10-10-2009

Governors State University Board of Trustees Budget and Finance Committee Meeting Minutes - October 9, 2009

Board of Trustees

GOVERNORS STATE UNIVERSITY
BOARD OF TRUSTEES
BUDGET AND FINANCE COMMITTEE

Minutes of the Friday, October 9, 2009 Meeting

Jack Beaupre, Chair

CALL TO ORDER AND ROLL CALL

The Budget and Finance Committee of the Board of Trustees met on Friday, October 9, 2009 in the William D. McGee Hall of Honors. The meeting was called to order by Chair Beaupre at 10:25 a.m. Trustees Kristi DeLaurentiis, Lorine Samuels, Lois Mayer, and Student Trustee Bryce Johnsen were in attendance. Trustee Bruce Friefeld was absent.

Others present: Elaine Maimon, President; David Curtis, Interim 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; Jeffrey Slovak, Deputy Vice President for Administration and Finance; Karen Kissel, Associate Vice President for Financial Services and Comptroller; Sherilyn Poole, Associate Vice President for Student Affairs; Cathy Casson, Assistant Director for Financial Services; Tracy Sullivan, Director of Procurement and Auxiliary 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 on June 5, 2009. DeLaurentiis made a motion. Samuels seconded. The motion was approved by unanimous voice vote.

INFORMATION ITEMS AND FORMAL REPORTS

Report on Purchases $50,000 - $99,999: May 21, 2009 – September 1, 2009

As required by Board Regulations, the report is included in the Board Book. Ejigu offered to answer any questions. DeLaurentiis asked if the contract with LCM Architects for professional services (E/F Wing) was undertaken in preparation for a possible capital bill and whether any of the previous plans were being modified. Sullivan responded that the contract constitutes preparation for the potential for federal funding. If that opportunity arises the University would then know what steps to take. The contract does not constitute any changes in the current plans. Samuels questioned what the contract for an IT consultant covered. Sullivan responded it was for cable technology. It does not apply to the work Moran Technology Consulting did.

DISCUSSION ITEMS

ERP (Enterprise Resource Planning) Initiative

Ejigu opened the discussion, referring to the presentation by Moran Technology Consulting at last week's Facilities Committee meeting. At that time it was pointed out that the increase in the technology fee was approved not only to improve technology services for students, but also to generate a dedicated revenue stream to finance a project to upgrade or replace our ERP system. Today the Board is revisiting the subject for the purpose of discussing the financial aspects of such an initiative. The administration believes that the new portion of the technology fee will generate a sufficient revenue stream to finance this project over time. The most conservative cost estimate of such an initiative is approximately $1M per year over 10 years, and includes both one-time, upfront costs as well as the cost of ongoing operations. The software licensing and maintenance cost of the current ERP is about $300,000 per year. The $7 per credit hour increase in the technology fee can generate approximately $850,000 per year. The $300,000 now budgeted for in our annual base operating budget for the current system plus the $850,000 expected to be generated from the technology fee will, therefore, be sufficient to finance the proposed ERP upgrade or replacement project. DeLaurentiis asked for clarification, stating during last week's meeting she believed there was discussion about financing some of that cost. Is the Administration now suggesting that financing is not necessary, and that the project can be funded with these revenues? Ejigu responded that DeLaurentiis' assumption was correct; upon further study it was determined that the increase in the technology fee from $10 per credit hour to $17 per credit hour should provide an adequate revenue stream to finance the project. There were no further questions.

ACTION ITEMS

Resolution 10-04: Approval of FY10 Operating Budget

DeLaurentiis made a motion to include Resolution 10-04 on the Consent Agenda. Johnsen seconded. Ejigu commented that the budget for the Office of the President includes expenses for the Board of Trustees and the office of the Internal Auditor. The Board's budget for FY10 is $28K, which includes the cost of the Board meetings, the Board Retreat, and travel expenses. There being no further discussion Beaupre called for a vote. The motion passed by unanimous voice vote.

Resolution 10-05: Approval of FY11 State Funds Budget Request

DeLaurentiis made a motion to include Resolution 10-05 on the Consent Agenda. Johnsen seconded. Ejigu explained the University is required to submit a request to the IBHE each year. GSU is requesting an increase of $3.5M over last year, essentially for three items -- an increase in personal services, an increase in utility costs, and to build up the University Library's resources. Samuels asked whether the increase in personal services was aimed to hire more staff or to provide salary increases. Ejigu responded that it includes both -- a nominal salary increase for current employees as well as the desire to hire new staff. DeLaurentiis wondered what IBHE's support for GSU's requests has been in the past. Slovak answered that the University has consistently made similar requests over the years. However in the past nine years IBHE's requests to the Governor have not had a strong correlation to what was requested by the universities. He went on to say he believed the IBHE recognizes the needs of the universities. Maimon added that IBHE Chair Hightman instruct the IBHE staff to do an investment model where there are several levels of IBHE requests which demonstrate what can and cannot be accomplished given those various levels. In terms of budget presentations to IBHE, GSU has had a positive response, being perceived as a true "public-agenda" university. Therefore Chair Hightman's approach would afford GSU a much better outcome than previous years if additional funds were to be available. DeLaurentiis asked why the University is anticipating a $300K increase in utility costs given the recently passed Guaranteed Energy Savings contract. Ejigu explained that the savings from the Guaranteed Energy Savings contract provide a revenue stream to pay back debt incurred. The $300k reflects anticipated price increases for utilities. There being no further discussion Beaupre called for a vote. The motion passed by unanimous voice vote.

Resolution 10-06 Award of Contract for Banking Services

DeLaurentiis made a motion to include Resolution 10-06 on the Consent Agenda. Samuels seconded. There were no questions and Beaupre called for a vote. The motion passed by unanimous voice vote.

Resolution 10-07: Adoption of a Protocol for the Transfer, Sale or Disposal of State Owned Electronic Data Processing Equipment
Johnsen made a motion to include Resolution 10-07 on the Consent Agenda. Samuels seconded. Ejigu explained that this resolution will allow the University to bypass a third party for the disposal of such items, thus saving approximately $15K per year. DeLaurentiis asked if the necessary protocol would impact Board Regulations at all. Ejigu replied they would not be impacted at all; by passing this resolution the University is being fully compliant with state requirements. Beaupre requested a vote. The motion passed by unanimous voice vote.

Resolution 10-08: Approval of Undergraduate Tuition Rates for Indiana Residents
DeLaurentiis made a motion to include Resolution 10-08 on the Consent Agenda. Johnsen seconded. Johnsen requested clarification, asking if this meant undergraduate Indiana resident students would pay the same tuition rate as undergraduate Illinois resident students. Ejigu replied that was correct. DeLaurentiis questioned whether this pertained to Indiana students only. Ejigu replied that it did. Ejigu recalled the discussions at the Annual Board Retreat in August on the issue. Resolutions 10-08, 10-09, 10-10 and 10-11 being brought before the Board today are actions designed to grow enrollment and pursue the goals in *Strategy 2015* as discussed at the Retreat. He pointed out that if these actions are successfully implemented they may also have the impact of lowering the cost of higher education to Illinois residents in the future. There being no further questions Beaupre called for a vote. The motion passed by unanimous voice vote.

Resolution 10-09: Approval of Tuition Rates for Non-Resident Undergraduate Students
Resolution 10-10: Approval of a Policy on Tuition Rates for Dually Admitted Community College Students
Resolution 10-11: Approve to Offer Debt-Free Undergraduate Education for up to Fifty Dually Admitted Students
Beaupre requested these resolutions be considered together given their interrelatedness. Johnsen made a motion to include Resolutions 10-09, 10-10 and 10-11 on the Consent Agenda. Samuels seconded. DeLaurentiis asked Ejigu to outline the strategies behind these recommendations.
Ejigu explained that all are designed to accomplish the enrollment goals outlined in *Strategy 2015*, specifically to increase undergraduate enrollment. Reducing the multiplier for non-resident students is designed to achieve the goal of enhancing GSU's competitiveness and attracting new students. Resolutions 10-10 and 10-11 are designed to accomplish the university's enrollment growth goals and improve the quality of students admitted. For example, Resolution 10-11 addresses both need and merit. Those 50 students will have to achieve a GPA of at least 2.5; complete an undergraduate degree at GSU within two years while maintaining a GPA of at least 2.5; continue their education at GSU without interruption; and maintain eligibility for need-based financial aid from federal and state sources. DeLaurentiis asked if the State mandate requiring tuition be frozen at the rate upon entering college full-time was considered for the dually admitted community college students. Ejigu stated it was, so essentially the tuition rate would be maintained for six years. DeLaurentiis asked if the criteria for the debt-free awards had been identified, stating she questioned if a 2.5/4.0 GPA was adequate for merit. Ejigu replied that the expectation is that the University will receive significantly more than 50 applications per year, so the 2.5 GPA requirement may prove to be too low. The real distinguishing factor will be merit; however need will also be taken into account. Samuels asked whether the criteria would take into account students transferring from an institution on a 5.0 scale. Maimon stated these students, who would be transferring from community colleges, are on a 4.0 scale.

Mayer asked if there was a strategy in place to evenly distribute the awards amongst the various community colleges. Ejigu stated that at this stage the policy is broad; when implementing it, there will be numerous factors that will be considered. DeLaurentiis expressed concern about the wording of

Resolution 10-10 not identifying certain things such as continuing enrollment, and that perhaps the language was too vague. Ejigu replied that when the policies are implemented brochures with the specific language will be widely available. DeLaurentiis asked Kennedy if that was sufficient. Kennedy replied it was, adding that the resolution should be maintained at the policy level and the specifics should be addressed in the procedural information. Beaupre asked at what stage implementation of the dually admitted initiative was. Poole responded, stating Jose Reyes was appointed director of Dual Enrollment several months ago, and that he has been working diligently with representatives from the community colleges to get those agreements written, presented, and implemented.

DeLaurentiis stated that in terms of the cost to the University, what was anticipated? Ejigu answered that some simulations of the debt-free policy have been run. As long as the MAP and Pell programs continue at their current levels, the cost is anticipated to be minimal during the first few years. In 3-4 years the anticipated cost is $50-100K per year. Regarding the GSU Promise, DeLaurentiis asked if in the next few years there would be enough revenue generated from the endowment to cover these costs. Maimon replied that the strategy for the GSU Promise has changed given the poor economy. In response, donors are now being offered the option of name recognition within the GSU Promise. For example, the scholarship founded in Dr. Blondean Davis' name in the amount of $20K will be put towards the GSU Promise. By doing so the Foundation can allocate contributions toward the $1M endowment, but also provide scholarship money that can be used immediately. Ejigu added that, in other words, the essence of Resolution 10-11 could be seen as an attempt to jumpstart the GSU Promise. Maimon concluded that Resolutions 10-08 through 10-11 are designed to increase enrollment by giving students numerous opportunities to afford the cost of a college education. There being no further discussion Beaupre called for a vote. Resolutions 10-09, 10-10 and 10-11 were approved by unanimous voice vote for inclusion on the Consent Agenda.

PREVIEW OF FUTURE AGENDA ITEMS

DeLaurentiis requested information on what kind of investment in student technology needs the increased technology fee is providing. Ejigu stated that in response to an earlier question from Samuels, the Administration will provide an assessment of the University's indebtedness. In addition an update on the ERP initiative will be provided.

EXECUTIVE SESSION:

An Executive Session was not required.

PUBLIC COMMENT:

There were no requests for public comment.

Beaupre entertained a motion to adjourn. DeLaurentiis made a motion. Samuels seconded. The motion passed by unanimous voice vote. The Budget and Finance Committee meeting adjourned at 11:14 a.m.

Respectfully submitted,

Joan Johns Maloney