

Board of Trustees of Northeastern Illinois University
Audit Committee and Finance, Buildings and Grounds Committee Joint Meeting Minutes
May 15, 2025

A joint meeting of the Audit Committee and Finance, Buildings and Grounds Committee of the Board of Trustees of Northeastern Illinois University was convened on Thursday, May 15, 2025 in the Student Union Golden Eagles Room located at 5500 N. St. Louis Avenue, Chicago, IL 60625. J. Todd Phillips, Chair of the Board, called the meeting to order at 9:06 a.m.

Roll was called and the following Trustee committee members were present: J. Todd Phillips and Paula Wolff

Also present: Katrina Bell-Jordan, President; Karl Voigt, Assistant Secretary to the Board; vice presidents, students, staff, and University community members both in person and viewing online

Motion to Permit Remote Participation by Trustees

Trustee Wolff, seconded by Trustee Phillips, moved to permit Trustees Jorge Leon and Carlos Garcia to participate in today's meeting pursuant to Section 7(a) of the IL Open Meetings Act and Section 2. A. (2) of the Board's Bylaws.

Discussion: both Trustees contacted the Assistant Secretary in advance of the meeting for remote participation related to work travel and illness.

Roll was called and the vote was as follows:

Phillips: Yes Wolff: Yes

The motion carried. Trustee Meresidis joined the meeting at 9:13 a.m.

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

Chair Phillips announced the opportunity for public comment. There were three registrations placed in advance and three presentations made.

1. **Mary Serio**, representing AFSCME Local 1989
Topic: recent concerns from AFSCME
2. **Heather Carper**, representing herself
Topic: failure to invest in Civil Service workers
3. **Rosetta Cash**, representing Key Control
Topic: ongoing issues involving key control and University safety conditions

Chair's and President's Remarks

President Bell-Jordan reported that this week is the University's week of celebration; Academic Honors ceremony was Monday evening, Master's Hooding Ceremonies on Tuesday evening, and commencement exercises tomorrow afternoon. The University expresses its sincere sympathy to the family and friends of a NEIU student who recent passed away. The University has achieved 100% of its FY25 enrollment goal and has exceeded its credit hour goal by 125 credit hours. Thank you to everyone who has helped make this possible. University officials recently traveled to Washington D.C. to participate in the HACU legislative forum to lobby for Illinois higher education resources. NEIU caucused with other universities for meetings with Senators Tammy Duckworth and Dick Durbin, and Representatives Chuy Garcia and Delia Ramirez advocating for MSI, HSI, and for student financial aid particularly under Title V, Title IV and TRIO funding. Five NEIU students traveled with the delegation and shared their stories with dignity and poise. Recent legislative travel to Springfield involved meeting with Representatives Mike Kelley and Robin Gabel, and Senator Chris Balkema. The NEIU delegation included NEIU UPI President, Brandon Bisbey advocating

for equitable funding and adequate capital resources. The delegation also attended the “Latino Unity Day” activities. The current legislative session ends on May 31 and Blanca Jara, Interim Executive Director for Government Relations, will provide a comprehensive overview at the June 5 Board meeting.

Chair Phillips echoed President Bell-Jordan’s acknowledgement of the recent student death and thanked everyone for their work on this year’s enrollment and credit hour achievements.

ITEMS FOR INFORMATION

FY25 Third Quarter Budget to Actual Report

Revenues

Net tuition revenue and the net differential tuition revenue increased by approximately \$1.9 million. This was primarily driven by two factors: a reduction in the budgeted allowance for bad debt in tuition waivers from 12% in FY24 to 10% in FY25 resulting in an \$825,000 increase in revenue; and an increase of 2,799 credit hours so far in FY25 compared to the same period in FY24, contributing approximately \$1.15 million in additional revenue. The University has vouchered 100% of its appropriations. Investment income decreased by \$368,000, largely due to a combination of the Federal Reserve’s decision to begin lowering interest rates in September 2024, as well as slight fluctuations in the University’s investment balances.

The \$197,000 decrease in other income is primarily due to a ground lease payment received from Collegiate Housing Foundation (CHF) in January of 2024, which was contingent on meeting specific operating and financial conditions outlined in the public-private partnership agreement for the Nest. The University receives ground lease payments from the Nest project only when these conditions are met and when sufficient funds are available. No payments were received in fiscal years 2022 or 2023. In FY24, the University received \$214,000, followed by \$94,000 in FY25. The higher amount in FY24 reflects the accumulation of available funds from prior years when the project nearly met but did not fully satisfy the required conditions, allowing those funds to be released once the criteria were achieved.

Expenses

The \$360,000 increase in personnel services is driven by three primary factors. First, in FY25, there was approximately \$1.3 million in salary increases reflecting standard year-over-year increases for both union and non-union employees, targeted adjustments for excellence awards, promotions, and a few equity-related changes. However, this increase was offset by two factors: a change in the timing of the group insurance vouchering to the state. In FY24, the state encouraged early vouchering, so the University expensed the full amount of approximately one million dollars in the first quarter. For FY25, the University returned to the quarterly vouchering schedule, which resulted in an approximate \$255,000 reduction in the 3rd quarter’s variance compared to the most recent period. The second offsetting factor is projected salary savings of around \$690,000 in FY25 compared to same time in FY24.

The University noted a decrease in contractual services expenses primarily due to a timing of when costs are incurred and recorded. Equipment expenses decreased by \$113,000 primarily due to the purchase of a squad car for the police department in February of the previous year. The \$147,000 increase in telecommunication expense is primarily due to expenses that were previously covered by pandemic-related support. This includes \$81,000 in conference calling fees through Zoom, which the University has elected to continue using and is now responsible for covering. Regarding tuition and scholarships, the \$395,000 increase in expenses can be attributed to the University covering the state’s Monetary Award Program (MAP) funding shortfall. In December 2024, the Illinois Student Assistance Commission (ISAC) announced an 8% reduction in MAP awards for the Spring 2025 semester, resulting in a \$607,000 funding shortfall affecting 2,500 students. To mitigate the impact on its students, the University elected to cover the shortfall with \$212,000 coming from the NEIU scholarship fund and the remaining \$395,000 covered through unrestricted state funds. Additionally, the adopted budget for each of the three fiscal years for this

particular line item was set to \$1,299,000. For the past two years, however, expenses have not reached this total due to leveraging the PELL-55 grant to cover most of the costs in this category, reallocating the savings towards investments in academic affairs, enrollment management, and student affairs to enhance the overall student experience.

Forecast

The total favorable variance of \$356,000 in net tuition revenue and net differential tuition revenue can be attributed to actual results and projections indicating that the University is on track to surpass the total budgeted credit hours by 1,536 credit hours in FY25. The \$178,000 favorable variance in investment income is driven by the Federal Reserve's updated projections, which revised expectations for the number of interest rate cuts in 2025. The University is projecting a positive variance in the investment income, despite the Fed having lowered its interest rate twice in the second quarter. The University's original budget assumed a more aggressive series of cuts by this point which have not materialized, and the University has adjusted its forecast to reflect a more favorable outlook through the end of the fiscal year.

The University is projecting a \$120,000 increase in other income, which includes various sources such as outstanding balance fees, lab fees, transcript fees, late fees, and other miscellaneous revenues that fluctuate annually. This positive variance is primarily driven by the \$94,000 ground lease payment from CHF for the Nest and higher-than-expected revenue from all the other fee categories. A \$743,000 overage in personnel services is primarily due to a reallocation of funding to cover the loss of the MAP funding for students and higher-than-anticipated costs to resolve ongoing union negotiations.

Table 1
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL YEAR 2025 BUDGET TO ACTUAL COMPARISONS
FOR THE PERIOD ENDED MARCH 31, 2025
UNAUDITED FIGURES

| | FY2023 Q3 | | | FY2024 Q3 | | | FY2025 Q3 | | | | |
|---|----------------------|----------------------|--------------|----------------------|----------------------|---------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| | Adopted Budget | FY23 Actual YTD | % of Budget | Adopted Budget | FY24 Actual YTD | % of Budget | Adopted Budget | Current Budget | FY25 Actual YTD | % of Current Budget | FY25 vs FY24 ACTUALS |
| Revenue | | | | | | | | | | | |
| State Appropriations | \$ 37,345,300 | \$ 37,036,488 | 99.2% | \$ 39,960,000 | \$ 39,923,855 | 99.9% | \$ 40,758,700 | \$ 40,758,700 | \$ 40,758,700 | 100.0% | \$ 834,845 (A) |
| Net Tuition Revenue | 42,172,200 | 40,673,732 | 96.4% | 41,874,400 | 40,556,968 | 96.9% | 45,134,178 | 45,134,178 | 42,414,271 | 94.0% | 1,857,303 (B) |
| Net Differential Tuition Revenue | 972,400 | 721,802 | 74.2% | 689,000 | 760,465 | 110.4% | 820,122 | 820,122 | 876,342 | 106.9% | 115,877 (B) |
| Investment Income | 1,000,000 | 2,094,435 | 209.4% | 2,276,600 | 3,417,100 | 150.1% | 3,700,000 | 3,700,000 | 3,048,644 | 82.4% | (368,456) (C) |
| All Other Sources | 2,450,100 | 417,969 | 17.1% | 500,000 | 672,611 | 134.5% | 500,000 | 500,000 | 475,479 | 95.1% | (197,132) (D) |
| Total Revenue | \$ 83,940,000 | \$ 80,944,426 | 96.4% | \$ 85,300,000 | \$ 85,330,999 | 100.0% | \$ 90,913,000 | \$ 90,913,000 | \$ 87,573,436 | 96.3% | \$ 2,242,437 |
| Expenditures | | | | | | | | | | | |
| Personnel Services | \$ 67,142,441 | \$ 48,705,618 | 72.5% | \$ 67,901,380 | \$ 50,412,341 | 74.2% | \$ 70,829,802 | \$ 70,744,123 | \$ 50,772,302 | 71.8% | \$ 359,961 (E) |
| Contractual Services | 11,208,876 | 8,070,312 | 72.0 | 14,631,783 | 8,696,126 | 59.4 | 14,821,712 | 15,127,301 | 8,387,817 | 55.4 | (308,309) (F) |
| Equipment | 846,410 | 362,463 | 42.8 | 431,986 | 355,565 | 82.3 | 383,986 | 437,084 | 242,609 | 55.5 | (112,956) (G) |
| Commodities | 775,075 | 339,923 | 43.9 | 807,401 | 374,463 | 46.4 | 818,150 | 918,243 | 420,832 | 45.8 | 46,369 |
| Telecommunications | 176,422 | 87,630 | 49.7 | 176,700 | 59,815 | 33.9 | 176,700 | 312,451 | 207,236 | 66.3 | 147,421 (H) |
| Travel | 168,841 | 134,939 | 79.9 | 197,750 | 144,690 | 73.2 | 193,650 | 291,617 | 132,885 | 45.6 | (11,805) |
| Permanent Improvements | 25,000 | - | - | 25,000 | - | - | 25,000 | 9,034 | - | - | - |
| Operation of Auto Equip | 20,935 | 15,819 | 75.6 | 21,000 | 20,661 | 98.4 | 24,000 | 45,000 | 25,746 | 57.2 | 5,085 |
| Tuition Scholarships | 1,299,000 | 1,140,031 | 87.8 | 1,299,000 | 107,467 | 8.3 | 1,299,000 | 687,147 | 502,964 | 73.2 | 395,497 (I) |
| Debt Service | 2,277,000 | 1,703,703 | 74.8 | 2,308,000 | 1,705,586 | 73.9 | 2,341,000 | 2,341,000 | 1,749,806 | 74.7 | 44,220 |
| Total Expenditures | 83,940,000 | 60,560,438 | 72.1% | 87,800,000 | 61,876,714 | 70.5% | 90,913,000 | 90,913,000 | 62,442,197 | 68.7% | 565,483 |
| <i>BOT Reserve Allocation</i> | - | - | - | (2,500,000) | - | - | - | - | - | - | - |
| Net Expenditures | \$ 83,940,000 | \$ 60,560,438 | 72.1% | \$ 85,300,000 | \$ 61,876,714 | 72.5% | \$ 90,913,000 | \$ 90,913,000 | \$ 62,442,197 | 68.7% | \$ 565,483 |
| Excess Revenue Over Expenditures | \$ - | \$ 20,383,988 | | \$ - | \$ 23,454,285 | | \$ - | \$ - | \$ 25,131,239 | | |

Notes:

1. Adopted Budget column reflects the FY2025 budget approved by the Board of Trustees on September 19, 2024.
2. The Current Budget reflects budget transfers processed between organizations and accounts.
3. "Actual Year to Date" or "Actual YTD" is current year expenses recorded or booked through April 23, 2025 and does not include encumbrances.
4. All Other Sources includes space rental and other miscellaneous fees/income (lab, transcript, NSF, late fees, etc.)

Table 2
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL YEAR 2025 BUDGET TO FORECAST COMPARISONS
FOR THE PERIOD ENDED MARCH 31, 2025
UNAUDITED FIGURES

| | Adopted Budget | Budget Adjustment | Adjusted Budget | Actual Year to Date as of 03/31/2025 | Forecasted Revenue/Expenses Thru 06/30/25 | Annual Forecast | Adjusted Budget Vs Annual Forecast |
|---|-------------------|-------------------|-------------------|--------------------------------------|---|-------------------|------------------------------------|
| Revenue | | | | | | | |
| State Appropriations | \$ 40,758,700 | \$ - | \$ 40,758,700 | \$ 40,758,700 | \$ - | \$ 40,758,700 | \$ - |
| Net Tuition Revenue | 45,134,178 | - | 45,134,178 | 42,414,271 | 2,977,825 | 45,392,096 | 257,918 {AA} |
| Net Differential Tuition Revenue | 820,122 | - | 820,122 | 876,342 | 41,536 | 917,878 | 97,756 {AA} |
| Investment Income | 3,700,000 | - | 3,700,000 | 3,048,644 | 829,310 | 3,877,954 | 177,954 {BB} |
| All Other Sources | 500,000 | - | 500,000 | 475,479 | 144,521 | 620,000 | 120,000 {CC} |
| Total Revenue | 90,913,000 | - | 90,913,000 | 87,573,436 | 3,993,192 | 91,566,628 | 653,628 |
| Expenditures | | | | | | | |
| Personnel Services | 70,829,802 | (85,679) | 70,744,123 | 50,772,302 | 20,715,090 | 71,487,392 | (743,269) {DD} |
| Contractual Services | 14,821,712 | 503,092 | 15,324,804 | 8,387,817 | 6,867,617 | 15,255,434 | 69,370 |
| Equipment | 383,986 | 53,098 | 437,084 | 242,609 | 135,313 | 377,922 | 59,162 |
| Commodities | 818,150 | 100,093 | 918,243 | 420,832 | 391,798 | 812,630 | 105,613 |
| Telecommunications | 176,700 | 135,751 | 312,451 | 207,236 | 86,736 | 293,972 | 18,479 |
| Travel | 193,650 | 97,967 | 291,617 | 132,885 | 112,105 | 244,990 | 46,627 |
| Permanent Improvements | 25,000 | (25,000) | - | - | - | - | - |
| Operation of Auto Equip | 24,000 | 21,000 | 45,000 | 25,746 | 13,882 | 39,628 | 5,372 |
| Scholarships, Awards and Grants | 1,299,000 | (800,322) | 498,678 | 502,964 | (4,286) | 498,678 | - |
| Debt Service | 2,341,000 | - | 2,341,000 | 1,749,806 | 591,461 | 2,341,267 | (267) |
| Total Expenditures | 90,913,000 | - | 90,913,000 | 62,442,197 | 28,909,717 | 91,351,914 | (438,914) |
| Excess Revenue Over Expenditures | \$ - | \$ - | \$ - | \$ 25,131,239 | \$ (24,916,525) | \$ 214,714 | \$ 214,714 |

Notes:

1. Adopted Budget column reflects the FY2025 budget approved by the Board of Trustees on September 19, 2024.
2. The Current Budget reflects budget transfers processed between organizations and accounts.
3. "Actual Year to Date" or "Actual YTD" is current year expenses recorded or booked through April 23, 2025 and does not include encumbrances.
4. All Other Sources includes space rental and other miscellaneous fees/income (lab, transcript, NSF, late fees, etc.)
5. "Forecasted Revenue/Expenses Thru 06/30/25" is based on historical trends, adjusted for knowledge of new initiatives/projects or spendings.
6. "Budget Adjustment" reflects net budget transfers processed between organizations and accounts.

Purchases of at Least \$100,000 but Less Than \$250,000

Since the last report to the Board, the University has increased its purchasing agreement with the firm Davis & Campbell. The original contract amount was for \$90,000 and was later amended to \$140,000. The University recently amended this agreement to \$240,000. The primary reasons for these changes are ongoing collective bargaining and other personnel matters requiring litigation support.

FY2024 External Audit Findings

Annually, the University undergoes three primary audits: a financial audit, a compliance audit, and a single audit. The financial audit examines the accuracy and completeness of the University's financial statements and that they are presented in accordance with generally accepted accounting standards. This audit ensures that there are proper internal controls to prevent misstatements.

The compliance audit determines whether the University is properly following laws, regulations, contracts, and grant terms. The single audit is a hybrid audit that combines financial and compliance auditing, specifically for entities that expend \$750,000 or more in federal funds in a fiscal year. This final report is geared toward federal oversight agencies, such as the Department of Education or Health and Human Services, pass-through granters, and the public.

Every couple of years, the University is subjected to additional external audits that focus on Information Technology (IT) and the State University Retirement System (SURS). The Auditor General is responsible for releasing the final audit reports and all external audit reports are publicly available on the University's website, as well as the Illinois Auditor General's website. For FY24, the financial audit was published on March 27, 2025, followed by the single audit on April 8th, and the compliance audit on May 8th, nearly 11 months after the fiscal year ended on June 30th, 2024.

As one audit concludes the next one begins, leading to a near-constant state of auditing. This schedule poses significant compliance challenges; the delayed release of audit findings leaves very little time to meaningfully address deficiencies before the next audit cycle begins, and in many cases, audit findings are disclosed so late in the following fiscal year that resolving them in time to avoid a repeat finding is nearly impossible.

For fiscal year 2024, the University had a total of 11 material findings; this marks a slight improvement from the prior year's 13 findings. Of the 11 findings, eight were repeated from previous years, signaling persistent weaknesses in key operational and compliance areas. The University regularly implements corrective action plans and timelines to accelerate the resolution of longstanding issues. Trustees asked that future repeat and new findings be color coded to differentiate them.

Financial Audit

| # | Repeat? | Finding Title | Finding Description | Corrective Action | Completion |
|-----|---------|---|--|---|------------|
| 001 | Yes | Inadequate Control over Census Data | Northeastern Illinois University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate. | NEIU HR completed the required reconciliation of the base year, 2023 on March 31, 2025. | 03/2025 |
| 002 | Yes | Noncompliance with Fiscal Control and Internal Auditing Act | Northeastern Illinois University did not comply with the Fiscal Control and Internal Auditing Act (FCIAA). | NEIU Internal Audit has modified the audit plan process to ensure approval signatures are collected prior to July 1 each year. Additionally, audit plans will be modified if it is determined projects won't be completed in the fiscal year they were planned for. Peer Review will be complete by May 30, 2025. | 7/1/2025 |
| 003 | Yes | Lack of Adequate Controls over Service Providers | The Northeastern Illinois University (University) lacked adequate controls over review of internal controls over service providers. | NEIU Purchasing and UTS have implemented a Vendor Policy and are also working on a procedure to guide departments in monitoring vendor performance. | 12/30/2025 |
| 004 | Yes | Weaknesses in Computer Security | Northeastern Illinois University has not adequately safeguarded their computing environment. | NEIU UTS continues to strengthen controls and oversight over our IT environment, aligning with the most recent IT security standards. | 12/30/2025 |
| 005 | Yes | Lack of Adequate Change Management Controls | Northeastern Illinois University did not have adequate Change Management Controls. | NEIU UTS is developing a University-wide IT Change Management Policy to assist departments in managing the changes made to their systems. | 12/30/2025 |

Single Audit

| # | Repeat? | Finding Title | Finding Description | Corrective Action | Completion |
|-----|---------|--|---|--|------------|
| 006 | No | Noncompliance with Enrollment Reporting Requirements | Northeastern Illinois University did not have adequate procedures and controls in place to ensure that the effective date of students who unofficially withdrew was accurately reported to National Student Loan Data System. | The Registrar's Office will incorporate Financial Aid's reporting frequency of unofficial withdrawals, a category strictly used by the Financial Aid office which the Registrar's Office does not recognize, with their own data to resolve this issue in the reporting. | 7/1/2025 |
| 007 | Yes | Noncompliance with Grant Reporting Requirements | Northeastern Illinois University did not have adequate procedures in place to ensure the Education Stabilization Fund - Higher Education Emergency Relief Fund (HEERF) reports were accurate and timely posted to the University's website. | 2024 was the last year for this requirement and therefore this finding will not repeat in 2025. | Complete |

Compliance Audit

| # | Repeat? | Finding Title | Finding Description | Corrective Action | Completion |
|-----|---------|---|--|---|--|
| 008 | Yes | Noncompliance with College Student Immunization Act | Northeastern Illinois University is not in compliance with the College Student Immunization Act and the Illinois Department of Public Health's administrative rules. | Student Health Services continues to encourage students to provide immunization data. Additionally, Student Health Services offers free vaccinations to students. Lastly, technology solutions are being reviewed and considered. | Will repeat until system is purchased. |
| 009 | No | Noncompliance with the Student Parent Data Collection Act | Northeastern Illinois University did not comply with the Student Parent Data Collection Act. | Office of Institutional Research & Assessment will be working with various offices and IBHE to capture and present the data on a Student Parent Data webpage in 2025. Child Care Center forms have been updated to include required data. | 12/30/2025 |
| 010 | No | Failure to Timely Submit Required Salary Report | Northeastern Illinois University did not submit their salary report to the Illinois Board of Higher Education by the required deadline. | NEIU HR has built a custom report within Workday which will report the information in the format IBHE requires thus eliminating missed deadlines. | 7/1/2025 |
| 011 | Yes | Inadequate Controls over Personnel Files | Northeastern Illinois University was not in compliance with personal services guidelines. | The required forms are now electronically completed and maintained in Workday. The Ethics Officer is actively monitoring all required reporting for Statements of Economic Interests and other mandated items. | 7/1/2025 |

Motion to Convene in Closed Session

At 10:37 a.m., Trustee Wolff, seconded by Trustee Meresidis, moved to convene into Closed Session pursuant to Sections 2(c)1, 2(c)2, and 2(c)29 of the Illinois Open Meetings Act to discuss personnel and collective bargaining matters, and to receive a confidential briefing from the University's Internal Auditor.

Discussion: there was no discussion. Roll was called and the vote was as follows:

Garcia: Yes Meresidis: Yes Wolff: Yes

Leon: Phillips: Yes

The motion carried. Trustee Leon left the meeting at 10:30 a.m.

Motion to Reconvene in Open Session

At 11:42 a.m., Trustee Wolff, seconded by Trustee Meresidis, moved to reconvene in Open Session. The motion carried by unanimous acclamation.

ITEMS FOR CONSIDERATION AND POSSIBLE FUTURE ACTION

Committee Recommendation to Accept and File the FY2024 External Audit Reports

Trustee Wolff, seconded by Trustee Meresidis, moved to recommend that the Board accept and file the FY24 external audit reports as presented.

Discussion: there was no discussion. Roll was called and the vote was as follows:

Garcia: Yes Phillips: Yes

Meresidis: Yes Wolff: Yes

The motion carried.

Committee Recommendation to Approve the FY2026 Preliminary Operating Budget

Trustee Wolff, seconded by Trustee Meresidis, moved to recommend that the Board approve the FY2026 Preliminary Operating Budget.

Discussion: the FY2026 preliminary budget, which totals \$153 million, consists of a \$94.4 million unrestricted budget (up from \$90.9 million in FY25) and a \$58.6 million restricted budget. The University is projecting modest revenue growth on the unrestricted side, driven by increased state support and enrollment projections, and a restricted budget contraction due to taking a conservative stance given federal funding uncertainty. Strategic investments in student success and retention, infrastructure, and academic programs remain a central focus, all while mitigating risks through hiring controls, general conservatism, and a proposed debt refinancing strategy.

A 3% increase in state appropriations and projected enrollment growth are boosting the unrestricted funding outlook. Tuition and fees, including newly approved tuition differentials, as well as student mandatory fee increases, are also contributing to this increase, projected to bring in an additional \$2.6 million in tuition and tuition differential revenue. The University is projecting credit hours will reach 118,930, compared to 115,544 credit hours budgeted in FY25. The University is maintaining conservative estimates for investment income, given continued market uncertainty, projecting investment income of \$3.2 million for FY2026, which represents a \$500,000 decrease from the \$3.7 million budgeted in FY25.

The University has adopted a cautious approach to the restricted budget due to the unpredictable nature of the current federal administration, particularly its impact on multi-year federal grants. Concurrently, the University is being prudent with state grants like federal PELL-55 and MAP funding. There is no indication yet whether the PELL-55 grant will be renewed in FY2026, and MAP funding was negatively impacted this fiscal year with an unanticipated mid-year reduction of 8%. Overall, the FY2026 revenues are projecting a \$3.5 million increase in the unrestricted budget, offset by a \$5.5 million overall decrease in the restricted budget, resulting in a net budget reduction of about \$2 million or about 1.3% below FY2025.

The University is investing \$2.2 million to build a One-Stop Shop, a centralized student-centered hub designed to simplify processes, reduce barriers, and create a more connected, seamless experience for its students by bringing together key services like advising, registration, and financial aid in one place. The University is committing \$700,000 to upgrade classroom technologies, a first phase that will modernize 18 out of its 170 classrooms. This is a new classroom upgrade cycle to ensure all learning spaces are updated consistently over time without placing strain on future budgets. Additionally, the University is setting aside \$1.7 million towards the new education building construction project. This is the institution's share of the estimated total construction costs with the Illinois Capitol Development Board covering the rest. A new nursing simulation lab, a hands-on training environment that prepares the future nursing program students for real world healthcare careers, is being built at a cost of \$1.25 million. The FY26 budget also includes a key position dedicated to leading the effort to launch the nursing program, ensuring its successful development and implementation.

The University continues to allocate funds towards ongoing elevator repairs and upgrades, ensuring accessible, safe, and reliable learning and working environments. One area of steady expense growth has been in contractual services, largely due to the financial impact of the Nest student housing project. After its opening in Fall 2016, the University exceeded occupancy commitments to American Campus Communities (ACC) in fiscal years 2017 and 2018. Since then, occupancy targets have not been met, requiring the University to make annual occupancy contributions to ACC to satisfy the debt coverage ratio spelled out in the operating agreement. These payments started at \$1.9 million in FY19 and peaked at \$3.1 million in FY22, with a projected contribution of \$2.1 million included in the FY26 preliminary budget. These recurring payments have placed significant pressure on unrestricted expenses, prompting ongoing strategies to reduce or eliminate the debt coverage requirement, including through debt refinancing or potential buyout of the Nest. Although debt refinancing has been unfeasible or unfavorable in the past, the University regularly consults with financing experts and will present updates on the latest developments in debt refinancing.

The University will present the final FY2026 Operating Budget at the Board's September meeting, following the Fall 2025 student census.

Roll was called and the vote was as follows:

Garcia: Yes Phillips: Yes

Meresidis: Yes Wolff: Yes

The motion carried.

Committee Recommendation Regarding University Debt Refinancing

Trustee Wolff, seconded by Trustee Phillips, moved to recommend Board approval to execute the University's debt refinancing pending confirmation that the proposed Nest financing fits into the state's overall debt financing plans and confirming that the plan meets the needs and requirements of the Illinois Board of Higher Education.

Discussion: the University currently holds four primary debts: a bond that funded the construction of the parking garage and Student Union renovations, and three Certificates of Participation (COPs), one for the purchase and subsequent implementation of the Banner ERP system, one for the construction of the El Centro location, and one for the campus-wide Energy Conservation Project, which included upgrades to heating, lighting, and water systems.

The Nest student housing facility, though not financed through a bond or COP, but rather a public-private partnership agreement, still represents a significant financial obligation for the University. The University is responsible for its debt service either indirectly through assigned housing revenues or directly through an annual occupancy contribution payment to maintain the required debt coverage ratio. This structure, part of the existing public-private partnership agreement, has placed growing pressure on the University's expenses since 2019. Continuing the current arrangement places significant limitations on the University's ability to fully control and benefit from the facility's operation.

There are three key factors making refinancing University-held debt a benefit. The Nest debt is now callable, meaning the University may refinance under more favorable terms. The Banner ERP COP is nearing maturity and will free up about \$1.1 million in annual debt service a year. Refinancing the parking garage bond that would eliminate or ease restrictive covenants currently tying the University's hands when it comes to managing the facility and the adjacent auxiliary space. Together, these actions would strengthen the University's financial position, regain control of key facilities, and start addressing critical infrastructure challenges all without increasing the annual debt load.

Presently, the University's BBB- credit rating makes debt refinancing at reasonable rates possible, but time is of the essence as interest rates, callable periods, and debt capacity are all moving targets. The University is proposing to roll the outstanding parking structure COP into a new bond that would include buying out the Nest's public-private partnership. The University would own and operate the student housing facility outright. The Nest buyout comes with the understanding that the University would keep ACC on as an operating entity for one year beyond the buyout to provide enough time to staff an in-house residence life operation.

Trustees have conditioned the recommendation on clearer understanding of whether the Nest buyout fits within the state's overall debt financing plans, that it meets the needs and requirements of the Illinois Board of Higher Education, and on any expanded input from the full Board at its upcoming June 5 meeting.

Roll was called and the vote was as follows:

Garcia: Phillips: Yes

Meresidis: Wolff: Yes

The motion carried. Trustee Meresidis left the meeting at 1:18 p.m.

Motion to Adjourn

At 1:23 p.m. Trustee Wolff, seconded by Trustee Phillips, moved to adjourn. The meeting was adjourned by acclamation.

Respectfully submitted,

J. Todd Phillips, Chair of the Board
Karl Voigt, Assistant Secretary to the Board
Approved June 5, 2025