



President's Report

to the
Board of Trustees

Thursday June 9, 2022



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ACTION ITEM I. B. APPROVAL OF RECOMMENDATION FOR PURCHASES \$100,000 OR GREATER: REAL ESTATE BROKER SERVICES FOR THE BRYN MAWR PROPERTIES

Background

In early 2020, the University contracted with Jones, Lange, LaSalle, LLC (JLL) to provide comprehensive professional real estate advisory services related to identifying the highest and best use of the University's real estate holdings on both sides of N. Bryn Mawr Ave. from N. Kimball Ave. to N. Bernard Street ("Bryn Mawr Property"), and its properties located at the intersections of N. Avondale Ave., W. Henderson St., and N. Kimball Ave. ("El Centro Property").

JLL completed their analysis and presented recommendations to the Board of Trustees on April 14, 2021. A copy of JLL's report with their financial recommendations was provided to the board. The board accepted JLL's recommendations. In order to execute the recommendations made by JLL, it was necessary to conduct a separate Request for Proposal (RFP) to select a Real Estate Broker to operationalize the recommendations.

Scope of Services

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.

Recommended Vendor

CBRE, Inc. is recommended as the real estate broker based on their considerable resources and experience in Chicago real estate and higher education real estate matters. The CBRE team members have worked on higher education projects across Illinois, including Illinois State University and have worked on a similar project with other state agencies. 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.

As an Illinois Public University, Northeastern adheres to the Illinois Procurement Code set forth in the Illinois Compiled Statutes (30 ILCS 500). A competitive sealed process via an RFP for Real Estate Broker Services was posted to the Illinois Procurement Bulletin.

An Evaluation Committee comprised of three University employees who have knowledge and experience relevant to the procurement was assembled to review proposals. The University received one 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. The evaluation committee recommended CBRE, Inc. as the vendor to move forward as its real estate broker for the Bryn Mawr properties.

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 five one-year renewal options are warranted to account for the length of time it may take to identify find 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. However,

ACTION ITEM I. B. APPROVAL OF RECOMMENDATION FOR PURCHASES \$100,000 OR GREATER: REAL ESTATE BROKER SERVICES FOR THE BRYN MAWR PROPERTIES

should the University need additional time to finalize ground leases, it can exercise the renewal options, one year at a time. The absence of a renewal option would require additional time and resources at the end of the initial contract term to begin a new procurement process. From the contract:

Please note: renewal options are not automatic. Before a renewal option is exercised, various approvals are required, including the President, and the State Purchasing Officer. In addition, our contract includes a clause for Termination for Convenience should the University decide the broker services are no longer desired. The contract also includes a Termination for Default clause should the vendor not perform the services according to contract requirements.

Contract pricing is dependent on the value of the negotiated leasing costs that arise out of this agreement. CBRE is asking for an 8% commission rate of the final ground lease of the properties. CBRE presented two potential scenarios based on the RFP, representing the commission costs anticipated under a ground lease for retail/mixed development or office/industrial mixed-use development. Any commission would be dependent on the actual ground lease that is negotiated, and would be financed out of funds received from the lease. For instance, under the retail/mixed scenario with a \$1,490,000 lease value, an 8% commission would total \$119,000, and in the office/industrial mixed scenario with a \$6,330,000 lease value, an 8% commission would total \$506,400. The realized commission will depend on the proposals submitted by the developers and ultimately selected for the property.

Note that in the event the high-end estimates are realized, it simply means that the University and CBRE have been more successful in obtaining a high-value leases and development opportunities. The proposal evaluation committee also notes that the commission-based structure enhances the incentives for the broker to seek a high-value opportunity more than a flat-fee based deal structure.

The committee also notes 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.

The evaluation committee is recommending Board approval to select CBRE, Inc. as the vendor for Real Estate Broker Services for the Bryn Mawr properties.

Cost
8% of final ground lease

Source of Funds
Land lease

Recommended Vendors

Prime Vendor
CBRE (Non-BEP)
Chicago Office
321 N. Clark Street, Suite 3400
Chicago, IL 60654

Subcontractor
Ware Realty Group (BEP - African American Female)

Summary of Respondents
CBRE, Inc.

**ACTION ITEM I. B. APPROVAL OF RECOMMENDATION FOR PURCHASES \$100,000
OR GREATER: REAL ESTATE BROKER SERVICES FOR THE BYRN MAWR
PROPERTIES**

Recommended Action:

Consistent with the Finance, Buildings and Grounds Committee's recommendation, I request that the Board approve the selection of CBRE, Inc. as the real estate broker for the Byrn Mawr properties for an initial five-year agreement with five one-year renewal options, and an 8% commission rate based on final ground leases.

ACTION ITEM I. C. APPROVAL OF RECOMMENDATION FOR PURCHASES \$100,000 OR GREATER: SNOW PLOWING SERVICES

Background

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 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.

Considerations

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.

COST:

Not to exceed \$500,000.00 for 5 years

SOURCE OF FUNDS:

Parking Fee

RECOMMENDED VENDOR:

Snow Systems, Inc. (Non-BEP)
600 N. Wolf Court
Wheeling, IL 60090

BEP Subcontractor:

AMS Elite Solutions, Inc. (BEP- CF)

SUMMARY OF BIDS:

Snow Systems, Inc.
600 N. Wolf Court
Wheeling, IL 60090

Recommended Action:

Consistent with the Finance, Buildings and Grounds Committee's recommendation, I request that the Board approve the five-year contract for snow plowing services with Snow Systems, Inc. on an as-needed basis for a total contracted amount not to exceed \$500,000.00.

ACTION ITEM I. D. APPROVAL OF FY23 PRELIMINARY OPERATING BUDGET

Summary

The University is requesting an operating budget of \$86,129,700 for Fiscal Year 2023. This represents a decrease of 4.5% from FY2022, primarily due to the loss of Federal COVID-19 relief funding. The FY2023 budget is based on a 6% decline in projected tuition revenue and a 5% increase in the State appropriation. The requested operating budget is balanced between revenues and expenditures.

Overview

The Northeastern Illinois University Board of Trustees is asked to approve the University operating budget that represents preliminary estimated spending plans for the upcoming fiscal year beginning on July 1, 2022 and will be asked to approve the final FY2023 detailed budget at its September 2022 Board meeting.

In August 2003, the Illinois Board of Higher Education (IBHE) adopted Recommended Actions to Expand and Enhance Public University Annual Operating Budget Review, Approval and Oversight. Actions included a requirement that each public university adopt a "preliminary/estimated spending plan" prior to July 1 that includes:

- funding sources reported by, at a minimum, State-appropriated funds, University income funds, and all other non-appropriated funds, and
- expenditures by object of expenditure (e.g., personal services, contractual services, equipment).

This report provides the information required by the IBHE for the FY2023 internal budget.

The University's unrestricted operating budget is comprised of two main sources of funds – state general funds appropriations (approximately 43 percent of operating revenues) and university income funds, mostly tuition (approximately 57 percent of operating revenues).

At the September 2022 Board meeting a final detailed budget for FY2023 will be presented for approval.

State appropriation

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 preliminary budget presented here includes this level of appropriation.

Income fund

The unrestricted operating budget reflects the tuition and fee rates adopted by the Board in November 2021 for FY2023, and enrollment projections developed internally by the University. These 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 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. Enrollment and registration patterns through the pandemic have been atypical, making forecasting difficult. In the end, 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 forecast for FY2023 tuition revenues is based on an examination of the flow of new and continuing graduate and undergraduate students. For continuing students, declining enrollment in recent years leads to persistent future declines as well, as incoming classes are not sufficient to replace the flow of students

ACTION ITEM I. D. APPROVAL OF FY23 PRELIMINARY OPERATING BUDGET

who are graduating. For this reason, this budget anticipates a decline in continuing credit hours for FY2023 as well, 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. The FY2023 budget is built around these targets. 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 percent 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. In the coming weeks, as fall enrollments materialize, the final budget will consider any known changes to state funding and tuition revenues and high priority spending needs.

Expenditures

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 as outlined above. The FY2023 request budget was approved at a level of \$95,685,500, and the FY 2022 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 past (FY2021) 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.

Restricted operating funds

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. The restricted operating budget includes expenditures from revenue sources that are restricted either by an external requirement or by internal accounting policy. Preliminary student fee program budgets reflect the fee rates as approved by the Board of Trustees in November 2021. These restricted operating funds 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 is summarized in Table 1. Resources available for operating purposes in FY2023 are estimated at \$145,409,000, a decrease of \$9,774,200 or 6.3 percent, from the FY2021 budget. Approximately \$6,788,000 of this decline represents the end of federal COVID-19 relief funding.

Recommended Action:

Consistent with the Finance, Buildings and Grounds Committee's recommendation, I request that the Board approve the FY2023 preliminary budget as presented in Tables 1 and 2 and as outlined above.

ACTION ITEM I. D. APPROVAL OF FY23 PRELIMINARY OPERATING BUDGET

Table 1
NORTHEASTERN ILLINOIS UNIVERSITY
Fiscal Year 2023 Preliminary Operating Budget
(with comparable data provided for Fiscal Year 2022)

	FY2022 Budget	FY2023 Preliminary Budget	Annual Change		Percent
			Dollar	Percent	
<u>Unrestricted Operating Budget</u>					
State General Funds Appropriations	\$ 35,566,900	\$ 37,345,300	\$ 1,778,400	5.0 %	
University Income Fund - Tuition	50,780,200	47,412,000	(3,368,200)	(6.6)	
University Income Fund - Tuition Differential	692,000	972,400	280,400	40.5	
University Income Fund - Other	3,188,700	400,000	(2,788,700)	(87.5)	
<i>Unrestricted Operating Budget</i>	\$ 90,227,800	\$ 86,129,700	\$ (4,098,100)	(4.5) %	
<u>Restricted Operating Budget</u>					
Student Fee Programs	\$ 9,001,100	\$ 8,412,600	\$ (588,500)	(6.5) %	
Sales & Services	2,817,100	2,463,800	(353,300)	(12.5)	
Auxiliary Services	3,977,900	4,056,500	78,600	2.0	
Indirect Costs Recovery	2,138,900	1,870,600	(268,300)	(12.5)	
Grants & Contracts-Education	600,000	600,000	-	-	
State and Local Grants & Contracts	12,704,400	12,028,100	(676,300)	(5.3)	
Federal Grants & Contracts*	32,926,000	28,926,000	(4,000,000)	(12.1)	
Private Grants & Contracts	790,000	921,700	131,700	16.7	
<i>Restricted Operating Budget</i>	\$ 64,955,400	\$ 59,279,300	\$ (5,676,100)	(8.7) %	
Total Operating Budget	\$ 155,183,200	\$ 145,409,000	\$ (9,774,200)	(6.3) %	

ACTION ITEM I. D. APPROVAL OF FY23 PRELIMINARY OPERATING BUDGET

Table 2
NORTHEASTERN ILLINOIS UNIVERSITY
Fiscal Year 2023 Preliminary Operating Budget
by Function and Line Item

Functional Categories	Unrestricted Operating Budget (State and Tuition)	Restricted Operating Budget	Total
Instruction	\$ 47,271,500	\$ 7,883,300	\$ 55,154,800
Organized Research	119,300	1,671,600	1,790,900
Public Service	558,500	13,850,600	14,409,100
Academic Support	5,942,800	2,358,600	8,301,400
Student Services	3,833,400	24,358,500	28,191,900
Institutional Support	15,413,600	1,631,200	17,044,800
Operations and Maintenance	10,863,000	2,984,100	13,847,100
Independent Operations	-	4,541,400	4,541,400
Benefits/Social Security/Medicare	1,005,000	-	1,005,000
Health Insurance Reserve Fund	1,122,600	-	1,122,600
Total	\$ 86,129,700	\$ 59,279,300	\$ 145,409,000

Line Item Categories	General Operating Fund (State and Tuition)	Restricted Funds	Total
Personal Services	\$ 67,150,600	\$ 14,562,000	\$ 81,712,600
Contractual Services	11,700,000	12,010,600	23,710,600
Travel	110,000	250,500	360,500
Commodities	589,900	871,600	1,461,500
Equipment	670,000	646,600	1,316,600
Telecommunications	180,300	61,300	241,600
Awards/Grants/Tuition Waivers	1,322,000	22,591,300	23,913,300
Permanent Improvements	46,300	122,500	168,800
Benefits/Social Security/Medicare	1,005,000	3,673,000	4,678,000
Health Insurance Reserve Fund	1,122,600	-	1,122,600
Indirect Costs	-	2,138,900	2,138,900
Other/Transfer Out (Debt Service)	2,233,000	2,351,000	4,584,000
Total	\$ 86,129,700	\$ 59,279,300	\$ 145,409,000