

Board of Trustees of Northeastern Illinois University

**Finance, Buildings and Grounds Committee Meeting Minutes**

May 16, 2022

A meeting of the Finance, Buildings and Grounds Committee of the Board of Trustees of Northeastern Illinois University was convened on Monday May 16, 2022 in the Student Union Golden Eagles Room located at 5500 N. St. Louis Avenue, Chicago, IL. Trustee Sherry Eagle, Chair of the Committee, called the meeting to order at 8:37 a.m.

**Roll was called and the following Trustee committee members were present:** Carlos Azcoitia; Sherry Eagle; and Charlie Serrano

**Other Trustees present:** Jonathan Stein

**Also present:** Gloria Gibson, President; G. A. Finch, University Counsel; Mary Pat Burns, Board Counsel; Matt Dobry, Senior Vice President at CBRE; Mike Nardini, First Vice President, CBRE; Karl Voigt, Assistant Secretary to the Board; vice presidents; staff; and university community members

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**Opportunity for Public Comment in Accordance with P.A. 91-0715**

Trustee Eagle announced the opportunity for public comment. There were no requests to speak.

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**Chair's and President's Remarks**

Trustee Eagle congratulated all May 2022 graduates. President Gibson echoed these sentiments and thanked everyone who participated in Commencement.

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**ITEMS FOR POSSIBLE FUTURE ACTION**

**Purchases \$100,000 or Greater: Real Estate Broker Services for the Bryn Mawr Properties**

Manish Kumar, Vice President for Finance and Administration, provided a brief background on the recommendations provided by JLL in 2021. In order to operationalize these recommendations, a competitive sealed process via an RFP for Real Estate Broker Services was posted to the Illinois Procurement Bulletin on March 4, 2022 and closed on March 31, 2022. An Evaluation Committee made up of three University employees who have knowledge and experience relevant to the procurement reviewed the proposals. The University received one complete proposal. Based on the analysis of the responsive proposal, the evaluation committee deemed it to be responsive, the pricing fair and reasonable, and in the best interest of the University, and recommended CBRE, Inc. as the vendor for real estate broker for the Bryn Mawr properties. CBRE, Inc. has considerable resources and experience in Chicago real estate and with higher education real estate matters. CBRE has a partnership with a BEP vendor, Ware Realty Group, which also brings considerable expertise in commercial real estate in higher education and Chicago, is committed to being an integral part of the team, and has demonstrated such commitment and participation with CBRE in the past on similar projects. CBRE has committed to the 30% BEP goal.

The real estate broker services will include commercial real estate brokerage, marketing and leasing services, negotiation of real estate ground leases and development agreements, and owner's representative services for the Bryn Mawr properties only. The broker will also prepare marketing strategies specific to objectives created for the Bryn Mawr properties which may include compatibility with adjacent operations and zoning restrictions, and reputational risk to the University. In addition, the vendor/broker will facilitate the recruitment of interested parties that align with the Bryn Mawr property objectives and maximize the financial benefit to the University.

Upon Board approval, a contract will commence on the date of signing and has an initial term of five (5) years with five (5) one-year renewal options to be exercised up to five times at the sole discretion of the University, based on continuing need for services and the awarded vendor's ongoing satisfactory performance. The renewal options are warranted to account for the length of time it may take to identify a developer and to ultimately execute ground leases. The goal is to finalize the ground leases for the Bryn Mawr properties and pay the vendor fees within the initial five-year term. CBRE is proposing an 8% commission rate of the final ground lease of the properties.

The evaluation committee noted that there may be additional costs to the University related to demolition, site preparation, surveys, environmental impact, and transportation studies. This award does not create an obligation for those costs, which are not customarily borne by the brokerage firm, and any costs would need to follow necessary procurement processes. Actual costs will be dependent on actual development proposals and procurement needs, and pricing would be evaluated in the context of those proposals. The University will have the opportunity to engage in negotiations, as necessary, in regards to final development plans and may include these costs as part of any agreement.

Trustee Serrano, seconded by Trustee Azcoitia, moved that upon the President's recommendation that the board approve CBRE, Inc. to be the Real Estate Broker for the Bryn Mawr properties subject to successful contract negotiations consistent with the RFP requirements.

Discussion: Trustees asked to review the RFP that was published on the procurement bulletin. Trustee Serrano requested a statement from the proposed vendor about how their firm addresses matters of diversity, equity, and inclusion.

Roll was called and the vote was as follows:

Azcoitia: Yes      Eagle: Yes      Serrano: Yes

The matter is recommended.

### **Purchases \$100,000 or Greater: Snow Plowing Services**

Manish Kumar reported that Northeastern Illinois University contracts with a firm to provide snow removal services during major snow accumulations. The current vendor contract expires on June 30, 2022 with no renewal options available. An Invitation for Bid solicitation was advertised on April 12, 2022. The scope of services includes snowplowing services for the University's Main Campus and the Carruthers Center for Inner City Studies (CCICS). One bid was received on April 21, 2022 from Snow Systems, Inc. for both locations. Snow Systems, Inc. is the current vendor for snow removal at the main campus. The source of funds for this contract will come from University parking fees.

Main Campus: the vendor is only called when accumulated snowfall is more than 4 inches. The vendor is responsible for removing snow from parking lots and access roads on the main campus only. The University's Grounds Department is responsible for adding salt to the walkways, access roads and around building entrances.

CCICS: The vendor is required to remove snow and salt the parking lot, sidewalks, and around entrances when snowfall is more than 2 inches.

Estimated cost for both locations (Main Campus and CCICS) is \$500,000.00. Snow Systems, Inc. has met the 30% BEP goal by subcontracting with AMS Elite Solutions, Inc. The University deemed the sole bid responsive, the cost fair and reasonable, and an award to the incumbent to be in the best interest of the

University. The University is seeking Board approval to enter into a five (5) year contract on an as-needed basis with Snow Systems, Inc. There are no renewal options available on this contract.

Trustee Serrano, seconded by Trustee Azcoitia, moved to recommend approval of a five-year contract with Snow Systems, Inc. on an as-needed basis to provide snow plowing and removal services for the main campus and the Carruthers Center for Inner City Studies location for an amount not to exceed \$500,000 over the life of the contract.

Discussion: Trustees asked about snow plowing at the El Centro location. The University Grounds Department takes care of snow removal for the property and building.

Roll was called and the vote was as follows:

Azcoitia: Yes      Eagle: Yes      Serrano: Yes

The matter is recommended.

### **Approval of FY23 Preliminary Operating Budget**

Mike Wenz, Executive Director of University Budgets, reported that the University is requesting an operating budget of \$86,129,700 for Fiscal Year 2023, a decrease of 4.5% from FY2022. The FY2023 budget is based on a 6% decline in projected tuition revenue, loss of COVID-19 funding, and a 5% increase in the State appropriation. The requested operating budget is balanced between revenues and expenditures.

In FY2022, the University received an appropriation of \$35,566,900. In April 2022, the Governor signed into law a budget that called for a 5% increase of \$1,788,400, to a total of \$37,345,300 for FY2022. The FY2022 budget was developed during the evolving COVID-19 pandemic in a year where nearly all classes and a majority of employees were learning and working remotely. The FY2022 budget anticipated a 9% decline in student credit hours, while in actuality, the decline is trending at approximately 12% below FY2021 levels.

The unrestricted operating budget reflects the tuition and fee rates adopted by the Board in November 2021 for FY2023 in conjunction with internal enrollment projections. Tuition rates include no increase in undergraduate tuition, currently \$420.44 per credit hour for Illinois residents, and a two percent increase for new graduate students from \$441.46 to \$450.29 per credit hour for Illinois residents. The forecast for FY2023 tuition revenues anticipates a decline in continuing credit hours for FY2023 with retained student credit hours anticipated to fall approximately 9% below FY2022 budgeted levels and approximately 6% below the current FY2022 projections.

For new student credit hours, this budget considers the likely impact of the NEIU for You 2.0 program approved by the Board of Trustees during FY2022. This program is designed to reverse the declining trend in new student enrollment and has established targets of 400 new first-time full-time freshmen, 900 new transfer students, and 538 new graduate students for Fall 2022. This would represent a total increase of 220 new students relative to the previous year, a substantial improvement but not enough to offset the headwinds associated with the declines of the recent past. In total, the FY2023 budget anticipates a 6% decline in tuition revenue, from \$50,780,200 to \$47,412,000.

In addition to appropriation and tuition revenue, the University generates a small amount of other income from interest on cash balances and miscellaneous sales. This amount is budgeted at \$400,000 for FY2023. In FY2022, Other Income included \$2,788,000 in federal COVID-19 relief funding which will not be

available moving forward. As Fall 2022 enrollments materialize, the final budget will consider any known changes to state funding and tuition revenues and high priority spending needs.

Expenditures for FY2023 will be balanced to anticipated operating revenues. At this time, the University is finalizing spending plans based on the anticipated revenues of \$86,129,700. The FY2023 request budget was approved at a level of \$95,685,500, and the FY2022 final operating budget was set at a level of \$90,227,800. While the expenditure budget reflects a significant decline from the FY2022 budget and the FY2023 request budget approved by the Board in September 2021, reorganization and improved efficiencies have seen expenditures for the current and most recent budget years come in substantially below budget. While a significant cause of lower than anticipated spending has been personnel turnover and vacant positions, it is not the only change. The pandemic affected workflow and work processes, often making them more efficient, and as the University adjusts to the new normal, personnel and non-personnel budgets are being adjusted to reflect this changed environment.

In addition to the unrestricted operating budget, this preliminary plan includes forecasts for the restricted operating budget, which includes student fee programs, auxiliary services, indirect costs and grant sources. Preliminary student fee program budgets reflect the fee rates approved by the Board of Trustees in November 2021 are projected to total \$59,279,300 in FY2022. This represents a decline of \$5,676,000 from FY2023, primarily due to the decline in federal COVID-19 support and a decline in student fee-supported activities due to anticipated declines in credit hour enrollment.

The total preliminary FY2023 budget resources available for operating purposes are estimated at \$145,409,000, a decrease of \$9,774,200 or 6.3%, from the FY2021 budget. Approximately \$6,788,000 of this decline represents the end of federal COVID-19 relief funding.

Trustee Azcoitia, seconded by Trustee Serrano, moved to recommend approval of the FY2023 preliminary operating budget as presented.

Discussion: Trustees remain focused on the enrollment efforts for Fall 2022.

Roll was called and the vote was as follows:

Azcoitia: Yes            Eagle: Yes            Serrano: Yes

The matter is recommended.

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## **ITEMS FOR INFORMATION**

### **FY2024 Operating Budget and Capital Requests**

Mike Wenz reported that annually, the Board of Trustees of Northeastern Illinois University is required to adopt an operating and capital budget request and submit that request to the Illinois Board of Higher Education (IBHE). The FY2024 Unrestricted Operating Budget request presented to the Board of Trustees acknowledges the current financial constraints in the State of Illinois, as well as recent enrollment trends and actions taken to impact student recruitment. This budget is intended to advance the strategic goals developed by the University community and endorsed by the Board. This budget request includes funding for new and continuing items that address the strategic initiatives identified by the University community.

The FY2024 Unrestricted Operating Budget request is based upon the FY2023 Unrestricted Operating Budget for the University and the University's budget requests for new funding for FY2023. Included in the Unrestricted Operating Budget are State-appropriated funds and the University Income Fund. The FY24 operating budget request, accounting for salary increases and strategic program initiatives is \$89,059,800.

Requested capital projects total \$338,245,700, with \$281,897,600 in Regular Capital projects and \$56,318,100 in Capital Renewal projects. The requests also include a priority number for each project, as requested by the Illinois Board of Higher Education.

### **3<sup>rd</sup> Quarter Budget to Actual**

Mike Wenz reported that through the third quarter of FY2022, the University is tracking below budgeted revenues and expenditures. Tuition revenues are less than budgeted due to enrollment declines in excess of forecasts. Position vacancies have led to personnel spending below budget, but spending in other categories is similar to their year-to-date levels from FY 2021 and tracking toward less than budgeted totals. A mid-year increase in the appropriation from the state of Illinois will partially offset the enrollment shortfall. The Office of University Budgets continues to monitor enrollments for the Summer 2022 term, as well as COVID-19 spending for lost revenue and other needs.

The FY2022 budget includes State support of \$35,566,900 for the University's unrestricted general operating budget, or 39.4% of that budget. In April, the Governor signed into law a budget that included an additional \$1,778,400 in current-year appropriation fund. This funding will be applied toward personal service expenses in the current year. Through the third quarter, the University has vouchered a total of \$35,263,283 against the appropriation, all of which has been received.

The FY2022 budget includes estimated tuition revenue of \$51,472,200, or 57.1% of the general operating unrestricted budget. Other income sources make up \$3,188,700, or 3.5%, and this includes an anticipated \$2,788,700 in federal COVID-19 relief funding. Through the third quarter, 86.8% of FY2022 planned tuition and income fund revenue was recorded, after adjusting for anticipated waivers and bad debt. Registration for Summer 2022 terms are ongoing, and the University continues to monitor enrollments and revenue projections for summer.

Enrollment projections and the resultant revenue projections for the FY2022 budget are based upon historical enrollment trends, the advice of Enrollment Management staff, and available current registration data. The FY2022 budget was built against an anticipated 9.0% decline in student credit hours from FY2021 levels. Through Summer 2021, Fall 2021, and Spring 2022 credit hour enrollment is falling approximately 13% behind the previous year.

Through the third quarter, the University spent \$57,656,200 or 63.9% of the total \$90,227,800 general operating unrestricted preliminary budget. During the previous fiscal year, FY2021, the University operated primarily remotely, and federal COVID-19 relief funding was leveraged to support operational changes related to the virtual environment. While the University has returned primarily to in-person work, expenditures continue to mirror those of the work-from-home period. Labor market conditions in the broader economy have created planned and unplanned vacancies that have delayed the University's return to full staffing levels and allowed for expenditure adjustments to meet declining enrollments. This has kept expenses below projected levels and will allow the university to maintain expenses in line with revenues in the current fiscal year.

### **University Credit Rating**

Manish Kumar reported that NEIU received a 3-notch upgrade from B3 to BA3 in December 2021 with a stable outlook prediction from Moody's. NEIU received an additional 1-notch upgrade from Ba3 to Ba2 in April 2022, and Standard & Poor's upgraded NEIU's rating from BB to BB+ in May 2022. Moody's upgrade reflects expectations that the University will continue managing expenses as it faces continued enrollment pressures. Factors that could lead to future upgrades include significant improvement in strategic position reflected in enrollment and net tuition revenue growth, and less reliance on the state to fund operations. Additional material strengthening of liquidity, operating performance and debt service coverage, as well as

continued growth in balance sheet reserves will contribute to conditions that help improve the University's credit worthiness and its ability to finance and re-finance debt.

### **Purchases \$50,000 to \$99,999.99**

Manish Kumar reported the University's expenses within the stipulated threshold since last reported in March. Vicky Santiago, Director of Procurement, answered Trustees' questions.

### **Construction Update**

John Murray, Interim Executive Director of Facilities Management and Chief Engineer, reported on the various construction projects at the University. Capital Development Board (CDB) Project - Electric Cable Replacement Project Phase 1: the contractor, Linear Electric, has informed the University that the construction start will likely be delayed to mid-August 2022 due to difficulty in product availability. Contractor will submit updated construction schedule. CDB Project - Campus Roof Replacements: CDB has informed the University that the awarded contractor has backed out. The project will need to be rebid with reduced scope due to unavailability of additional CDB funding. The Architectural and Engineering (A/E) consultant will submit a revised schedule. CDB Project - Campus Entrance and Walkway Repairs: the project is currently out to bid. Bids are due May 25, 2022. CDB Project - BBH Upgrades to the HVAC Systems: the A/E consultants, Nest Builders, Inc., has submitted 100% design documents for review and approval. CDB will submit review comments. CDB Project - LWH Upgrades to the HVAC Systems: the A/E consultant, Delta Engineering, has submitted 100% design documents for review and approval. CDB will submit review comments. Trustees asked about other non-CDB projects around the campus.

### **Contract Terms**

Manish Kumar reported that Northeastern Illinois University, at times, engages in longer term contracts with vendors when it is deemed beneficial to the University and achieves economies of scale. At past meetings, Trustees have requested that the University limit vendor contracts to no more than three years. While the University adheres to all state procurement codes and rules where longer-term contracts are the norm, Mr. Kumar reinforced several reasons why the University advocates for structuring vendor contracts with longer terms.

Chief among them is that the University can lock in pricing for multiple years and is beneficial from a financial perspective due to inflationary pressures (currently over 8%) and other considerations such as rising costs for production, fuel, and labor. Longer contracts provide incentive for Business Enterprise Program (BEP) and other smaller contractors to participate in the Request for Proposal (RFP) bidding process because preparation of bidding documents requires a great amount of time and effort. Guaranteeing longer term contracts reduces the burden on smaller vendors to keep submitting bids or additional paperwork for annual renewals. Longer term contracts also provide internal labor savings. The University's Purchasing Department has only one Director and two Procurement Specialists. Preparing bidding documents, advertising solicitations, reviewing bids, drafting contracts, working with the State Procurement Office, and processing annual renewals places additional burden and pressures on the limited purchasing staff. The use of a Termination for Convenience clause. Vendor contracts initiated through the state's procurement process include terms and conditions vendors must agree to, such as termination for convenience. This clause allows the University to terminate a contract at any time with a thirty (30) day notice. The use of a Termination for Default clause. Vendor contracts initiated through the state's procurement process also provide additional protections to agencies. The University can terminate a contract should the vendor be in default of any of the terms and conditions that the vendor does not remedy in a timely manner.

Trustees are eager to see the University engage more BEP vendors and applaud efforts to encourage that participation. Trustees continue to ask that the University look to shorter-term contract lengths to avoid binding future boards.

### **Landscaping Update**

John Murray reported that Facilities Management will begin its spring planting of both annual and perennial flowers and plants, shortly. In an effort to help avoid frost damage, seasonal beautification efforts usually begin around the 15<sup>th</sup> of May. This ensures the plantings will survive the last bit of cold spring weather, leaving them to flourish throughout the summer and be ready to welcome back students for the Fall semester. Seasonal flowers and plants will be strategically placed along areas of heavy pedestrian traffic, areas of general congregation, and areas of high visual impact. Facilities Management will also be researching the feasibility of planting a tree line or installing a privacy screen along the campus access road to diminish the view of the neighboring cemetery.

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### **Old/New Business**

Trustee Eagle asked if there was any old or new business. Trustee Serrano raised the status of an RFP for the El Centro properties. A very lengthy, spirited discussion ensued about the purpose of the development, whether it should be community-based or treated as a true commercial development, and the need for the Board to declare the vacant parcels as surplus property. Trustee Eagle stated that the El Centro property matter will be on the June 9 board meeting agenda and Trustees should come prepared to make decisions. Trustees requested recent enrollment figures, along with day and evening academic program, staffing information, building use, building capacity, building square footage, community program use, and parking data as soon as practicable. Trustees also requested the proposed RFP language as it stands today. President Gibson and her team will assemble and disseminate this information.

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### **Motion to Adjourn**

At 10:48 a.m. Trustee Azcoitia, seconded by Trustee Serrano, moved to adjourn the meeting. The meeting was adjourned by acclamation.

Respectfully submitted,

Sherry Eagle, Chair of the Committee  
Karl Voigt, Assistant Board Secretary  
Approved June 9, 2022