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

Also Present: Trustee Lorraine Epperson, President Alvin Goldfarb (Ex-Officio), Trustee J. Michael Houston (Ex-Officio), Legal Counsel Bruce J. Biagini, and Administrative Assistant to the Board Kerry L. Yadgar

Guest Speakers: Julie DeWees (Director of Budget), W. Garry Johnson (Vice President for Student Services), Amy Spelman (Associate Alumni Director), Ron Ward (Director of Business Services)

Due to the resignation of Trustee Dace E. Richardson, Chair Houston appointed Trustee Carolyn Ehlert as a member and chair of the Finance Committee. In addition he asked Trustee Thomas to serve as a temporary member because the Board is short a couple of members.

Trustee Ehlert called the meeting of the Finance Committee to order at 8:35 A.M. in the Capitol Rooms of the University Union on the campus of Western Illinois University – Macomb. She welcomed everyone to the meeting.

Board Chair Houston noted before addressing the meeting agenda he would like to recognize Dr. Gordy Taylor for his years of service to the University. It is the intent of the Board to formally recognize Dr. Taylor in our afternoon meeting. However, Gordy will be on his way to Chicago this afternoon for an alumni event. Even though he is a short timer, he is working extremely hard on behalf of WIU. We will officially recognize him this afternoon, but would like to take the opportunity while he is present to congratulate him on his upcoming retirement.
I personally have experienced in my time on the WIU Board of Trustees, and I know a lot of other people who are not necessarily located in Macomb feel that Gordy is the face of WIU. When they think of Western, they think of Gordy. He has done a fantastic job for the University, and not only for the University but in representing the University in the community setting. He is going to be a very, very difficult individual to replace. We can’t replace him…someone will fill the position, but I don’t think anyone will ever replace Gordy.

On behalf of the entire Board, we really appreciate all you have done for WIU through the years and will truly miss you. With you and Chuck both leaving, who will be have to pick on?

Trustee Houston read the resolution honoring Dr. Gordon Taylor.

President Goldfarb also thanked Gordy for all the work he has done for Western. He noted that on November 11 there will be a retirement reception and the entire campus community as well as the Macomb community is invited to that event where he will be further recognized and picked on, too. He has done an outstanding job and his remarkable achievements indicate that. We will continue to have him with us part time to help with the upcoming comprehensive campaign.

Approval of September 9, 2005, Finance Committee Meeting Minutes

The September 9, 2005, Finance Committee Meeting minutes were approved as presented.

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

Vice President Thompson reported that the item we are seeking approval on is for the design services to construct the new residence hall. The Board has previously approved the construction of that residence hall. It was agreed that we would spend an additional $8,000 for the design so that we could finish that project and address some specific issues related to that project. This is an agreement between our campus architect, our Office of Purchasing, the contracted architects and engineers and the Leander Construction Company.

Trustee Ehlert asked if this additional work was something we could not foresee at the time the Board approved the original contract?

Vice President Thompson acknowledged that we discovered some water lines that were a problem. Unfortunately, when some parts of the campus were originally designed, there were no maps made of utility lines, etc. Even by using GPS we still run into surprises once in awhile.

Trustee Houston noted that if we continue to build new residence halls, this is the model we will use. Basically, will we be able to work off of these plans?

Vice President Johnson replied that was the idea when we built New Hall. Of course, we will have to modify things as we look at what we want to do in the future. Our intent was that this

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

facility was a prototype. Obviously, we will need to tweak it as we move into additional residence halls. It is my understanding that we can continue to use the same general architectural drawings. I am not sure of what the rules are about that, but I assume we can use them as they are now our plans.
Trustee Houston said that his general assumption is that it would save us some expense. They might still charge us for the modifications, but a lot of things used this time would lower the costs in the future.

Vice President Johnson said it is the intent in our future building to build small with small communities and to make the facility much more flexible for our future students. That is where we want to be as an institution. Large residence halls really don’t make much sense any more.

Vice President Thompson said that the floor plan could be used as a template. But depending on where a new building would be located, we would have additional site work and perhaps exterior design work as well to make certain it fits into a different area of campus.

Vice President Johnson added that the design of the current facility was to make certain it didn’t detract from Sherman Hall. That is why it looks the way it does. We wanted to blend to this side of campus. If something is built in a different location, it might look differently because of the nature of that particular part of campus. We already know from this first facility that if we do it again we will do some things differently.

Trustee Epperly asked if we are comfortable with the charge. This was additional work, right? This is the same architectural firm that blew the cost estimate on the baseball stadium. Are we comfortable with this firm?

Vice President Thompson said that if they bid another project we will have to look at them very closely. On this project, it really wasn’t the A&E firm. It was more contractor and some unforeseen issues that caused the need for additional design work.

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

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

Vice President Thompson noted that there are four purchase items in the report. One is a residence hall sprinkler study. That is a really important study that we are commencing. We anticipate it will be completed late December or early January. This will set the plan for what residence halls are sprinkled and when. We may be coming back to the Board in January for a special Board meeting to specifically address this and one other issue so we can have the work done in the residence halls when they are vacant. We will be working with the division of Student Services on those decisions. Also, the asbestos abatement at the Riverfront Campus is included on this list. That work is being done at this time.

**Purchases of $100,000-$500,000 Receiving Presidential Approval (Continued)**

The new software is needed because we are changing our database system in administrative computing. The software helps take the current system information and converts it to the new system. The final item is the purchase of vehicles for our fleet.

Trustee Epperly asked if the vehicles are hybrids or gas. Are we trying to be as environmentally friendly as we can?
Vice President Thompson replied that the new vehicles are gas powered. We are not able to get the ethanol E85 vehicles any longer. When we can get the E85 vehicles, those are what we request. I don’t believe there are any trucks that are capable of using the blended product.

Trustee Epperly said he had recently heard about a business that is giving preferred parking to owners of hybrid vehicles. This is a large company and I think it an interesting idea.

Trustee Ehlert asked if the vehicles are normal replacement vehicles.

Vice President Thompson stated the vehicles are replacements; we are not adding to the fleet.

**Budget and Financial Data for Period Ended August 31, 2005**

Vice President Thompson reviewed the budget data. She noted that in terms of the revenues and expenditures we are where we should be at this time in the cycle. Actually the total revenues to date is much higher than our expenditures, but that is because of the collection of tuition, room and board and fees with only two months into the fiscal year.

Trustee Ehlert asked a question concerning FICA taxes reported in the Auxiliary Facilities System.

Budget Director Julie DeWees responded that our bond side reports on a cash basis. We cut things off on June 30 for appropriated funds, but it is a cash basis in AFS. The money is collected “up front”. The expense is shown when it is actually spent instead of in June, for example. This is last year’s expense but paid in July. It shows up this year and makes the FICA taxes look higher at this time.

Trustee Epperly asked about the cost of utilities. This report does not indicate our utilities are out of line at this time. What are we expecting?

Vice President Thompson said that we are watching our utilities budget very closely, month by month. We then project what we think will happen. We will probably have to do some adjustments to budgets as we go along. The residence halls being closed in the summer lowers our utilities costs during that time. We know we will see them begin to increase.

**Report on Investment Activities**

Director of Business Services Ron Ward reviewed the quarterly report on investments. He noted we earned interest income at the rate of 2.74% for the first quarter on a total portfolio of over $51 million. Rates have gone up when compared to a year ago.

**Report on Investment Activities (Continued)**

However, this quarter we are slightly under our benchmark. We are currently working on raising our rates with the short terms interest rate increases. We are working with our financial advisor John Vincent and with the local banks to increase our yields. Ron responded to questions from trustees.

**Report on Contributions**

Vice President Dan Hendricks reviewed gift income by source and type received through October 28, 2005. He noted several significant gifts within the last month. Total gift commitments,
including testamentary commitments, are $2,910,719.13. He noted that WIU’s alumni constitute the largest individual category of giving. A second significant item is the category of friends. Corporations and businesses are third in terms of giving. He noted a significant testamentary commitment that had been received, and stated that a gift of this size does not happen very often.

He noted that the phon-a-thon in support of the annual fund is tracking about 5% ahead of last year. That is significant because in recent years with controls on access to telephone calling, it has been more difficult to realize double digit increases. The average gift of our phon-a-thon is up about $10, but that may be slightly inflated by a large gift of $5,000 that we received last week. A gift of that size does not happen very often with the annual fund. The average gift to the annual fund is now over $140 which is significantly greater than last year and the year before. The other encouraging thing is that the young people who are staffing the phones are also working more efficiently. We are making more calls and, because we are making more calls, we are also connecting with more people and receiving more gift commitments.

Trustee Houston asked Vice President Hendricks to add a column to the report indicating where we were last year. It would be helpful to trustees in making comparisons.

Vice President Hendricks responded to a question concerning the phon-a-thon. He noted the first objective is not to request money, but it is to make a contact with the alum on an annual basis. Typically, we have 15-25 students making the calls. They begin later in the afternoon when classes are over and they call until 9:00 p.m. We have about 85,000 reachable addresses and phone numbers. You can imagine those are constantly changing as people move about. This activity begins shortly after the academic year starts and we continue making calls through the end of the semester. We then pick up calling again in the spring semester. The phon-a-thon director works with a director or department chair and lays out a plan. Last week we were phoning for the Department of Accountancy. The students have a script and will typically ask questions about how things are going. They are sometimes asked by the alum what is happening at the University. They have three or four things that are significant that they can talk about. They ask if the alum would be inclined to support the University. These are not usually large gifts, but they are emblematic of an ongoing relationship that we are trying to develop, sustain and cultivate with our alums.

As we begin a comprehensive capital campaign, it is from these individuals that WIU has been calling for years that comes the very significant gifts that can make or break a capital campaign.

**Report on Contributions (Continued)**

He added that the WIU phon-a-thon operation is not very sophisticated in terms of technology. We are not presently using computer monitors, for example. I will say that we are very, very efficient.

Our database has been extremely well maintained, and as a result we have a lot of reachable alum, a much higher percent than you would typically see in a university of this size. The young people who do the calling do an outstanding job. The President has asked us to try to take the appropriate steps during the capital campaign to move the percent of our alums who contribute from 12-15% up to something closer to 18-20% making a gift. We have a lot of work to do and are looking at the technology part. But what I see is that we have a very low absentee rate among the student callers. At my former institution, the absentee rate was much higher among our
student callers. When our students take on a job, they take it seriously and show up at their work station and stay. For that reason, this calling operation is exceptionally efficient.

In response to a question concerning fundraising for a specific project, Dr. Hendricks noted that a unit might bring in their own calling volunteers for a specific project like the baseball stadium. The athletics program fundraising at WIU is very solid, very strong. The number of givers and the affiliation they feel for the Western athletics program is very deep and solid. The givers are very generous.

Trustee Epperson asked about how the new major gift officers for each college will fit into the overall plan of the new campaign.

Dr. Hendricks noted the phon-a-thon is designed to cultivate the broad base, including very young alums. It’s like the base of a pyramid. It takes decades of cultivation to position a person’s heart for the kind of generous gift that they can make in mid-life when they become financially successful. At a different level, further up the pyramid, we need to focus on individuals who are a little older with a lifetime of business and professional success. Universities identify and mobilize groups who focus on the smaller group of larger gift givers. The new gift officers will cultivate this group of givers. We will set up a management system so that we are constantly being briefed on individuals making gifts to the phon-a-thon. If a person makes a gift at or above $1,000 to the phon-a-thon, for example, that might be a triggering event. Typically, the major gift officer for the college from which that alum came will follow-up with some kind of cultivation activity. It may involve years and years of work. We do try to coordinate that broad-based phon-a-thon with the personal cultivation of fewer types of alum by tracking the gift events very carefully and then making a quick response to them. Then at the top of the pyramid are a few individuals who can make very large gifts to an institution. Brad Bainter works with that group of donors.

President Goldfarb asked in terms of affinity groups, for example in the Academic Affairs area or Student Services area, are we moving more to expand in that arena. I am used to phon-a-thons where you might call a group of alums who were involved in the marching band because they seem to have that connection. Are there plans to expand some of that targeted calling?

Dr. Hendricks stated that it is an ongoing challenge. We do have plans in place to do that. Each one of the affinity groups is typically loved by the individuals who participate. Those

Report on Contributions (Continued)

departments often step up and say that they need help and will go to the phon-a-thon director or to me. We try to respond to that. The more we can segment and drill into our donor base and look at the specific needs of the groups, the more effective and sophisticated and comprehensive we become in our fund raising program. He noted he is working with Vice President Thompson’s area in terms of information technology and trying to assess functional needs so that we will have an effective, coordinated and coherent management system.

Running a capital campaign is like directing an orchestra—there are lots of moving parts and it takes lots of direction in order for there to be harmony. It is very easy for it to become dissident if you mess up in one area. We do not currently have the software technology in place but we are working on it. Our hope is that within a year’s time we will have a much more effective and functional management system tied to accessibility, transparency, and networking within the community of fundraising and development people.
To a question about how long WIU has been conducting the phon-a-thon, Amy Spelman replied that it has been going on since the early 1980s. It has become much more sophisticated and systematic over the years. A calling bank was established in the basement of the Alumni House. The pre-call letters started going out in the mid 1990s. The letters are effective in the sense that they go out to all the affinity groups. If you are an alumni connected to four or five affinity groups, you get the opportunity to give to all of them. We are very careful to only make one phone call.

**Report on Income Producing Grants and Contracts for First Quarter**

Vice President Thompson noted this is the quarterly report of grants and new contracts that the University has received. The vast majority reside in the academic side of the institution.

Trustee Ehler asked about the grant from the National Institutes of Health. It is not one of the largest grants but seems to be in an unusual area for WIU. It’s great. How were we able to achieve that grant?

Provost Rallo responded that the grant is very prestigious. The two individuals have been involved with research and it is a matter of taking a product, establishing a track record, and then applying. To be recognized by an institution of NIH’s caliber is a great testament to their work. It really derives from their research that they have been engaged in as part of their activities at Western. I am sure they would be more than happy to send you in great detail what it is that they do.

Trustee Ehler replied that she is very curious about what we are doing in the area of medicine and would appreciate a summary.

Vice President Thompson stated that we have staff members on campus who have built some very strong relationships with some of the granting entities. It is a compliment to our staff who do that relationship building. The economic impact cannot be underestimated.

**Report on Income Producing Grants and Contracts for First Quarter (Continued)**

President Goldfarb added that in a community of this size the economic impact is huge in terms of the number of people who are employed to carry out the activities of the grant. It is significant.

**General Comments by Vice Presidents**

Vice President Thompson noted that a sprinkler study will be commencing. It may be that we have the need in January to have a special Board meeting to approve the sprinkler projects in the residence halls they select in the study, as well to approve elevator upgrades in Lincoln/Washington halls. These are projects that have to be done through the summer months. The elevator project has a 16-week lead time after granting the contract to get the supplies here on campus.

Vice President Johnson added that we are trying to get the sprinkler project started. Our intent would be to sprinkle Bayliss/Henninger this summer. We need to get our bids back so we know what it will cost. We will need to come to the Board and cannot wait until March because it will
be too late to be able to get the work staged for completion over the summer. It is the same situation for the elevator upgrades. We do appreciate the Board being flexible. All of these things do not happen in line with our quarterly Board meetings. There is a critical timing piece to move forward with these projects as most of the things in residence halls have to be done during the summer when our buildings are down.

Trustee Ehlert stated if the Board is called for a special meeting it will be to consider sprinklers and elevators. Is that correct?

Vice President Johnson said it will be for these two projects unless something else happens in the interim. This is what we know right now that will need to be addressed so we can move forward.

Vice President Thompson added that as soon as the students move out of the halls in May following graduation, we need to have the contract work staged and ready to move in and begin the projects. We want to have those contractors ready. We have between mid-May and mid-August to do a considerable amount of work.

Vice President Johnson added that time frame is approximately 70 days when the buildings are closed down to complete the projects. He noted the elevator upgrade comes out of the R&R funds while the sprinkler project is paid from our Life Safety and Facilities Enhancement Fee.

Vice President Thompson added one further item is that Physical Plant does have preliminary plans for the DPS and inventory storage building. We are moving quickly on this project.

Vice President Hendricks noted that John Maguire’s staff is in the final stages of a new web design that is going to be much more interactive and more attractive than our current site. They have been working very hard. We added a new staff member in support of Karmon Runquist and are delighted with that progress.

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

We are also moving forward with a marketing survey of alums that have been out at least 10 years. We are trying to determine more accurately what is in the minds and hearts of our alums that keeps them attached to WIU. We don’t know as much about that as we should. We are going to find out. During the term of the campaign (five to seven years) on an annual basis we would like to implement two to three surveys per year. We are going to work very, very hard at finding out what makes our alums tick and what makes them love this institution. That will drive and inspire the communications for the capital campaign.

We are implementing a national advancement plan—an enabling strategy—for the capital campaign. Amy Spelman will be doing research to identify 12 to 15 places around the country where our alums live and work. We are going to then implement a program, a national advancement plan, to identify leaders in three areas—people who will help the president promote the messages and the wonderful things happening at the University; people who will mentor on behalf of the University by identifying students for our incoming classes; and, finally, we want to identify transformation impact alumni who can make significant gifts during the capital campaign.

The ad for the five new development officers for each of the five colleges is ready to go. We are excited about that and should begin receiving applications within days. The other significant
search is being chaired by Vice President Thompson and that is the search to replace Gordy Taylor. This is a very, very critical search.

Vice President Thompson reported that there are two people on the search committee who do not live in Macomb and have to travel some distance to attend meetings. Those folks have been very willing to work via e-mail. As a result, we are really ready to go. This committee is far ahead of where most committees would be at this time. Applications are starting to come in and we will start the review. I don’t anticipate that we would do interviews before January so we can schedule them all at the same time. It is a great committee.

Dr. Hendricks added that Amy Spelman is heading up the search to replace the Annual Fund Director.

In addition, we had a meeting with Jennifer McDonough of Benz Whaley and Associates. She met with President Goldfarb and a number of individuals in the Advancement and Public Services area. We are in the final stages of crafting the case for support statement that will be sent to the 50-60 alums across the country that we will interview. We will also implement a couple of focus groups with retired professors locally, and a group in the Quad Cities. Our campaign feasibility study is gearing up. Those interviews may commence before Christmas. We will have a formal report to the Board in March of her results.

Finally, we received a report earlier this week from Hammond and Associates, our investment advisors for the Foundation, and our endowment performance this past month was in excess of 2%. The emerging markets areas and some of the alternative investments have been strong. The bonds are somewhat flat. That is tracking nicely toward 8-10% which is our benchmark. We pay 5% on those endowed accounts. We also need a couple of percent for inflation enhancement and 50 points for administrative charge. Our investment advisors and the diversity strategy that Dr. Mortier set in place seem to be working.

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 9:40 A.M.