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Governors State University Board of Trustees Budget and Finance Committee Meeting Minutes - June 5, 2009

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

Minutes of the Friday, June 5, 2009 Meeting

Jack Beaupre, Chair

CALL TO ORDER AND ROLL CALL

The Budget and Finance Committee of the Board of Trustees met on Friday, June 5, 2009 in the William D. McGee Hall of Honors. The meeting was called to order by Chair Beaupre at 10:12 a.m. Trustees Kristi DeLaurentiis, Lorine Samuels, Bruce Friefeld, and Lois Mayer were in attendance. Student Trustee Elizabeth Green arrived at 10:14 a.m.

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; Carmin Garnica, Student 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 March 30, 2009. Friefeld made a motion. DeLaurentiis seconded. The motion was approved by unanimous voice vote.

INFORMATION ITEMS AND FORMAL REPORTS

Compliance Audit Report for year ended June 30, 2008

A copy of the report was included in the Board packet. Ejigu explained that this is the companion audit to the Financial Audit, which was brought before the Board at the March 2009 meeting. These are state mandated audits undertaken by the Auditor General of the State of Illinois, who in turn hires independent auditors. The audit firm assigned to GSU is Clifton Gunderson LLP. Ejigu requested that Kissel present the report. Kissel provided a one-page summary of all audit findings for GSU since 2005. She explained in 2005 there were 11 audit findings, and in 2008 this number was reduced to six audit findings, which included three repeats. The six audit findings for 2008 include:

1. Student Financial Aid Awarded to Students in Unapproved Locations. Kissel explained that the University has cohort sites, and that approval from the IBHE is required in order to award financial aid to those students. The University has since received approval for the site in question, but at the time of reporting this had not been approved.
2. Reconciliation of Student Assistance Programs. Kissel explained that monies are drawn down from federal and state sources and awarded to students. If there is an excess of funds after doing so, those need to be returned to the state or federal processing site within three business days. The excess funds were returned, however not all were returned within three business days.
3. Timesheets not maintained in compliance with State Officials and Employees Ethics Act. Reporting faculty hours on timesheets continues to be a complicated issue because of the nature of the work and hours. This continues to be a matter of discussion in regards to how to be compliant with the State mandates.
4. Inadequate Controls over University Property and Equipment. Kissel explained that all pieces of property worth \$500 or more require tagging and recording of location. There are over 5000 such items on campus. The yearly Property Control inventory was performed in May 2009. In August of each year the auditors receive this report and sample approximately 110 items. Unfortunately during the time between May and August items are often moved, and thus draw a red flag when they cannot be immediately accounted for. In FY08 there were 29 findings. A bar code system is currently being instituted in order to better account for property. Samuels asked if this was a repeated finding, to which Kissel responded, "Yes." Samuels asked if there had been any improvement, i.e. were the number of findings going down. Ejigu replied that there has not been any improvement, and in fact this past year there were more findings. Because of this the bar code system is being implemented in order to automate the process so property can be more easily tracked. Friefeld asked for clarification on whether keeping track of every piece of property valued at \$500 or more was State law. Sullivan replied that yes, it is State law. Ejigu added that in addition to tracking these pieces of property, the State requires that the item has to be in the location where it was reported to be at the time of the Property Control inventory in May or a finding is noted. Friefeld suggested discussing these mandates with our legislative delegation as it seems to be a waste of manpower.
5. Volunteer Emergency Worker Policy. Kissel explained that State statute requires all University's have reasonable accommodation for volunteer emergency workers. This policy has since been implemented at GSU.
6. Uncollateralized Deposit Accounts. Kissel reminded the Board that this issue had previously been discussed at the March 2009 meeting. To summarize, the contract GSU has with the local bank requires funds be 100% collateralized. The bank changed hands, and this mandate fell by the wayside. This has been resolved and at this time those funds are 100% secure. In response to this incident a Request for Proposal (RFP) is being issued for new banking services. To date six proposals have been received, and of those six the field has been narrowed to three for serious consideration. Those banks will be making presentations to the Administration within the next two weeks.

Samuels asked for clarification on item #5, inquiring if it included insurance coverage. Kissel responded it pertains to students who volunteer as emergency workers, and ensures that they are accommodated for their time volunteering and away from class, and that they have a grievance procedure. As mentioned, a policy has since been implemented.

Ejigu added that GSU is implementing a Fraud Policy at the urging of the Auditor General. It is in its final stages of writing. The policy is similar in some ways to the Whistle Blower Policy, in that individuals can report their suspicion of an officer or administrator committing a questionable act. That policy will be issued shortly. It was not pointed out in the Audit or Compliance Reports, but had been brought to our attention and the University will comply. Beaupre commented that it is clear the University has improved in the last 3-4 years with regard to audit findings.

Report on Purchases \$50,000-\$99,999: March 13, 2009-May 21, 2009:

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

ACTION ITEMS

Beaupre requested that *Resolution 09-31: Approval of FY10 Preliminary Operating Budget*, be discussed in conjunction with *Resolution 09-37: Approval of Tuition Increase AY2009-2010* after addressing the resolutions on routine contract awards. There were no objections.

Resolution 09-32: Approval of Contract for Maintenance and Service of the Jenzabar ERP System

DeLaurentiis stated that it would be helpful to have a matrix of ITS costs on a yearly basis, i.e. contracts, software, etc. Ejigu stated that report will be forthcoming. It is the intention of the Administration to bring before the Board plans for addressing GSU's ERP needs at the October meeting. Currently an independent consultant is evaluating those needs, following Jenzabar's own evaluation, and decisions based on those findings will be presented to the Board.

DeLaurentiis questioned if this involved the VOIP process, and requested clarification on the various ITS systems and costs. Ejigu agreed to provide that information to the Board. Beaupre entertained a motion to approve Resolution 09-32 and include it on the Consent Agenda. Samuels made a motion. DeLaurentiis seconded. The motion passed by unanimous voice vote.

Resolution 09-33: Approval of Contract for Training Services by JPA under IDCFS Subcontract

There were no questions. Beaupre entertained a motion to approve Resolution 09-33 and include it on the Consent Agenda. DeLaurentiis made a motion. Green seconded. The motion passed by unanimous voice vote.

Resolution 09-34: Approval of Contract for Disability Services for Hearing and Vision Impaired Students

Ejigu explained the contract is for services needed by GSU's vision and hearing impaired students, which is required under federal and state law. The University has a Coordinator of Disability Services that works with these students to accommodate their needs. Currently there

are approximately 120 students with disabilities that require some form of disability related assistance. Twelve of those students require vision related services, and five require hearing related services. Under this contract, assistance will be provided to that group of students. It should be noted that providing these services has proven to be expensive, especially when those students take full loads. However services have to be provided by licensed individuals and firms, requiring the necessity to contract with larger disability services firms. These services are funded through student fees collected. DeLaurentiis questioned how this contract differs from the contract with the Chicago Hearing Society listed under *Report on Purchases \$50,000-\$99,999: March 13, 2009-May 21, 2009*. Sullivan answered, stating the contract with the Chicago Hearing Society applied to expenses incurred in FY09 under a one-year contract; the resolution being brought before the Board today is for a three-year contract beginning in FY10. DeLaurentiis asked if this was the first time a three-year contract was considered for these services, to which Sullivan replied, "Yes." Beaupre entertained a motion to approve Resolution 09-34 and include it on the Consent Agenda. Green made a motion. Friefeld seconded. The motion passed by unanimous voice vote.

Resolution 09-35: Approval of Contract for Advertising for Employment Search Services

Ejigu stated the Administration recommends the award of contracts for media buying services related to employment searches, explaining that these companies have the expertise to professionally design and place ads for faculty and administrative positions. Services are requested on an as-needed basis. Human Resources has found this to be an effective hiring tool and good use of funds in the past. Beaupre asked if there was a similar contract currently in place, and Ejigu replied, "Yes." Beaupre then asked if the University was requesting a change in vendors. Sullivan replied that the University was currently under contract with George Perry & Associates, but that the contract needed to be renewed to extend existing services. Samuels questioned why the Graystone Group was being added. Sullivan explained that as part of the RFP process a specialized niche was identified, and the Graystone Group can service this niche. Beaupre entertained a motion to approve Resolution 09-35 and include it on the Consent Agenda. DeLaurentiis made a motion. Samuels seconded. The motion passed by unanimous voice vote.

Resolution 09-36: Approval of Contract for State Legislative Consulting Services

Beaupre began the discussion by expressing the need for such services given the unpredictable nature of things in Springfield. Ejigu pointed out the revised Executive Summary and Resolution, which were handed out, indicating that the offer from Barnes & Thornburg, LLP for state consulting services was \$65,000 if contracting for state services only. The cost would have been \$59,500 if both federal and state services were requested. Maimon explained that the University was under contract with Golin Harris for federal legislative services for the past seven years at \$72,000 per year. That contract was recently up, so an RFP was issued for consulting services. Following a quality assessment of the state and federal bids, Barnes & Thornburg was the first choice for quality even before looking at the monetary cost. There was some idea of synergies between federal and state lobbying services at \$148,000 per year, but after a serious reassessment the Administration felt it prudent to concentrate its efforts and money on the state level. On the federal level things are done differently and GSU can do much on its own, however there is not a lot of optimism that with the new earmark system that GSU could obtain funds

federally. Therefore it was agreed that it was not necessary to spend \$96,000 per year for a federal lobbyist. In addition GSU has Representatives Halvorson and Jackson in Washington, with whom the University continues to have very good relationships, as well as Senator Durbin. On the state level, however, Barnes & Thornburg will work closely with GSU especially in light of the complex climate in Springfield, which needs to be monitored very closely. The Administration can also request that they monitor the General Assembly, the Governor's Office, IBHE, The Capital Development Board, and other agencies of the state government. They also have offices in Washington, and can be consulted on a per-fee basis if necessary.

Mayer expressed her concern that if these are "lobbyists" being contracted with that they should be called a "lobbyist." Maimon stated Barnes & Thornburg is a pristine firm in terms of integrity. Beaupre pointed out that none of the state agencies call them lobbyists. Mayer responded that all federal grants require that they be called lobbyists. Maimon agreed that if the University contracts on a federal level they will be referred to as lobbyists. DeLaurentiis questioned the funding source for this contract, *indirect cost recovery funds from grants*. Ejigu responded that there are already sufficient cost recovery funds from grants to cover these costs. Samuels asked how these services had been funded in the past, and Ejigu explained the funding came from sanctions. Maimon pointed out that the proposed contract is for three years; however there is a 90-day escape clause each year that the University can utilize if it is felt this service is not beneficial. Ejigu explained that it is a good idea to pay for these kinds of costs from non-appropriated funds. Samuels agreed that it is good fiscal management to obtain a three-year contract to fix the cost for that period of time. Beaupre concluded by stating that as far as the State is concerned, GSU has been trying to do their own work in Springfield. However these types of agencies have insight into the workings of government that can be very helpful, and this constitutes a step forward in the University's liaison work with the State. He entertained a motion to approve Resolution 09-36 and include it on the Consent Agenda. Samuels made a motion. Green seconded. The motion passed by unanimous voice vote.

Resolution 09-37: Approval of Contract for Marketing Consultation Services for the Center for Performing Arts

Ejigu explained the firm of Carol Fox & Associates has worked with the CPA for many years on their marketing needs. It is a specialized field of marketing, and theirs was the only proposal received. The Administration is recommending approval of a three-year contract. It is funded through CPA revenue. There were no questions. Beaupre entertained a motion to approve Resolution 09-37 and include it on the Consent Agenda. DeLaurentiis made a motion. Samuels seconded. The motion passed by unanimous voice vote.

Resolution 09-31: Approval of FY10 Preliminary Operating Budget

Ejigu opened by stating the appropriation process in Springfield is not complete. However the Planning and Budget Advisory Council (PBAC) has held budget hearings, analyzed all FY10 budget requests, deliberated and completed this process on June 3. The President has received PBAC's recommendations and is considering them. A detailed presentation of the entire proposed budget will be provided at the August retreat. In light of these three factors, the Administration requests that the Board authorize the University to proceed with the FY10 preliminary budget. It is conservatively constructed; taking into account projected revenues and

expenditures, and is very similar to the FY09 budget. Maimon asked the Board to recall the initial tuition increase recommended in April, which was tabled. Those recommendations were scrutinized and the situation in Springfield was closely monitored. The good news is that because of the fiscal policies the Board has approved in the last year and a half, Moody's bond rating was reaffirmed at A-, which has broad fiscal impact for everything the University does. It should be noted that Moody's downgraded Illinois' bond rating to 49th in the nation, followed only by California at 50th. Today's proposal for tuition increases is significantly lower than the previous request for a number of reasons. First, the University thinks it can maintain its fiscal health with this level. In addition, Maimon stipulated to the budget office that whatever increase was recommended, GSU must continue to have the lowest combined tuition and fees of any state university in Illinois.

Maimon went on to say that as far as the picture on the state appropriations, it's still somewhat muddy. On the one hand a bill was passed at midnight on May 31; the House and Senate have appropriated to public universities the Governor's recommended appropriations. That is decent news on the one hand. On the other hand, a portion of that appropriation is federal stimulus money, and there are different rules to be followed regarding federal funds. Therefore, in the Senate and House there is a full year of appropriations, not the 50% that other agencies have, but a chunk of that is federal stimulus one time funding. Another concern that further muddies the waters is that it initially was perceived that perhaps the Governor could not ask for a rescission next year because of the federal stimulus funds. However, cleverly in the State House, Governor Quinn said the State may ask all state agencies to hold a reserve of 10-20%. In other words, the money would be appropriated, and there wouldn't be a rescission, however the University would submit its payroll vouchers to the State for reimbursement and the State would not reimburse GSU. In that sense the only funds the University can depend on are revenues from tuition; therefore the Administration strongly recommends the Board approve the proposed tuition increase.

Mayer asked if the increase for resident students came to 9.8%. Maimon responded that it did. Beaupre suggested that Resolutions 09-31 and 09-38 be considered concurrently since they are closely related. He asked that the Administration speak to the proposed new multiplier for non-resident tuition. DeLaurentiis indicated that she was unable to stay for the remainder of the meeting, and requested that the two resolutions be acted upon independently. Beaupre agreed. DeLaurentiis made a motion to approve *Resolution 09-31: Approval of FY10 Preliminary Operating Budget* and to include it on the Consent Agenda. Samuels seconded. The motion passed by unanimous voice vote.

Discussion of *Resolution 09-37: Approval of Tuition Increase AY2009-2010* continued. Ejigu explained that the Administration is recommending two sets of actions, 1) setting tuition rates for all categories of students that will be in effect in fall 09; and 2) reducing the non-resident multiplier for tuition to a lower rate as related to the resident tuition rate. Historically at GSU the non-resident multiplier has always been three (3). All state universities used a multiplier of 3 until about 1998, when some began to lower their multiplier. Currently only GSU and Eastern Illinois University continue to use a multiplier of 3. The average for other state universities is 2.1. It is unclear why GSU's multiplier has remained at 3. It is the Administration's belief that it

has put the University at a significant disadvantage in attracting non-resident students, and that this contributes to the loss of current non-resident students. Decreasing the multiplier is a strategic step toward increasing enrollment. DeLaurentiis asked if the proposed decrease in the multiplier applies only to undergraduates. Ejigu responded that it pertains to new non-resident undergraduate students because in the graduate area there are several programs that have differential tuition rates based on demand and supply. Samuels asked what the rationale was to lower the multiplier to 2.5, rather than the 2.1 average of other state universities. Ejigu responded that in developing these recommendations, he and Jeff Slovak explored numerous approaches. It has not been easy. A recommendation of the average, or 2, or even 1.5 could have been made, but it was necessary that not too great an inequity was created between what new non-residents would pay and what continuing non-resident students would pay. The other option was to lower the multiplier for everyone, but the concern was that it would be a very hard financial hit. So the goal has been to balance the need to lower the multiplier as much as possible, but do so without creating a material fiscal impact.

Slovak commented that they did take a look at worst case scenarios, for example, a lower multiplier but with no increase in enrollment. There needs to be a balance between trying to accomplish a change in policy and needing to protect the University. This recommendation is felt to be a good place to start and if approved it will be evaluated as time goes on to determine its efficacy. Ejigu added that it is unclear if reducing the multiplier will attract new students; therefore this is being done in a stepwise fashion and will be monitored year to year. DeLaurentiis requested clarification of the Executive Summary, #2. "The tuition multiplier for new non-resident undergraduates will be reduced from 3.00 to 2.50." Table A shows no change in the cost of non-resident graduate tuition other than in "other programs." Currently the rate is \$675/credit hour. Beaupre stated only undergraduates would be affected by this policy change. DeLaurentiis said that is not what she's questioning, rather, in terms of the schedule she is interpreting that there is no change in the graduate rate. Ejigu replied that non-resident undergrads in fall 2009 will have a different multiplier. DeLaurentiis asked if the same reduction applied to non-resident graduate students in the fall. Slovak stated that most non-resident graduate students will pay the same as they did in fall 2008, but the proposal for new resident graduate students is an increase of \$225 to \$245. There being no further questions Beaupre entertained a motion to approve Resolution 09-38 and include it on the Consent Agenda. DeLaurentiis asked if a roll call vote was necessary. Kennedy replied that it can be requested, but it is not required. Samuels made a motion to approve Resolution 09-38 and include it on the Consent Agenda. Friefeld seconded. The motion passed by unanimous voice vote.

EXECUTIVE SESSION

There was no need for an Executive Session.

PUBLIC COMMENT

There were no requests for Public Comment. However, Samuels asked if the JPA contract with IDCFS was being impacted by the current State budget crisis. Ejigu responded that Sullivan has been in constant contact with IDCFS, and at this point it is our understanding that this contract is

not impacted. Sullivan added that the contract with IDCFS will be flat for next year, except for the IIT lease which will not be renewed. Staff and service levels will otherwise remain the same.

DeLaurentiis made a motion to adjourn the Budget and Finance Committee meeting. Samuels seconded. The motion passed by unanimous voice vote. The meeting adjourned at 11:27 a.m.

Respectfully submitted,

Joan Johns Maloney