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Governors State University Board of Trustees Budget and Finance Committee Meeting Minutes - March 30, 2009

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

Minutes of the Monday, March 30, 2009 Meeting

Jack Beaupre, Chair

CALL TO ORDER AND ROLL CALL

The Budget and Finance Committee of the Board of Trustees met on Monday, March 30, 2009 in the William D. McGee Hall of Honors. The meeting was called to order by Chair Beaupre at 9:50 a.m. Trustees Kristi DeLaurentiis, Lorine Samuels, Bruce Friefeld, Lois Mayer and Student Trustee Elizabeth Green were in attendance.

Others present: Elaine Maimon, President; Gebe Ejigu, Executive Vice President and Chief of Staff; Alexis Kennedy, General Counsel; Joan Vaughan, Vice President of Institutional Advancement; David Curtis, Professor on Special Assignment to the President; Linda Samson, Dean CHHS; Deb Bordelon, Dean COE; Diane Dates Casey, Dean University Library; Sherilyn Poole, Dean Student Affairs; John Stoll, Vice Provost; 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 February 13, 2009. Green made a motion. Samuels seconded. The motion was approved by unanimous voice vote.

INFORMATION ITEMS AND FORMAL REPORTS

Financial Audit Report for Year Ended June 30, 2008

Ejigu initiated the discussion, and pointed out that the report is included in the Board packet. He explained that every year an independent accounting firm is appointed by the State Auditor General to audit the University's financial statements. They also complete a compliance audit, which will be reported on at the June Board meeting. Ejigu explained that Kissel and

Dixon work closely with the auditors. The auditors offered an unqualified opinion on GSU's financial statements, hence stating that in their opinion the University's financial statements present fairly in all material respects. Also in a companion letter attached to the Financial Audit they indicate that they did not identify any deficiencies in internal control over financial reporting. They likewise indicate that they did not find any instances of noncompliance or other matters that are to be reported under government auditing standards. In terms of net assets, the report indicates that the University's net assets increased by \$1.5M or 2% over the prior year. This represents the University's equity and is a good measure of GSU's financial health. The report also indicates that operating revenue increased by \$2.6m or 6%. Operating expenses increased by \$6.4M or 9%. The primary reason for the increase in operating expenses is the \$5M increase in salary and benefits, which includes retirees as well as current employees. The yearend cash position improved materially by \$1.8M or 11%, from approximately \$16M in June 2007 to \$17.8M in June 2008. This is primarily accounted for by increases in tuition and fees. However, a custodial credit risk was noted, with \$1.2M in a bank that was not covered by collateral required under the contract. This was an error on the part of the bank and actions have been taken to rectify the situation. It should be noted that most of the University's fund balances are kept in the Illinois Fund. Some funds are kept in a local bank for payroll purposes; however the University has significantly reduced the amount held in that bank. The Procurement Office is currently in the process of requesting proposals for banking services to ensure there are appropriate collaterals in place.

Beaupre expressed his concern about having cash funds that are not covered by collateral, and he asked how the University got into that position. Ejigu responded that even before the auditors pointed out the problem, the University had realized that although our contract with the bank has a requirement for collateral, they failed to do so. Kissel added that when Heritage Bank merged with Old Second Bank the issue of collateral got lost in the transition. Beaupre asked whether they were in breach of contract, to which Ejigu responded they were, thus prompting our search for new banking services.

DeLaurentiis pointed to page 7 of the report, which cited SCH (student credit hours) were expected to increase at off-site cohorts, and asked if this was related to the Naperville and Kankakee off-site campuses. Kissel explained that GSU has some class locations at different high schools, libraries and other locations that are cohort programs. These programs serve a specific group of students in a specific program, and are separate from the off-site campuses at Naperville and Kankakee.

Update on COPs Financing

Ejigu stated that he along with Slovak, Kissel, and GSU's bond counsel have been closely monitoring the financial and credit markets. Since the last Board meeting, the markets have been moving against us. When the proper entry point arises we will act. In the last few days the markets look like they have been moving in our direction, and it is our hope that the trend will continue and we are hoping that we will be able to sell today, Wednesday or Thursday. Beaupre asked what the total authorization was going to be, to which Ejigu responded that it would be \$9.95M for net interest cost not to exceed 4.75%. DeLaurentiis asked if the projects identified for this next set of funding were in abeyance until the funds were procured. Ejigu responded that the projects are being designed but will not go out for bid until the COPs are sold.

Report on Purchases \$50k-\$99k

The report is in the Board packet. No questions were asked.

ACTION ITEMS

Resolution 09-25: Approval of Tuition Increase

Beaupre stated that he had been advised by the Administration that because of the changing circumstances in Springfield more study should be undertaken in order to appropriately address the level of tuition increase for next year. He asked for a motion to table Resolution 09-25. DeLaurentiis made a motion. Mayer seconded. This issue will be brought back to the Board in June. The motion passed by unanimous voice vote. Maimon reiterated the need for further analysis before bringing a recommendation before the Board due to the current volatile environment in the financial markets. Beaupre thanked the Administration on behalf of the entire Board for their careful study and consideration of this important matter.

EXECUTIVE SESSION

Beaupre asked for a motion to go into Executive Session. Friefeld made a motion. Samuels seconded. Johns took a roll call vote; all ayes. The Board went into Executive Session at 10:08 a.m. The Board returned to open session at 10:33 a.m. Kennedy took a roll call vote; all ayes.

Beaupre called for a Point of Clarification on *Resolution 09-24: Contract for Roadway and Walkway Reconstruction*. This was an agenda item discussed in the Facilities Committee meeting held earlier. Ejigu explained that while the Board was in Executive Session, he revised the Executive Summary and Resolution to include the alternates of the Family Development Center parking lot and lighting. No formal action was necessary.

PREVIEW OF FUTURE AGENDA ITEMS

DeLaurentiis requested that the Administration provide a report on GSU's technology system at a future meeting, especially in light of the increased Tech Fee for students. She specifically requested more information on the Jenzabar Enterprise System, where GSU stands, and what our needs are. Maimon stated that the University is in the process of a full scale consultation with the Jenzabar people, looking in depth at what the system does and does not do for us. Ejigu added that two separate assessments of the enterprise system are being undertaken, one by Jenzabar that will be free of charge, and a second by an independent consultant. Both studies should be complete by August or September.

PUBLIC COMMENT PERIOD

There were no requests for public comment.

ADJOURN

Beaupre requested a motion to adjourn. Samuels made a motion. DeLaurentiis seconded. The motion passed by unanimous voice vote. The meeting adjourned at 10:39 a.m.

Respectfully submitted,

Joan Johns Maloney