; Karen Kissel, Associate Vice President for Financial Services and Comptroller; Cathy Casson, Assistant Director for Financial Services; and David Dixon, Internal Auditor.

ACTION ITEMS

Approval of Minutes

Beaupre entertained a motion to accept the Minutes of the Budget and Finance Committee meeting of October 17, 2008. Samuels made a motion. DeLaurentiis seconded. The motion was approved by unanimous voice vote.

Beaupre opened by entertaining a motion to move ***Resolution 09-17: Certificates of Participation Financing***, to the next item on the agenda given the numerous visitors attending the meeting for the purpose of discussing this item on the agenda. Friefeld made a motion. Green seconded. The motion passed by unanimous voice vote. Beaupre then entertained a motion to include Resolution 09-17 on the Full Board Agenda on February 20, 2009 for a roll call vote. Green made a motion. Friefeld seconded.

Ejigu introduced two groups of individuals in attendance, John Vincent and James McNulty of John Vincent and Associates, GSU's Financial Advisor, and Andrea Bacon and Sharone

Levy of Chapman and Cutler, our Bond Counsel. These two firms have worked with GSU since the initiation of debt financing for the Deferred Maintenance Initiative, and they continue to provide invaluable assistance. The Administration comes before the Board today seeking authorization to sell the last leg of the debt financing instrument related to the Deferred Maintenance Initiative. In August 2007 the Board authorized debt financing up to \$23M to undertake very critical deferred maintenance and building renewal projects. To date slightly over \$16M of revenue bonds and certificates of participation (COPs) have been sold, leaving approximately \$6.4M in projects that still need funding. The action being sought today is the sale of approximately \$10M of COPs to complete the remainder of the projects which were previously identified, in addition to two new projects being proposed. The new projects are the renovation of nursing classrooms and labs, and the space reconfiguration of student services to include Admissions, Registration, Academic Advising, Financial Aid, and Student Accounts. The renovation of nursing classrooms and labs is necessary due to the significant growth in enrollment in all nursing programs. During the 2002 reaccreditation of the nursing program the only deficiency found was the inadequacy of instructional space. The program is up for reaccreditation in 2010. The other new project, facility reorganization of student services, is necessary in order to bring together related student service functions to make GSU as student friendly as possible. A study of that space will be undertaken shortly with recommendations on location and design options.

Beaupre opened the floor for discussion. DeLaurentiis asked for clarification on the space reconfiguration for student services. Ejigu replied that the Atrium, which has been designated as the optimum area for locating front-office functions of student services, currently has a lot of dead space that can be incorporated into the design for more effective use of that space. DeLaurentiis asked if rehabilitation of the nursing labs and classrooms was included in the design plans for renovation of the E/F wings, and whether the newly proposed renovations would affect that request. Ejigu stated that the E/F wing renovation plans do include some renovation of nursing classrooms and labs, however that design was done 6-8 years ago and it addressed the needs of enrollment growth anticipated at that time. Since then the program has grown significantly and it is obvious additional instruction space is needed. Dean Samson echoed Ejigu's statement, emphasizing the need for additional instruction space due to greatly increased enrollment in the nursing programs. DeLaurentiis questioned the timing of the sale of COPs, pointing out that in October the decision was made the timing was not right. Ejigu replied that the market is showing slight improvement, especially compared to October, however the situation will be continuously monitored and a decision will be made as to the best time to go to market. Vincent explained there has been quite a correction or improvement in the current market, and that conditions are monitored on a daily basis. There being no further discussion Beaupre asked for a vote to bring Resolution 09-17 before the Full Board, where a roll call vote is required. The motion passed by unanimous voice vote.

Beaupre entertained a motion to go into Executive Session to discuss personnel matters. Friefeld made a motion. DeLaurentiis seconded. The motion passed by unanimous roll call vote. The Board went into Executive Session at 10:11 a.m. Open Session was called to order at 11:25 a.m. by Chair Beaupre.

INFORMATION ITEMS AND REPORTS RECEIVED

Status Report on Deferred Maintenance Initiative Phase I

The Deferred Maintenance Initiative Phase I was discussed during the Facilities Committee earlier today and no further discussion was requested.

Mid-Year Financial Reports for FY09 as of December 31, 2008

A report on the FY09 Operating Budget Status and the FY09 Income Funds Status was included in the Board Book. DeLaurentiis asked what the encumbered funds were, to which Kissel replied they are funds reserved for previously budgeted expenditures that have not yet been paid out.

Report on Purchases \$50,000-\$99,000: September 10, 2008-January 21, 2009

The report is included in the Board agenda package. Beaupre explained it is a practice started many years ago, and perhaps in the future the Board will reconsider this practice.

Internal Auditor Annual Report

The report is included in the Board agenda package. There were no questions regarding the report. Beaupre entertained a motion to accept the Internal Audit Annual Report as written. Friefeld made a motion. Samuels seconded. The motion passed by unanimous voice vote.

Student Financial Aid Survey FY08

The report is included in the Board agenda package. Ejigu explained the Student Financial Aid Survey has been provided to the Trustees in this manner for many years, however if it is not useful to the Trustees it can be eliminated from future agenda packages. DeLaurentiis stated it has been useful in that it provides information with regard to where tuition waivers are going, etc., and that she finds it useful. Ejigu replied it will therefore continue to be part of the Board proceedings.

DISCUSSION ITEM

Proposed Tuition Increases for AY2009-10

An Executive Summary was distributed. Ejigu stated typically the Administration would come before the Board with specific recommendations for the upcoming Academic Year, however in

light of the State's stressful financial situation it was felt a discussion of the proposed tuition increases was appropriate for now, with a vote being taken at a future meeting once there is a clearer picture of the State's finances. Slovak referred to a chart in the Board agenda package that gave a history of Resident Per-Credit Tuition Rates since 1994, and proposals for the 2009-10 Academic Year. Beaupre asked how the proposed figures were arrived at. Slovak stated that first "need" was examined, i.e. what funds are required to continue programs; and second, statistical data on tuition rates was collected from other state universities. The latter set of data reveals that GSU still has the lowest public tuition rate in the State, and that our tuition rates are far below the rates of private universities and colleges. DeLaurentiis pointed out that the proposed increases will bring the cost of undergraduate tuition and graduate tuition to nearly the same figure. Slovak explained that data is compiled on the cost of running each program and subsequently submitted to the IBHE. While it is true that in general the cost of offering graduate programs is higher, some of the most expensive programs fall under the adjusted graduate program rates, therefore far exceeding the perceived nearly equal undergraduate rate. Samuels asked if other state universities had increased tuition rates for AY09-10. Slovak replied there has been much discussion with the other universities but no announcements have been made to date. Ejigu recently met with his counterparts at the other state universities, and the consensus at that time was to hold off on a decision regarding tuition increases until perhaps May or June. Maimon added that recent conversations with other university presidents give all indications that everyone is planning an increase given the expected decline in state appropriations. Maimon emphasized that as an upper division university it costs GSU more to educate its students, while other universities can subsidize more costly upper division programs with revenue from lower division undergraduate courses with relatively larger class sizes. This is a point that Maimon and Vaughan are educating the legislature on.

DeLaurentiis requested data on enrollment, which has been increasing in the last several years. Ejigu agreed to provide that data, stating that at the time the Board would be acting on a tuition increase recommendation the Administration will make a presentation on enrollment trends. He added that overall Student Credit Hour (SCH) measurements have been showing slight increases of 1.5-2.5%. However it is interesting to note the significant increase in full time undergraduate SCH of 7-10%, which is a very, very healthy figure for the University. There was no further discussion.

ACTION ITEMS

Resolution 09-18: Approval of Student Fee Increases

Beaupre entertained a motion to include Resolution 09-18 on the Consent Agenda. Friefeld made a motion. DeLaurentiis seconded. A discussion began with Friefeld questioning the increase in the late payment fee from \$0 to \$100. Slovak responded it is an initiative to change the bill payment habits of students, acting as a deterrent to paying late. He noted that at the current rate

the University collects \$30-\$40K per year in late payment fees. Friefeld stated that with the current troubled economy and many people struggling to pay their bills that raising this fee may send the wrong message to our students. Slovak reminded the Board that GSU does allow for payment plans, and Kissel added that if someone has an exceptional case the Business Office will work with the student, however they need to make contact and initiate the dialogue. Ejigu pointed out that this increased fee is designed to discourage students that are trying to “play the system.” Samuels asked how often the fee is charged, with Kissel responding “per trimester.” DeLaurentiis asked for clarification on the proposed increase in the technology fee, pointing out that last year the technology fee went from an individual fee to a per credit hour fee. There has been concern about the need for technological improvements, which this fee has helped fund, however she was curious to know if there are continuing expenditures that would warrant that kind of cost. Beaupre asked Ejigu to elaborate, who responded that the technology fee is the only fee being recommended for an increase. During the last full PBAC Council meeting, extensive discussions were had regarding all student fees. After much deliberation PBAC recommended increasing only the technology fee in light of the significant concerns about GSU’s current enterprise system, one that houses all of the University’s information but has not shown growth or expansion. There are significant concerns that the firm (Jenzabar), a small firm, may not be economically viable in the current economic climate. Therefore PBAC has recommended a critical assessment of the current system by the vendor as well as by an outside consultant commissioned for this purpose. The goal is to position the University financially in anticipation of implementation of a new enterprise system. The estimated cost to replace the existing system could anywhere from \$6 million to \$10 million. With revenue from the technology fee the University can build its reserves in order to accomplish such an undertaking, if found to be warranted. If not, then the revenue can be funneled into technology projects that will improve delivery of instruction as well as campus-wide technology needs. DeLaurentiis asked whether a referendum or survey of the students was required in order to propose a student fee increase. Maimon answered yes, and it has already taken place. Slovak added that any time a mandatory fee increase is proposed there must be a referendum. During this referendum every increase proposed was opposed by the students.

Green stated students had brought to her attention that more tutoring staff are needed in the technology labs. DeLaurentiis added that although the backroom investment is important, if the students don’t actually see the improvement they feel there is no justification. Maimon indicated better communication to the students regarding the present enterprise system is needed, and the fact that it controls everything we do here on campus. There is always the inherent risk of the system crashing. However migration to a more stable, flexible, user friendly system can help avoid such pitfalls. One must hope for the best, but plan for the worst. DeLaurentiis asked what the average burden per student the technology fee increase would have. Slovak responded that for fall 2009 undergraduates would incur an average increase of \$49, and graduate students would incur \$42. There being no further discussion Beaupre asked for a vote to place Resolution

09-18 on the Consent Agenda. The vote was as follows: DeLaurentiis – yes; Samuels – yes; Friefeld – yes; Beaupre – yes; Green – no; Mayer – absent.

PREVIEW OF FUTURE AGENDA ITEMS

Ejigu stated a proposal for a tuition increase will be brought before the Board at either the April or June meeting, based on developments in the State budget picture. DeLaurentiis requested information on the cost of educating a student at GSU, including comparisons to other universities, to help assess the amount of funds needed to operate.

PUBLIC COMMENT

There were no requests for public comment.

Beaupre entertained a motion to Adjourn. Green made a motion. DeLaurentiis seconded. The motion passed by unanimous voice vote. The Budget and Finance Committee of the Board of Trustees adjourned at 12:07 p.m.

Respectfully submitted,

Joan M. Johns