

Western Illinois University  
Board of Trustees  
Finance Committee Meeting

March 10, 2006

Committee Members Present: Trustee Carolyn J. Ehlert (Chair), Trustee William L. Epperly, Trustee Steven L. Nelson, Board Treasurer and Vice President for Administrative Services Jacqueline K. Thompson, Vice President for Advancement and Public Services Daniel L. Hendricks

Also Present: Trustee Robert J. Cook, Trustee Donald W. "Bill" Griffin, President Alvin Goldfarb (*Ex-Officio*), Trustee J. Michael Houston (*Ex-Officio*), Trustee Christopher M. Thomas, Legal Counsel Bruce J. Biagini and Administrative Assistant to the Board Kerry L. Yadgar

Guest Speakers: Bill Brewer (Asst. Director of Physical Plant), Julie DeWees (Budget Director), Joe Rives (Asst. to President for Planning and Budget), Ron Ward (Director of Business Services)

Trustee Carolyn Ehlert, Committee Chair, called the meeting of the Finance Committee to order at 8:30 A.M. in the Capitol Rooms of the University Union on the campus of Western Illinois University – Macomb.

**Approval of November 4, 2005, Finance Committee Meeting Minutes**

The November 4, 2005, Finance Committee Meeting minutes were approved as presented.

**Purchases of \$500,000 or More**

Vice President Jackie Thompson spoke regarding the purchase request before the Board. As the Board knows, you agreed to an extra Board meeting recently just so we could have these items on the agenda today. We thank you and appreciate your willingness to give your time so we can be at this point and bring this request to you today.

**Purchases of \$500,000 or More (Continued)**

We are bringing forward the requests for the installation of the fire sprinkler systems in Bayliss and Henninger residence halls, as well as the construction phase of the Document Publication Services/Property Control building and the architect and engineering fees for the design firm to begin the renovation of the student side of Hanson Field football stadium. You are receiving additional information this morning in the hand-out that details bids for each of these three projects. These projects are going to make a real difference on campus—both to the academic side and to the student services side. We will see some construction starting right away on the north end of campus. I expect if this item is approved that we will have ground broken very soon for the DPS building. She offered to answer questions from the Board.

Trustee Houston asked if we are going with the alternate bid on the building with the brick front.

Vice President Thompson said that we were able to accept the bid with all of the alternates. One of the things that will include is the upgraded exterior.

Trustee Nelson asked when the sprinkler installation will begin.

Vice President Thompson replied that we will not be able to begin that process until after school is out in May. One of the reasons the timing of this item is so important is that we need to have the contracts in place to start the installation as soon as students depart. The projects in these two buildings will have to be completed before school begins in August.

Trustee Epperly asked about the architectural design fee for the stadium project. This is just for the drawings and then we will come back with the plans and the bid process for the construction. Is that right?

Vice President Thompson acknowledged that is the plan.

Trustee Nelson asked if there is any type of penalty provisions if the company does not get the sprinkler systems done for move-in.

Mr. Bill Brewer indicated we do not have a penalty in the contract. However, we will be able to start before school is out with some behind the scenes major utility hookups. When school is out we will start the remainder of the work.

Trustee Epperly added that in terms of the overall campus master plan he hopes that we will do whatever possible from the standpoint of the stadium project to be sure we tie that into the landscaping they are addressing via the campus master plan. It would be a shame to come back in two to three years and indicate we wished we would have done some things differently.

The members of the Finance Committee agreed to support passage of the purchases when brought before the full Board for action.

**Purchases of \$100,000 - \$500,000 Receiving Presidential Approval**

Vice President Jackie Thompson stated that the five items include software upgrades, software leasing and leases for the buses. There is also some design work for the sprinkler system. These are all fairly routine items that we are bringing to you for information. There were no questions concerning any of the items in the report.

### FY2007 Appropriated Operating & Capital Budget Update

Trustee Ehlert noted that Assistant to the President for Planning and Budget Joe Rives and Budget Director Julie DeWees would address the FY2007 budget information item.

Dr. Rives noted that the actual item is included in the pocket section in the Information section of the Board packet. Background information is provided to remind the Board of the process for developing a fiscal year budget. It begins with Trustee approval of recommendations for operating and capital increases. That recommendation is then presented to the Illinois Board of Higher Education in December. IBHE's recommendations are followed by the House and Senate recommendations and finally by the Governor's budget. The last step, of course, is action by the General Assembly. At this time we are still pending the Illinois General Assembly's action on the FY2007 budget.

IBHE recommended a 1.1 percent operating increase. The Governor's Budget recommends a 1.5 percent increase. In either case, this is good news. For the last four years, Illinois has been a lag state. As the nation comes out of recession, the return on investment to higher education in Illinois typically lags behind. To have a 1.1 to 1.5 percent increase is good news because that is showing that Illinois is coming out of recession—last in and last out. Only Illinois and West Virginia had declines to higher education last year. We think this is very good news.

IBHE has three major categories to which they make capital recommendations—Capital Renewal, Governor's Opportunity Returns, and Major Capital Projects. The good news on capital funding is that only Western and the University of Illinois at Urbana/Champaign had recommendations in all three categories. The Performing Arts Center is the first new building for an Illinois public university and ranked 11<sup>th</sup>. There are some minor projects at Chicago State, Eastern and one major project at the University of Illinois for remodeling that precedes us. To be positioned 11<sup>th</sup> is exciting.

Opportunity Returns for Western Illinois University - Quad Cities riverfront campus is the top priority on IBHE recommendations. There is no capital bill at this time, but if it should move forward, we are positioned well.

We will be creating a facilities forum as these projects come on line. All major point people working on the projects will ensure that current construction projects and our future physical development in the campus master plan go together as Trustee Epperly suggested. We do not want to make mistakes and then later wish we had not done something. Construction will be a way of life on this campus. Even if state funding does not progress, you have approved other construction projects—the Multicultural Center, for example. The need for integration is clear and we are ready to implement.

President Goldfarb added that in terms of the operating percentage change, while the Governor recommended 1.5 percent overall for higher education, there was variability in what was done by institution. This is one of the few times I can remember for that kind of variability. The highest recommendation was at Southern Illinois University. Their President has indicated that is for a couple of specific programs that had been promised funding in the past. Chicago State is at 1.6 percent and Western is at 1.5 percent. There are percentage decreases beyond that for the other institutions. Just a reminder, these are relative dollars. Our 1.5 percent is not as much as a 1.2 percent at an institution with a higher budget. I have complimented IBHE on the variability in percentage funding. It is important that we move into a situation where we are not doing an across-the-board percentage.

**FY2007 Appropriated Operating & Capital Budget Update (Continued)**

At the House Appropriation Committee hearings in Springfield I was asked if the university presidents expected an across-the-board increase. I indicated that I did not think that was a good state-wide policy. I believe there should be variability among institutions based on the work they are doing and the needs at each institution.

Trustee Epperly asked about the \$1.6 million for maintenance backlog. What are those items?

Vice President Thompson indicated that we have a plan, and we update it each year, for maintenance projects. We have not had any capital renewal funding for at least three years. On that list are elevator replacements, heating plant upgrades, continual work on steam lines. We could give you a list of several projects totaling multi-million dollars that need to be done at Western. We have that list and have those projects prioritized and are anxiously awaiting the approval of capital renewal funding.

Trustee Ehlert asked in terms of steam heating the new DPS building, how is that going to relate to any steam tunnel issues we might have. Will there be a clear channel of steam to that new building?

Vice President Thompson stated that is part of the alternate bid that we accepted. We will take a new steam line to that building.

**Budget and Financial Data for the Period Ended December 31, 2005**

Vice President Thompson said that at the last Board meeting there were several comments about this informational report. You asked if we could do some comparisons. Joe Rives, Julie DeWees and Cheryl Webster in Business Services spent a lot of time trying to develop this new format. In terms of this report, our spending patterns are where they should be at this time in the fiscal year. Our biggest challenge is utilities, and that problem is not unique to Western.

Joe Rives noted that in September the Board approved an All Funds budget for the institution. At the last Board meeting, trustees asked for both trend analyses over time as well as comparison of year-to-date spending patterns. Thanks to Al Harris for working with us as we did this comparison.

We are distributing to you an updated report. We got the All Fund detail correct, but we missed two percentages in the text. This only changed less than .04 percent but we wanted to make sure you had accurate representation.

As we looked at trend analyses from FY2004 to FY2006, in both revenue bond and appropriated funds you will see the patterns are basically the same. The one spike is in utilities as Vice President Thompson just mentioned. We have, as indicated in the monthly Strategic Plan Update, implemented a Utilities Committee that will be benchmarking best practices and seeing what else we can do to help contain these costs.

In terms of the spending patterns, when comparing this year to last year we are right on the mark.

**Budget and Financial Data for the Period Ended December 31, 2005 (Continued)**

Vice President Thompson added that when we look at December we are about half-way through the fiscal year. We feel comfortable with the manner in which the various departments are spending at this point in the fiscal year.

Trustee Epperly said that it looks like the institution is actually doing better in terms of spending—you are not just on the mark, you are doing better. That is a compliment to the institution as a whole. The revenue is up from numerous different things; your expenses are up no where near the amount the revenue is up. The percentage of expenditures for the first six months is down substantially. That is outstanding management by somebody. Especially since the utilities budget is higher than estimated during the first six months.

Joe Rives noted that the Board has charged us with conservative fiscal management.

Vice President Thompson stated that we knew that we would be dealing with increased utilities at the beginning of this fiscal year. Everybody has worked together realizing that we may need extra money to cover the utility costs.

President Goldfarb added that without any new dollars for deferred maintenance, for new program initiatives, for salary increases or equity issues, the only way we can address some of these issues is to be conservative and save some of the funds. That has become one of our goals as we operate. There is a backlog of needs on campus, and, even with a 1.5 percent increase, we need to conserve funds and allocate the savings to a higher priority.

Trustee Ehlert asked about the Group Insurance amount expended in FY2006 noting it is much larger than in FY2005 at this same time.

Vice President Thompson said that is due to a billing delay. The state bills us for that and it is the same amount each year--\$1.9 million yearly. We can only pay the state when they bill us. If they do not get the bill to us during that quarter, then you will see the next quarter where we have paid two bills. That is just due to the timeliness in the state billing us. Whenever we receive the bill from the state that is when we expend the money.

President Goldfarb explained that a few years ago, around 2002, we became responsible for part of the cost of group insurance for our employees. Rather than give us a fiscal reduction the state asked us to pay part of the bill for employee group insurance. It is the university's share of paying for the group and health insurance for our faculty and staff. What you are seeing is the expenditure to date during this time period. It is the same amount each year. The difference from last year is just based on the state's billing practices.

Trustee Houston noted for new trustees that until 2002, that approximately \$2 million a year was something the state absorbed within the state's budget. In 2002, while they did not give us a budget reduction, they charged each of the state universities for their own health insurance—in our case that has been an approximate \$2 million reduction in actual dollars to spend. We pay that out in real dollars now.

### Report on Investment Activities

Vice President Thompson and Director of Business Services Ron Ward briefed the Board on investment activities.

Ron Ward indicated that interest income totals for second quarter were approximately \$500,000 which compared to about \$360,000 earned for the first quarter with the fair market value of the portfolio to about \$57 million. That is reflecting the COPS issuance of about \$10 million that came in during December. This quarter is usually the low point for our market balance. Due to the COPS issuance, we are up. Our benchmark is the 90-day T-Bill. That has gone from 3.38 percent at the end of last quarter to 3.93 percent this quarter, and our interest income is reflecting the rise in interest rates.

Trustee Ehlert asked Mr. Ward to briefly review for the new trustees the rules of investment the institution operates under.

Mr. Ward said that we look at safety of the investment first, liquidity next and yield last. Our policy allows us to go out to five years with operating funds. As far as maturities, it also allows the flexibility with revenue bond reserves that we can go out longer. Safety is always the first issue. We do pay attention to liquidity as well because we have on a monthly basis \$8 to \$10 million in payroll as well as the supporting items. Cash flow is important. We do list the items we are allowed to invest in our investment policy if anyone would like a copy of that—treasury bills, notes and Federal bonds. These are the federal agency types of securities and not municipality types of issues. Our collateral requirements are essentially the same—treasury notes, bills and Federal bonds.

In response to a question about the size of our annual investment income, Mr. Ward noted that last year we earned about \$1.2 million. The prior fiscal year when the interest rates were at rock bottom, we earned \$700,000. Through December this year we have earned almost \$800,000 in investment income.

Trustee Houston asked Ron to explain where the various funds come from.

The General Fund grouping includes our operating funds and our locally handled funds—not auxiliary facilities funds (AFS), reserves and income fund cash balances—that are available to operate the university. The MMF funds are Illinois Money Market Funds which are held by the State Treasurer's Office. We can write checks on these accounts and it pays about 4.4 percent interest. We have a local depository and the deposits are moved to the Springfield accounts to take advantage of those higher interest rates. All of our disbursements are made out of the MMF accounts. We have a fax-bid process with the banks for CD bids. We require the financial institutions that we have CDs with to have collateral, and sometimes banks are hesitant in allocating a lot of their funds towards that type of thing. The Income Fund grouping is separate which is non-appropriated and held locally by each university. They are used like our General Revenue Funds. The SURMA Fund is our insurance pool with other universities. We self-insure and this is our liability insurance. The AFS Project Fund (released debt service) is what was previously held in reserves for the bond issues. We also have revenue bond reserves, the sinking funds, and our recent COPS issuance that came in during December.

Trustee Nelson asked if trustees could see the amount of investment last year, last quarter and this quarter—a comparative report so we can see how we are doing.

### **Report on Investment Activities (Continued)**

Vice President Thompson said they would work on the report to make it more useful to trustees.

Trustee Epperly asked about the money for the Performing Arts Center. Do we receive those monies?

President Goldfarb replied that those funds stay with the Capital Development Board and we work with them as we incur the expense.

### **Report on Income Producing Grants and Contracts for Second Quarter**

Vice President Thompson noted that listed in the report are the grants and contracts that were granted during the second quarter. Many have a thumb-nail sketch included for your information.

President Goldfarb said that since we are changing all of our reporting, perhaps it would be helpful to the Board to have a year-to-date comparison on this one as well. I'm very pleased we are moving in that direction with our reporting.

Trustee Ehlert commented that more than a half million was received from the Illinois Law Enforcement Training and Standards Board to help develop training materials. That seems significant. There is also listed \$250,000 from the National Institute of Health and that is the second grant I've noticed that we've received in a somewhat non-traditional area for Western in the medical field.

Vice President Thompson said that we have had the Law Enforcement Training program on campus for 10 to 15 years. Susie Nichols is the Director and the funding is through the Illinois Law Enforcement Training and Standards Board to provide all kinds of media, resource opportunities, as well as training for law enforcement personnel across the state. Susie does a remarkable job. We carry programs throughout the state.

Provost Rallo stated one of his primary goals is to have a better balance of degree programs that would allow us to capture grant opportunities that are out there—health care and nursing are two major ones that we would like to tap into. We would like to see these grant dollars go up in the next few years. As we are hiring new faculty as old faculty retire, and increasingly the institution is able to attract people who have a large research portfolio that will help infuse the teaching and infuse the classes. These people come with a very sophisticated background and we are going to see, particularly in the hard sciences, that we will have more of these.

### **Report on Contributions**

Vice President Hendricks briefed trustees on the report on contributions received as of February 10, 2006. He noted that total face value of gifts was nearly \$4 million. Because of new CASE requirements we are being asked to discount the deferred gifts and state a present gift value and that amount is approximately \$2.6 million. We are running ahead of last year at this time in terms of the face value. In checking these numbers yesterday, as a result of two rather large gifts that we have received in the last couple of weeks, the new face value is nearly \$4.7 million with a corresponding present value of just under \$3.3 million. One gift was for the new baseball stadium renovation which you may have noticed on the north side of campus. The second gift is a gift from the Cecil P. McDonough estate to create two programs--first to endow professorships in the College of Business and Technology, and second, to establish a Cecil P. and Helen

### **Report on Contributions (Continued)**

McDonough Academic Development endowment. I know the Dean of the College of Business and Technology is delighted with this gift.

In response to a question from Trustee Thomas concerning private contributions for the baseball stadium renovation, Vice President Johnson said he would get that information.

Trustee Houston asked about the progress in hiring development officers.

Vice President Hendricks noted that we plan to hire a total of five. That would be one officer for each of the four colleges and then another for the Malpass Library, International Studies Program and the Centennial Honors College. Since those three entities were involved in searches for Directors, they decided to defer their search for a development officer. We implemented a “bundled” search for the remaining four officers and were able to hire a development director for the College of Education and Human Services. She is currently in that position at Knox College. The second appointment is presently the commanding officer of our ROTC program but will be stepping down from that and staying here with his family to become the new development officer for the College of Fine Arts. We are delighted with both of these appointments. These searches are challenges because we are looking for just the right person. The other two colleges are extending their search. The two new hires will report on July 1. Things are going well and we will continue to pursue the other two appointments. We hope to have four of the five in place by July 1, but it is a long process and takes a lot of time to find just the right person.

In response to a question about the salary range for these new officers, Vice President Hendricks noted they are starting between \$40,000 - \$50,000 depending upon capability and experience. These are five individuals who will have basically the same portfolio in terms of their job expectations and job skills. The salary of each officer is not tied to the size of the college.

Trustee Nelson asked if the contributions report could include a comparison from the prior year. It is always helpful to see where we have been in evaluating this information.

Vice President Hendricks stated he would work on redesigning the report to supply that for trustees. We are running slightly ahead on the Annual Fund. We are \$70,000 to \$100,000 ahead of last year’s total at this same time. But that is not necessarily significant because from year-to-year the pace of this solicitation varies, and, therefore, the flow of income varies as well. We tend to be tracking 10 to 12 percent above last year. The young people are doing a more efficient job in calling and contacting our donors. The average gift that is being made is about \$7 higher than last year and that is quite significant. The more troubling trend is that there are fewer gifts. Because the average gift is larger, that compensates for the slight decline in the number of gifts. That is a national trend and we simply have to work harder to get the job done. On the other gift side, we are tracking to approach a record year. We have a number of gifts that we anticipate, and, if they all come in, this will be the record year.

### **General Comments by Vice Presidents**

Vice President Hendricks reported there is a lot going on in the Advancement and Public Services area. We have tendered an offer to a candidate for the Director of the Annual Fund. He has not yet responded formally. He has responded verbally in a positive way. He would bring an enormous breadth of experience to our advancement program and we would probably increase his job description to include some corporate and foundation work as well.

**General Comments by Vice Presidents (Continued)**

The Alumni Programs search has gone extremely well. We have seen four of the five candidates. We owe a big thanks to Vice President Thompson and her committee for the wonderful work they have done on this search. These are all strong candidates. The final candidate comes to campus next week and we will then review and see how things look.

We are instituting a program that will put us somewhat in an elite group of universities and colleges across the country in terms of our Alumni Programs area. We are going to implement a social network on the web targeted toward our younger alums. You may have heard about a web service called “My Space” and “Facebook.” It’s a wonderful new technology that enables young adults to create social networks. It is a place they can share career information and talk about personal lives. We feel this is going to be a great new way for us to lift our participation among our younger alums that historically have been neglected by our programming. Our programs tend to focus principally on a middle age or older alum. We are delighted to implement this and the class of 2006 will be invited to participate.

We are conducting some fundamental assessments in our external relations division’s communication vehicles. We are taking a look at *Western News*, our alumni newspaper. We have hired a new writer/editor who is looking at that and we are trying to find out by an extensive survey of alums what they think of that newspaper and how we can improve it. We will have more about that later. We are also giving our alumni donor file a facelift. The technology staff have been very supportive and helpful in helping us give it a new look and adding some upgraded features for prospect management that will help us during the capital campaign. The deadline for its implementation is July 1.

We are in the final stages of completing more than 50 interviews for the feasibility study. In general, the response to the campaign from many of you and from alums across the country has been very positive. We will have a formal report to the WIU Foundation. The President has asked us to make that report in May and they will commend that report with comment to you in June. I expect that we will have Jennifer McDonough, our consultant, come to the June meeting and issue the assessment and recommendation for where we need to go with this capital campaign.

We are also initiating a corporate and foundation program. We have been a little bit modest on that side as an institution. We are trying to identify corporations and foundations and government opportunities for grants and philanthropic gifts. We are also working on a Presidential Scholarship Partners program. Dr. Goldfarb and I have spoken and I have challenged our staff to come up with a new program that will invite partners to make modest gifts annually to help support and augment scholarships to support our young people in pursuit of three of our goals: accessibility, affordability and quality.

We continue to monitor our investment performance through the new relationship with Hammond and Associates. The Foundation report was positive; we are moving ahead and doing quite well with a more diverse and comprehensive portfolio.

Vice President Thompson said that the search process for the new Alumni Director has gone very well. It is extraordinarily time consuming when you are running a search of this nature. It is also very rewarding. I have certainly met some wonderful people throughout this process. We do hope by next Friday to be turning the search over to Vice President Hendricks and we will move on to some other things in Administrative Services.

**General Comments by Vice Presidents (Continued)**

You all know about the new DPS building. That has taken a lot of time to plan, but it has been very exciting and rewarding to many of us to get to this point. Physical Plant is extraordinarily busy at this time of the year with all of the activity happening now and going to be happening on campus in the near future. We will see a real vibrancy as these construction projects start to emerge. The staff there is a little stressed, but they are also excited to see the progress that is being made on campus.

We have been working on positive time reporting. We also are looking at salary equity information for our employees. Bringing it back to what it means to be on a campus, we had the opportunity yesterday to thank two of our police officers. We had two officers last Thursday who answered a call to a construction site in Tillman Hall. We had an outside contractor who had just reported for work and collapsed. They literally brought him back to life. He is going to make it thanks to Officer Robertson and Officer Lytle and the fact that a few years ago Vice President Johnson and I invested some funds in AED's all over campus. The officer was talking about watching the AED monitor and how the man's heartbeat came back. We are reminded again of the work the wonderful folks on this campus do in all areas every day.

Trustee Epperly asked if the University has a catastrophe plan in place.

Vice President Thompson replied that we do have a catastrophe plan in place and it is reviewed and updated regularly. We think in terms of a tornado, but we also have a computer disaster recovery plan in place. Student Services feeds into that plan and it is reviewed more than annually by people. If something comes up, we look at the plan and assess how we can make it better to address whatever may happen. We try to develop that plan so there is a frame work and structure that works so we can address whatever situation comes up.

In response to a question about the institution's ability to respond to an emergency like the bird flu, Vice President Johnson said that Beu Health Center works very closely with the community health professionals. I'm sure they have had some discussions about this topic. We are currently working with the Red Cross and others relative to other disasters and how the institution might be involved in helping the community. With our large food service operation, for example, we would be able to provide food service during an emergency if needed.

President Goldfarb added that we do have a succession order in place. The Vice Presidents and others meet regularly to make certain that we have that basic structure in place so that we can respond to emergency situations. We do review those plans regularly.

**Motion to Adjourn**

There being no further business to come before the Finance Committee, a motion was made and duly processed to adjourn the meeting at 9:35 A.M.

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