

**ACTION ITEM: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE CTA U-PASS
CONTRACT WITH FEE INCREASE**

The current contract between Northeastern Illinois University and the Chicago Transit Authority (CTA) related to the U-Pass program expires in August 2023. The University received a new contract with updated terms and conditions that will extend the contract through August 2028. The current CTA U-Pass program provides students unlimited rides on the CTA during their full-time enrollment in a participating institution.

As part of the terms of the new U-Pass contract, the University is offered the choice of mandatory and non-mandatory programs. The University may choose to implement mandatory U-Pass program participation for all full-time students charged at \$1/day or non-mandatory (students may opt-out) programs at \$1.25/day. Regular transit fare is \$2.25. Rates are charged for 112 active days per semester per eligible participating student. The new contract also allows part-time students to participate in the program, representing an equitable change that no longer "penalizes" non full-time students. The decision to offer an opt-out option can be made at any time before the start of the semester and does not affect the contract terms. As the planning continues for Fall 2023 operations, the Student Union, Event & Conference Services (SUECS) team will be working across the University to determine whether to implement a mandatory or opt-out program for students.

Total costs for the U-Pass program vary with the number of participating students. In FY23, the University collected roughly \$895,000 in U-Pass fees and paid the CTA approximately \$890,000. In FY20, the University collected \$1,074,686 in fees and paid the CTA \$1,060,825. The U-Pass program acts as a pass-through account with any extra funding being used for program administration, primarily by student staff. The per semester, per student U-Pass fee of \$155.00 would apply equally to full and part time students opting in to the program if it is not mandatory.

The U-Pass program is a vital accessibility option to students commuting to and from classes at all University locations.

Recommended Action

I request that the Executive Committee, on behalf of and with the full knowledge of the Board of Trustees, approve the renewal of the CTA U-Pass contract through 2028, with a per student U-Pass fee of \$155.00 per semester to cover student transportation costs and administration of the U-Pass program.

**ACTION ITEM: CONSIDERATION AND APPROVAL OF BUDGET STRATEGY FOR FY2024
PRELIMINARY OPERATING BUDGET**

Summary

The University is requesting that the Board of Trustees consider the two options related to approval of the Preliminary FY2024 Operating Budget, particularly the use of reserves, if any, to increase allowable spending in FY2024. The current revenue projection for FY2024 is \$84,518,547, a slight increase over the Final FY2023 Operating Budget. This change is largely due to an anticipated increase of 7% or \$2.6 million in state appropriations. Since the University is required to balance revenues and expenditures, planned expenses cannot exceed projected revenues. The current projection of FY2024 expenses is \$89,942,779, which includes an estimated impact of agreements with UPI, MAP, AFSCME, and IUOE Local 399, as well as increases for non-negotiated employees. These projections also include funding for start-up expenses for the nursing program (\$425,000) and funding for the Afghan Transition Program (\$250,000 for FY24). The current gap between FY2024 revenue and FY2024 expenses is \$5,424,233. If the Board of Trustees does not elect to use reserves then Vice Presidents will be assigned spending targets that would collectively result in a reduction of projected spending by \$5,424,233. If the Board of Trustees elects to use reserves to increase allowable spending then the required reductions would be reduced dollar for dollar.

Overview of Traditional Budget Approval Process

Each year, the Northeastern Illinois University Board of Trustees is asked to approve the University operating budget. The budget being considered today represents preliminary estimated spending plans for the upcoming fiscal year beginning on July 1, 2023. The Board will be asked to approve the final FY2024 budget at its September 2023 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).

The Preliminary Operating Budget is intended to meet the IBHE reporting requirement.

In a traditional year, each Vice President and/or Dean is assigned a "control number" or spending target in the Spring and asked to submit a budget consistent with that spending target. There is then a period of reconciliation to ensure that, collectively, the University has achieved a preliminary balanced budget. The preliminary budget is presented annually in May or early June to the Board's Finance, Buildings and Grounds Committee where it receives a recommendation to approve by the full Board at its next regular meeting.

Overview of Current Process

The process for establishing the FY2024 preliminary operating budget began in Fall 2022 with preliminary calculations of revenue and spending for FY2024. In these initial projections there was a great deal of uncertainty, especially as it relates to the primary sources of revenue; tuition (credit hours) and state appropriations, and the primary expenses due to expiring labor contracts. Given this uncertainty, instead of releasing a single control number, each VP was asked to develop spending targets based on three potential revenue scenarios, which resulted in required reductions in spending of \$3.5 million, \$4.5 million

**ACTION ITEM: CONSIDERATION AND APPROVAL OF BUDGET STRATEGY FOR FY2024
PRELIMINARY OPERATING BUDGET**

and \$5.5 million. Once the uncertainty was resolved, the plan was to determine a final control number and ask VPs to affirm their spending plan based on the scenario closest to the final control number.

The VPs returned their spending plans for each scenario in April, but uncertainty has persisted regarding labor negotiations, enrollment projections, state appropriations and potential Board direction. As such, the final control numbers have not been released to each VP and VPs have not been able to finalize their FY2024 spending plans.

Based on the outcome of the Committee's action, we intend to set the final control number for the FY2024 Preliminary Operating Budget, ask each VP to affirm their spending plans and bring the resulting FY2024 Preliminary Operating Budget to the June 2023 Board of Trustees Meeting for approval.

Once the final control number is determined, staff will begin the process of loading the FY2024 Preliminary Operating Budget into internal systems to ensure that come July 1 (the start of the fiscal year), the University can operate from a fiscal perspective (payroll, purchasing, etc).

Recommended Action:

I request that the Executive Committee, on behalf of and with the full knowledge of the Board of Trustees approve a cogent action on the preliminary budget recommendations presented, with the knowledge that the University's desired budget strategy is to authorize use of reserves identified to be \$5,424,233 in support of preliminary projected spending for FY2024.

Discussion Regarding the FY2024 Preliminary Operating Budget

DRAFT (May 31, 2023) – *Subject to Revision, Update and Improvement*

Summary

- Operating revenue projected to increase to \$84.5m (from \$83.9m) while operating expenses projected to increase to \$89.9m (from \$83.9m). Resulting in an imbalance of \$5.4m.
 - Tuition revenue based on a credit hour enrollment of 110,500.
 - State appropriations assumed at \$39.9m. This is a 7% or \$2.6m increase over FY23 appropriations
 - Expenses include salary increases from FY23-FY24 and reversal of 1x or temporary reductions from FY23 revised/final budget.
- In March/April, VPs went through scenario-based budgeting exercise with imbalances of \$3.5m, \$4.5m and \$5.5m
- Requesting Board direction on Budget strategy for FY24, including the potential use of reserves to increase the planned or projected level of expense for FY2024.

The Operating Budget

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

	FY2022 Budget	FY2023 Preliminary Budget	FY2023 Budget
<u>Unrestricted Operating Budget</u>			
State General Funds Appropriations	\$ 35,566,900	\$ 37,345,300	\$ 37,345,300
University Income Fund - Tuition	50,780,200	47,412,000	42,172,200
University Income Fund - Tuition Differential	692,000	972,400	972,400
University Income Fund - Other*	3,188,700	1,600,000	3,450,100
<i>Unrestricted Operating Budget</i>	\$ 90,227,800	\$ 87,329,700	\$ 83,940,000
<u>Restricted Operating Budget</u>			
Student Fee Programs	\$ 9,001,100	\$ 8,412,600	\$ 8,412,600
Sales & Services	2,817,100	2,463,800	2,463,800
Auxiliary Services	3,977,900	4,056,500	4,056,500
Indirect Costs Recovery	2,138,900	1,870,600	1,870,600
Grants & Contracts-Education	600,000	600,000	600,000
State and Local Grants & Contracts	12,704,400	12,028,100	12,028,100
Federal Grants & Contracts**	32,926,000	28,926,000	28,926,000
Private Grants & Contracts	790,000	921,700	921,700
<i>Restricted Operating Budget</i>	\$ 64,955,400	\$ 59,279,300	\$ 59,279,300
Total Operating Budget	\$ 155,183,200	\$ 146,609,000	\$ 143,219,300

- Unrestricted
 - State Appropriations
 - Income Fund (tuition, tuition differential, investment income, etc.)
- Restricted
 - Student fees
 - Sales/Auxiliary Services
 - Grants, including student funds from Pell Grants
 - Budget planning process well underway.
- Today we will focus on just the “Unrestricted”
 - Funding for majority of salaries.
 - Portions of restricted are dependent on setting the Unrestricted portion.

Historical Overview of the Operating Budget

Projected Revenue	FY20	FY21	FY22	FY23 (Original)	FY23 (Revised)	FY24	Avg. Share
Tuition Revenue	\$ 52,414,800	\$ 49,989,700	\$ 51,472,200	\$ 48,384,400	\$ 43,144,600	\$ 42,559,076	55.1%
Credit Hours (Budget)	152,220	142,000	146,700	128,300	112,800	110,500	
Credit Hours (Actual)*	155,900	148,571	127,736	115,000	115,000		
State Appropriation	\$ 35,566,900	\$ 35,566,900	\$ 35,566,900	\$ 37,345,300	\$ 37,345,300	\$ 39,959,471	42.4%
Other Income	\$ 865,000	\$ 1,320,000	\$ 3,188,700	\$ 1,600,000	\$ 3,450,100	\$ 2,000,000	2.5%
Pandemic/Lost Revenue	\$ -	\$ 455,000	\$ 2,788,000	\$ 1,200,000	\$ 2,400,000	\$ -	1.3%
Investment Income	\$ 200,000	\$ 200,000	\$ 400,000	\$ 500,000	\$ 1,000,000	\$ 1,500,000	0.8%
Total Proj. Revenue	\$ 88,846,700	\$ 86,876,600	\$ 90,227,800	\$ 87,329,700	\$ 83,940,000	\$ 84,518,547	

* FY23 credit hour enrollment is an estimate and depends upon final Summer enrollment

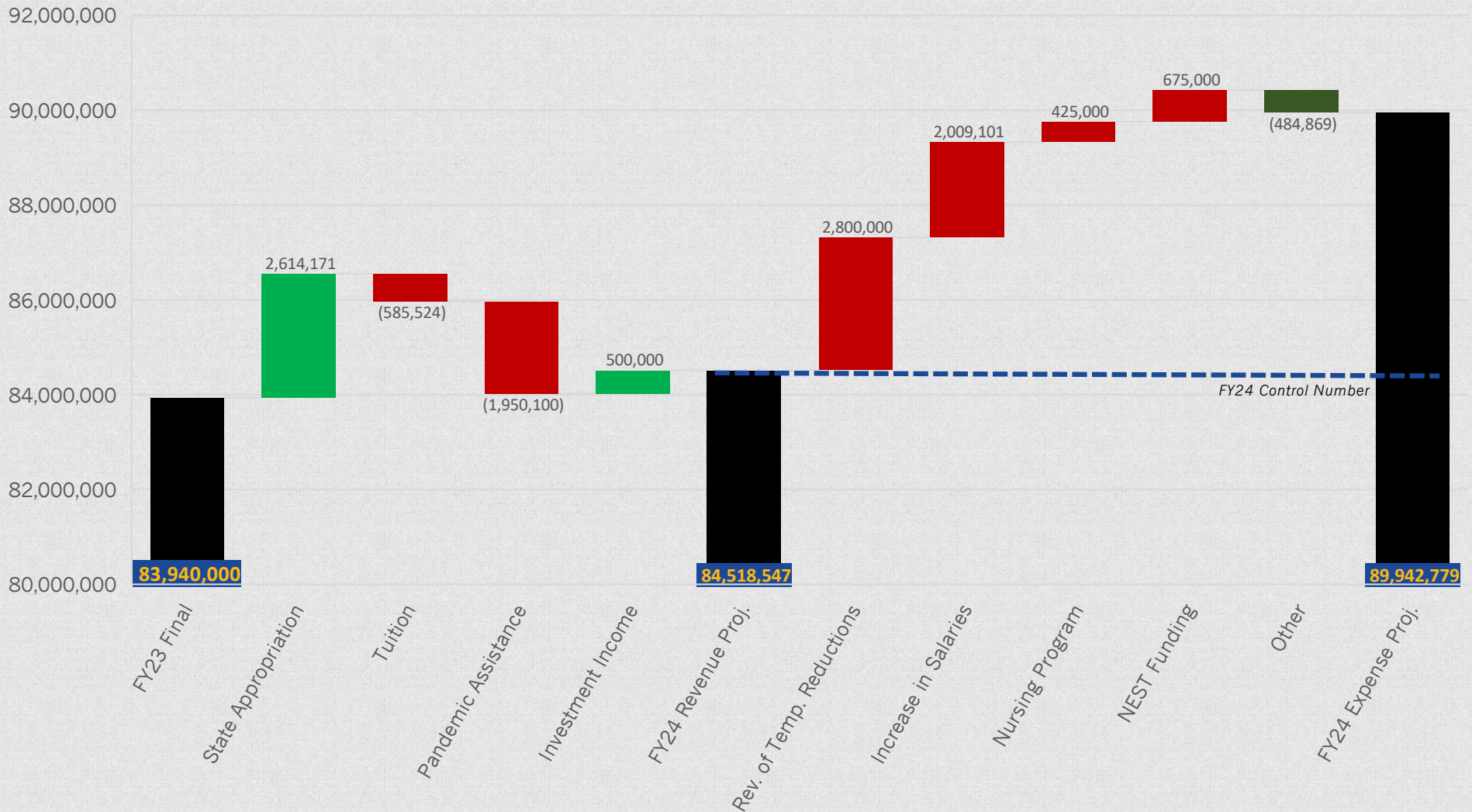
Expenses by VP Area	FY20	FY21	FY22	FY23 (Original)	FY23 (Revised)	FY24	Avg. Net Share*
General University	\$ 17,351,734	\$ 15,464,575	\$ 16,152,859	\$ 13,600,674	\$ 13,220,804	\$ 12,818,717	
President	\$ 3,815,162	\$ 3,341,651	\$ 4,054,694	\$ 3,905,552	\$ 3,671,317	\$ 4,230,645	5.2%
Finance & Admin	\$ 13,366,751	\$ 13,325,514	\$ 14,127,911	\$ 14,763,613	\$ 14,255,273	\$ 14,809,296	19.2%
Acad Affairs	\$ 45,542,143	\$ 46,147,532	\$ 46,620,710	\$ 46,074,909	\$ 44,184,086	\$ 48,823,048	63.4%
Student Affairs	\$ 2,777,583	\$ 2,679,493	\$ 2,864,641	\$ 2,733,526	\$ 2,567,526	\$ 2,744,215	3.7%
Institutional Advancement	\$ 1,269,200	\$ 1,246,376	\$ 1,322,640	\$ 1,293,442	\$ 1,214,283	\$ 1,345,186	1.8%
Enrollment Management	\$ 4,724,127	\$ 4,671,459	\$ 5,084,345	\$ 4,957,984	\$ 4,826,711	\$ 5,171,672	6.7%
Total Proj. Expense	\$ 88,846,700	\$ 86,876,600	\$ 90,227,800	\$ 87,329,700	\$ 83,940,000	\$ 89,942,779	

* Net Share is the share of expenses, less spending for General University. This is to be consistent with the proportional budgeting process.

* See Appendix A (Slide 19) for a breakdown by College.

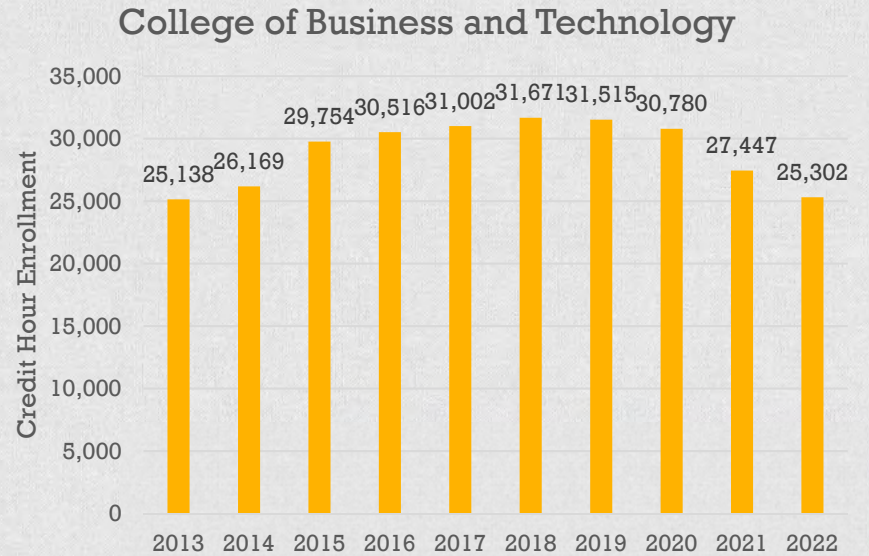
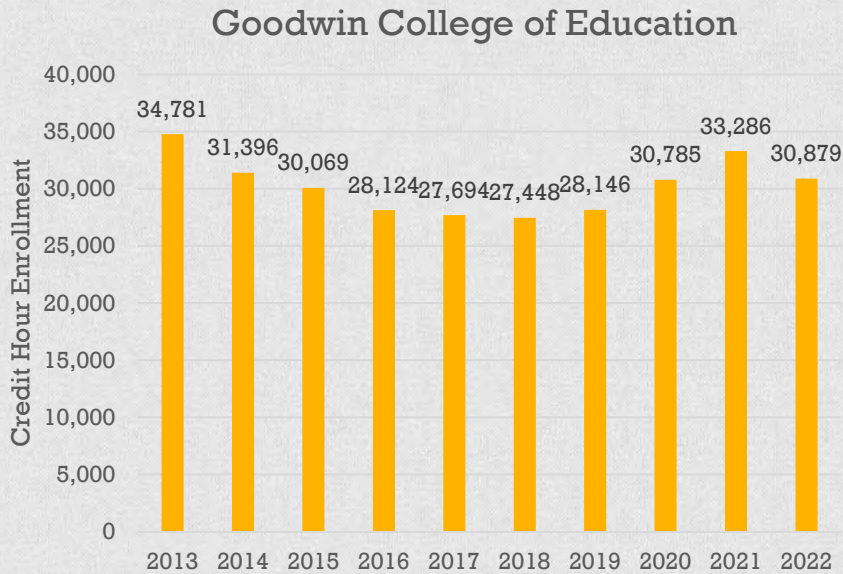
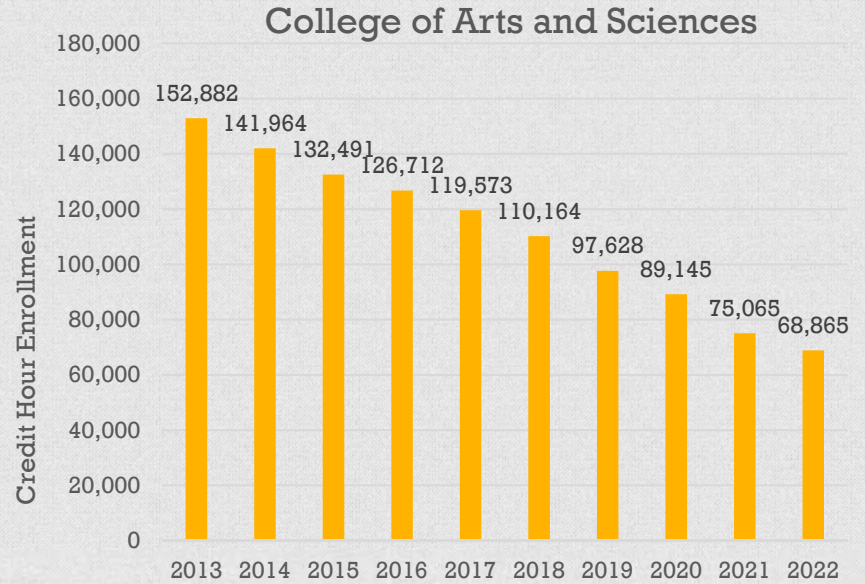
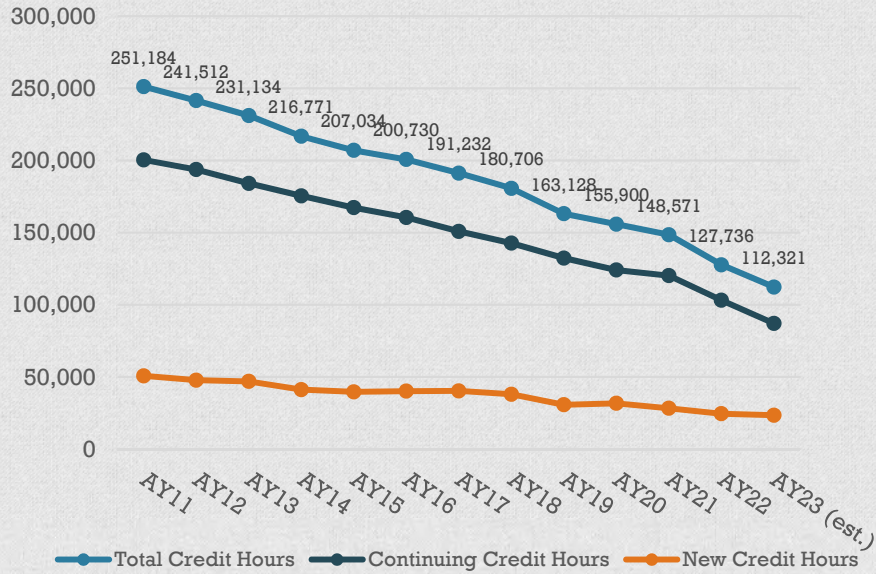


FY23 (Final/Revised) to Projected FY24 Expenses



- Totals are shown in black bars. Other values represent changes from the FY23 (Revised) budget.

Enrollment Trends



* See Appendix [] for full size graphs

Current FY24 Budget Projection

- The current projection for the preliminary operating budget is based on projections of both revenues and expenses.
- Included in these projections are
 - Best estimate of the impact of labor negotiations on bargaining or non-bargaining units for salaried employees.
 - Calculation does NOT include increases in the budget for Adjunct Pools, Instructor Pools or Summer Instruction. Budgeted amounts remained flat to levels included in FY23 budget
 - Distribution of holding amounts previously held in the “General University” account to fund increases (to the extent possible).
 - State appropriations at \$39.9m. This is a 7% or \$2.6m increase over FY23 appropriations.
 - Each 1% increase is worth about \$375,000.
 - Funding for the start-up cost for the Nursing program (\$425,000)
 - \$250,000 in funding from the special appropriation for the Afghan Transition Program
 - Enrollment management has been held harmless (no budget reduction).
- *See the “Estimating FY24 Revenue” and “Estimating FY24 Expense slides in Appendix A for additional details*
- *See, “Proportional Allocation” in Appendix A for additional details on the process used to assign spending targets (control numbers).*

Current FY24 Budget Projection

Office of University Budgets
FY2024 Preliminary Operating Budget

Credit Hours 110,500

FY24 Rev. Proj.

\$84,518,547

FY24 Exp. Proj.

\$89,942,779

VP Area	FY22	FY23 (Original)*	% net share ⁺	FY23 (Revised)
General University	\$ 16,152,859	\$ 13,600,674	NA	\$ 13,220,804
President	\$ 4,054,694	\$ 3,905,552	5.3%	\$ 3,671,317
Finance & Admin	\$ 14,127,911	\$ 14,763,613	20.0%	\$ 14,255,273
Acad Affairs***	\$ 46,620,710	\$ 46,074,909	62.5%	\$ 44,184,086
Student Affairs	\$ 2,864,641	\$ 2,733,526	3.7%	\$ 2,567,526
Institutional Advancement	\$ 1,322,640	\$ 1,293,442	1.8%	\$ 1,214,283
Enrollment Management**	\$ 5,084,345	\$ 4,957,984	6.7%	\$ 4,826,711
Grand Total	\$ 90,227,800	\$ 87,329,700		\$ 83,940,000

Academic Areas	FY22	FY23 (Original)*	% share ⁺	FY23 (Revised)
Academic Affairs Provost	\$ 6,767,660	\$ 6,359,371	13.8%	\$ 5,599,592
College of Arts and Sciences	\$ 21,120,819	\$ 20,651,446	44.8%	\$ 20,268,861
College of Education***	\$ 8,322,204	\$ 8,477,577	18.4%	\$ 8,293,672
Learning Support Center	\$ 292,870	\$ 295,034	0.6%	\$ 266,057
Graduate College	\$ 807,683	\$ 806,558	1.8%	\$ 687,967
Library	\$ 2,175,909	\$ 2,227,702	4.8%	\$ 2,227,702
College of Business and Tech.	\$ 7,133,565	\$ 7,257,221	15.8%	\$ 6,840,235
Total, Academic Affairs	\$ 46,620,710	\$ 46,074,909		\$ 44,184,086

FY24 Spending Target (Control Number)	%Δ from FY23	% net share ⁺	FY24 Proj. Expenses	Req. Reduction
\$ 12,818,717	-3.0%	NA	\$ 12,818,717	\$ -
\$ 3,726,265	1.5%	5.2%	\$ 4,230,645	\$ (504,380)
\$ 14,181,720	-0.5%	19.8%	\$ 14,809,296	\$ (627,575)
\$ 44,769,034	1.3%	62.4%	\$ 48,823,048	\$ (4,054,015)
\$ 2,611,122	1.7%	3.6%	\$ 2,744,215	\$ (133,094)
\$ 1,240,016	2.1%	1.7%	\$ 1,345,186	\$ (105,169)
\$ 5,171,672	7.1%	7.2%	\$ 5,171,672	\$ -
\$ 84,518,547	0.7%		\$ 89,942,779	\$ (5,424,233)

FY24 Spending Target (Control Number)	%Δ from FY23 Revised	% share ⁺	FY24 Proj. Expenses	Req. Reduction
\$ 5,942,412	6.1%	13.3%	\$ 6,592,617	\$ (650,205)
\$ 20,008,265	-1.3%	44.7%	\$ 22,034,264	\$ (2,025,999)
\$ 8,613,253	3.9%	19.2%	\$ 9,314,517	\$ (701,264)
\$ 278,979	4.9%	0.6%	\$ 303,934	\$ (24,954)
\$ 770,826	12.0%	1.7%	\$ 874,134	\$ (103,309)
\$ 2,135,162	-4.2%	4.8%	\$ 2,359,918	\$ (224,755)
\$ 7,020,136	2.6%	15.7%	\$ 7,343,664	\$ (323,528)
\$ 44,769,034	1.3%		\$ 48,823,048	\$ (4,054,015)

* Values adjusted to reflect reassignment of the Center for Diversity Intercultural Aff and Cultural Events areas.

** Per direction for state legislators, board members and the President, Enrollment Mgmt is being held harmless.

*** Funding includes additional funding for the Nursing Program, which is expected to launch in Fall 2024.

⁺ % Net Share: The % share is calculated net of spending for General University due to the proportional process used in assigning Control Numbers (or Spending Targets).

NOTE: This calculation does not include increases in the cost of Adjunct Pools, Instructor Pools or Summer Instruction. Budget lines remained at the levels in the latest FY24 budget.



Budget Worksheets

- Each Vice President and/or Dean was assigned a “Control Number” (spending target) for three different budget scenarios (\$3.5m, \$4.5m and \$5.5m).
- Vice Presidents were not given any direction on how to meet their assigned target but were required to submit a plan for each of the three scenarios, including the ability to submit notes and comments on the potential impacts.
- This exercise occurred before the conclusion of recent labor negotiations across several bargaining units and reflected our estimate of a likely outcome.
 - Our estimate understated the likely cost of labor negotiations.
- The Dean’s in Academic Affairs were given additional guidance on how to meet their control number from the Provost
 - “The college deans have several approaches they may use to cut expenses in their units, including but not limited to:
 - Strategic management reorganization that results in fewer department chairs
 - Reduction in the number of course sections offered with the goal of obtaining a 15:1 faculty-student ratio by program
 - Re-evaluation of department chair contracts (length and workload assignment)
 - “At this time, Deans may not consider furloughs or lay-offs as part of this budget exercise.”
 - See, *Information Item: Academic Affairs Restructure Update (March 16, 2023) ASAET Committee Meeting*

How Targets Achieved

- The table summarizes the budget changes for each expense account.

Expense Account	FY24 - Projected Expense	FY2024 (\$3.5 Scenario)	FY2024 (\$4.5 Scenario)	FY2024 (\$5.5 Scenario)	% of Proj. Exp. (\$5.5M)	Share of Proj. Exp.	Share of Reductions	diff.	Vacant or Empty Positions	Pooled Funding
Adm & Oth Prof	12,302,718	(603,021)	(723,126)	(787,997)	-6.4%	14%	15%	-1%	(622,720)	0
Civil Service	19,609,884	(873,412)	(1,021,433)	(1,155,370)	-5.9%	22%	22%	0%	(739,584)	0
Chair	3,321,663	(434,578)	(434,578)	(551,440)	-16.6%	4%	10%	-7%	(220,199)	0
Teaching Prof	18,915,264	(352,873)	(392,841)	(489,617)	-2.6%	21%	9%	12%	(259,688)	0
Resource Prof	602,603	(82,189)	(82,189)	(82,189)	-13.6%	1%	2%	-1%	0	0
Instructor	7,853,456	(425,279)	(801,737)	(935,395)	-11.9%	9%	18%	-9%	(52,438)	(824,879)
Adjuncts	2,979,079	(449,459)	(543,361)	(652,024)	-21.9%	3%	12%	-9%	0	0
Acad Supp Prof	1,111,117	0	0	0	0.0%	1%	0%	1%	0	0
CS Extra Help	120,388	(1,437)	(20,740)	(18,983)	-15.8%	0%	0%	0%	0	(18,983)
Student Help	578,478	(56,617)	(67,066)	(71,353)	-12.3%	1%	1%	-1%	0	(71,353)
Grad Assistants	368,986	(14,911)	(23,365)	(34,739)	-9.4%	0%	1%	0%	0	(11,335)
Pension Reimbursement	50,000	0	0	0	0.0%	0%	0%	0%	0	0
FICA Employer	1,005,000	0	0	0	0.0%	1%	0%	1%	0	0
Health Insr Resv Fund	1,072,600	0	0	0	0.0%	1%	0%	1%	0	0
Operation of Auto	20,935	0	0	0	0.0%	0%	0%	0%	0	0
Housing Allowance	35,000	0	0	0	0.0%	0%	0%	0%	0	0
Awards & Grants	1,299,000	0	0	0	0.0%	1%	0%	1%	0	0
Debt Service	2,277,000	0	0	0	0.0%	3%	0%	3%	0	0
Telecommunications	176,422	0	0	0	0.0%	0%	0%	0%	0	0
Permanent Improvements	25,000	0	0	0	0.0%	0%	0%	0%	0	0
Contractual Services	13,369,920	44,095	46,571	14,112	0.1%	15%	0%	15%	0	0
Travel	180,161	(37,262)	(38,762)	(39,262)	-21.8%	0%	1%	-1%	0	0
Commodities	819,275	(29,714)	(30,757)	(41,385)	-5.1%	1%	1%	0%	0	0
Equipment	846,910	(353,088)	(391,793)	(428,342)	-50.6%	1%	8%	-7%	0	0
Total	88,940,858	(3,669,745)	(4,525,177)	(5,273,983)	-5.9%				(1,894,629)	(926,550)

* These calculations are for the \$5.5m scenario

- See Appendix C for additional details on the proposed budget reductions

Alternative FY24 Scenarios

- The next slide includes three alternative budget projections for FY2024.
- In these scenarios the budget deficit is lowered to either \$3.5m, \$4.0m or \$4.5m through the utilization of reserves.
- To account for a potential utilization of reserves, expenses are reduced in the General University account. The impact of this approach is to allocate additional spending proportionally across areas.

Office of University Budgets
FY2024 Preliminary Operating Budget

FY24 Exp. Proj.	FY24 Rev. Proj.	Reserve Dist.
\$89,942,779	\$84,518,547	\$0

FY24 Exp. Proj.	Reserve Dist.
\$89,018,547	\$924,233

FY24 Exp. Proj.	Reserve Dist.
\$88,518,547	\$1,424,233

FY24 Exp. Proj.	Reserve Dist.
\$88,018,547	\$1,924,233

VP Area	FY24	Control # Targets	Target - Proj. FY24
General University	\$ 12,818,717	\$ 12,818,717	\$ -
President	\$ 4,230,645	\$ 3,726,265	\$ (504,380)
Finance & Admin	\$ 14,809,296	\$ 14,181,720	\$ (627,575)
Acad Affairs***	\$ 48,823,048	\$ 44,769,034	\$ (4,054,015)
Student Affairs	\$ 2,744,215	\$ 2,611,122	\$ (133,094)
Institutional Advancement	\$ 1,345,186	\$ 1,240,016	\$ (105,169)
Enrollment Management**	\$ 5,171,672	\$ 5,171,672	\$ -
Grand Total	\$ 89,942,779	\$ 84,518,547	\$ (5,424,233)
Non-General University	\$ 77,124,062	\$ 71,699,830	
Differential Tuition	\$ 684,675	\$ 684,675	
Nursing Program	\$ 425,000	\$ 425,000	
Non-General University, less Diff. Tuition	\$ 76,014,388	\$ 70,590,155	\$ (5,424,233)

FY24	Target - Proj. FY24
\$ 11,894,484	\$ -
\$ 4,230,645	\$ (451,334)
\$ 14,809,296	\$ (427,054)
\$ 48,823,048	\$ (3,438,044)
\$ 2,744,215	\$ (95,967)
\$ 1,345,186	\$ (87,602)
\$ 5,171,672	\$ -
\$ 89,018,547	\$ (4,500,000)
\$ 77,124,062	
\$ 684,675	
\$ 425,000	
\$ 76,014,388	

FY24	Target - Proj. FY24
\$ 11,394,484	\$ -
\$ 4,230,645	\$ (422,637)
\$ 14,809,296	\$ (318,574)
\$ 48,823,048	\$ (3,104,811)
\$ 2,744,215	\$ (75,881)
\$ 1,345,186	\$ (78,098)
\$ 5,171,672	\$ -
\$ 88,518,547	\$ (4,000,000)
\$ 77,124,062	
\$ 684,675	
\$ 425,000	
\$ 76,014,388	

FY24	Target - Proj. FY24
\$ 10,894,484	\$ -
\$ 4,230,645	\$ (393,940)
\$ 14,809,296	\$ (210,094)
\$ 48,823,048	\$ (2,771,577)
\$ 2,744,215	\$ (55,796)
\$ 1,345,186	\$ (68,594)
\$ 5,171,672	\$ -
\$ 88,018,547	\$ (3,500,000)
\$ 77,124,062	
\$ 684,675	
\$ 425,000	
\$ 76,014,388	

Academic Areas	FY24	Control # Targets	Target - Proj. FY24
Academic Affairs Provost	\$ 6,592,617	\$ 5,942,412	\$ (650,205)
College of Arts and Sciences	\$ 22,034,264	\$ 20,008,265	\$ (2,025,999)
College of Education***	\$ 9,314,517	\$ 8,613,253	\$ (701,264)
Learning Support Center	\$ 303,934	\$ 278,979	\$ (24,954)
Graduate College	\$ 874,134	\$ 770,826	\$ (103,309)
Library	\$ 2,359,918	\$ 2,135,162	\$ (224,755)
College of Business and Tech.	\$ 7,343,664	\$ 7,020,136	\$ (323,528)
	\$ 48,823,048	\$ 44,769,034	\$ (4,054,015)
AA Share of Differential	\$ 205,402	\$ 205,402	
CBT Share of Differential	\$ 479,272	\$ 479,272	
Total, Less Differential	\$ 48,138,374	\$ 44,084,359	\$ (4,054,015)

FY24	Target - Proj. FY24
\$ 6,592,617	\$ (372,086)
\$ 22,034,264	\$ (1,848,053)
\$ 9,314,517	\$ (628,216)
\$ 303,934	\$ (22,412)
\$ 874,134	\$ (96,359)
\$ 2,359,918	\$ (205,560)
\$ 7,343,664	\$ (265,359)
\$ 48,823,048	\$ (3,438,044)
\$ 205,402	
\$ 479,272	
\$ 48,138,374	

FY24	Target - Proj. FY24
\$ 6,592,617	\$ (325,444)
\$ 22,034,264	\$ (1,697,105)
\$ 9,314,517	\$ (566,251)
\$ 303,934	\$ (20,256)
\$ 874,134	\$ (90,463)
\$ 2,359,918	\$ (189,277)
\$ 7,343,664	\$ (216,015)
\$ 48,823,048	\$ (3,104,811)
\$ 205,402	
\$ 479,272	
\$ 48,138,374	

FY24	Target - Proj. FY24
\$ 6,592,617	\$ (278,801)
\$ 22,034,264	\$ (1,546,158)
\$ 9,314,517	\$ (504,286)
\$ 303,934	\$ (18,099)
\$ 874,134	\$ (84,568)
\$ 2,359,918	\$ (172,994)
\$ 7,343,664	\$ (166,671)
\$ 48,823,048	\$ (2,771,577)
\$ 205,402	
\$ 479,272	
\$ 48,138,374	

* Values adjusted to reflect reassignment of the Center for Diversity Intercultural Aff and Cultural Events areas.

** Per direction for state legislators, board members and the President, Enrollment Mgmt is being held harmless.

*** Funding includes additional funding for the Nursing Program, which is expected to launch in Fall 2024.

NOTE: This calculation does not include increases in the cost of Adjunct Pools, Instructor Pools or Summer Instruction. Budget lines remained at the levels in the latest FY24 budget.

What are financial reserves?

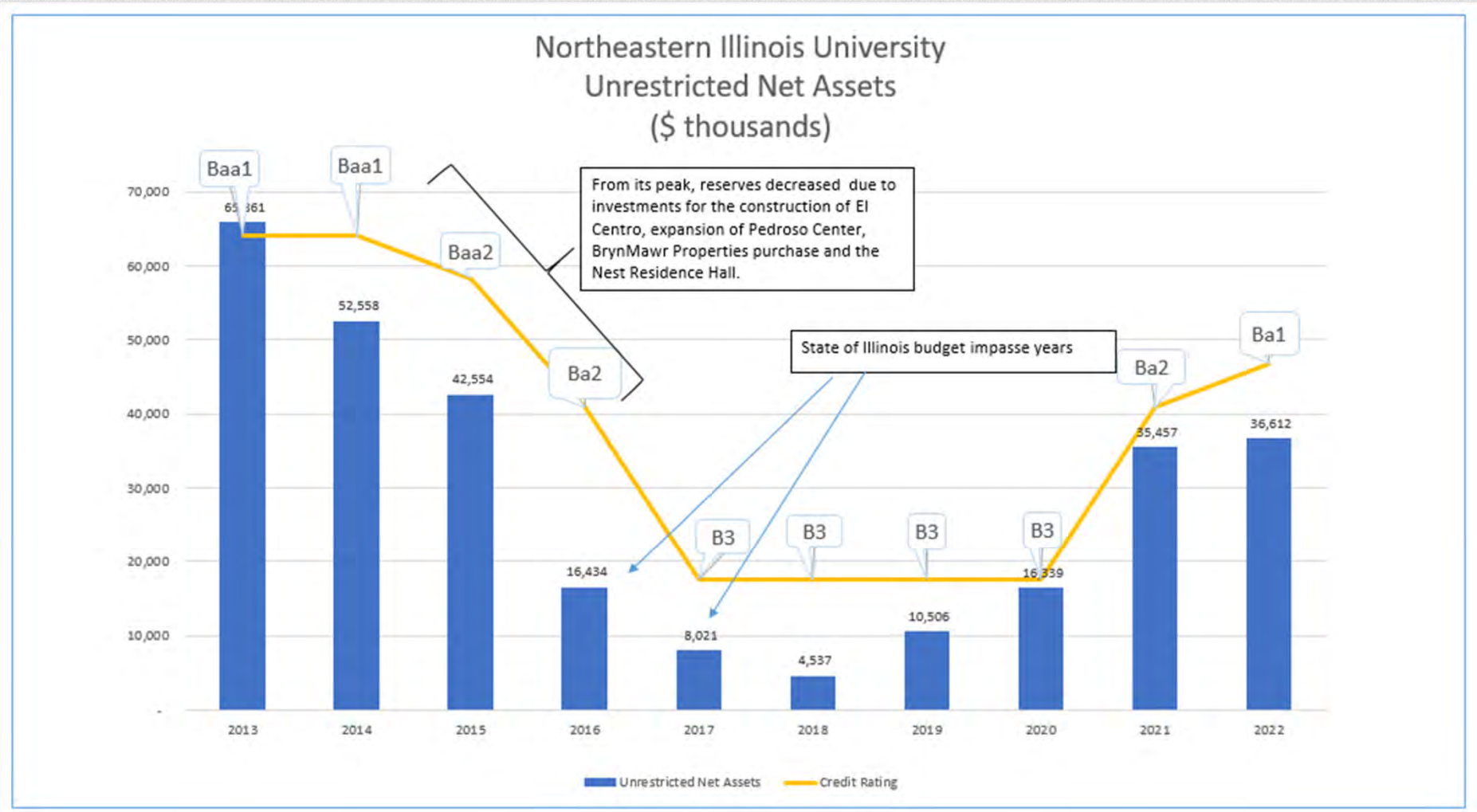
- Accumulated surpluses year over year (net earnings over expenditures)
- These surpluses are used for non-recurring expenses that will position the University for growth and expansion
- Financial reserve balances are very useful in determining the financial health of the University and have a great impact on credit rating
- Investment income goes into the operating fund but does not directly increase the reserve balance.
 - Reserve balance only increases through surpluses (revenue > expenses).

What are the Reserves for?

Reserves	Amount	Description
Income (State) Fund	11,036,497	Student Tuition funding
Student Fee Programs	10,993,503	Reserves for Student Mandatory Fee funding (Student Activities, Performing Arts, Technology Initiatives, Academic Enhancement, Library, Health Service, U-pass, Green Fee)
Strategic Planning Development Fund	5,023,780	Reserves for President's Strategic Initiatives
NEIU for You	3,056,734	Reserves for NEIU for You Scholarship program
Service Departments	2,124,628	Reserves for Cogeneration, Utility Infrastructure, Vehicle Svs, Telecom, Mailroom, Copier Svs, Risk Mgnt
Auxiliary Enterprises	1,193,075	Reserves for Student Union Svs, Parking Lot Admin, Vending, Bookstore, Child Care Center, Campus Improvement Fee
Indirect Cost Fund	855,905	Reserves for Indirect cost recovered from grant funding
Educational Contracts & Services	778,348	Reserves for CPS Bilingual/ESL Endorsement, Reading Center, Intensive English programs
Course Fees Fund	565,477	Reserves for funding derived from Course Fees
Student and Staff Services	492,524	Reserves for funding derived from Transcript fees, Application Fees, Library, Greenhouse, Orientation and Staff Community Recreation
Public Service Activities	459,544	Reserves for Space Rentals, Community Music programs, University Box Office, Veteran Services, etc
Plant and Capital Fund Reserves	31,914	Reserves for Plant and Capital Fund Reserves
Grand Total	36,611,929	

- Although the reserves listed above are considered “unrestricted” from a GASB accounting principle standpoint, the reserves highlighted in yellow are considered separate self-supporting accounting entities by the State of Illinois Legislative Audit Commission’s (LAC) and are subject to the LAC [guidelines](#). Subsidies between accounting entities are prohibited under the LAC guidelines and fund balances are reserved for expenses associated with the revenue generation.

NEIU's Unrestricted Reserves vs Credit Rating History



Appendix A: Background Information & Historical Data

Traditional Budget Timeline

- Fall 2022: Request Budget Approved by Board of Trustees
 - Informs NEIU's request for funding to the State
 - Expense-based: Maintenance plus Strategic Changes
- Spring 2023: Preliminary Budget
 - Revenue-driven: Balances spending with forecast revenues
 - Establishes expenditure targets ("control numbers") for Vice Presidential areas
 - Presented to FBG/BOT in March/April as Information Item
 - Presented to FBG/BOT in May/June as Action Item for approval
- Reconciliation Period
 - Vice Presidents work with financial managers to meet expenditure targets
 - Budget office loads expenditure plan by July 1 for FY2024
- BOT approves final budget August/September
 - If necessary, adjustment can be made to reflect new information on state appropriation and Fall enrollment.

Due to a variety of factors, the preliminary budget has not been presented to the BOT and final control numbers have not been established.

- **Unresolved factors include state appropriation, potential use of reserves and Fall 2023 Enrollment**

Revised Approval Schedule for the FY24 Preliminary Operating Budget

Date(s):	Milestone	Description
3/20/2023	Distribution of preliminary Internal Budget Worksheets	These worksheets will be distributed to each VP/Dean for review and consideration. Once completed, the worksheets will identify how each area would meet their Control Number target and discuss the likely impact of any required budget reductions.
4/4/2023	Return of preliminary budget worksheets	Preliminary budget worksheets should be completed and returned.
4/5/2023	Discussion and Review of Worksheets	The cabinet will meet to discuss and review the completed preliminary budget worksheets.
4/12/2023	Finalize Enrollment Projection for FY2024 Preliminary Operating Budget	The Budget Office and Enrollment Management to determine the most likely enrollment projection for FY2024. Enrollment Management to validate projections and assumptions for new and continuing enrollment.
4/19/2023	Approval of FY24 Control Numbers	Based on the finalized enrollment projection, feedback and discussion arising from the preliminary budget worksheets and any changes, the control number for FY24 will be set. This control will serve as the basis for the FY24 Preliminary Operating Budget to be presented and approved by the Board of Trustees.
4/19/2023	Distribution of final Internal Budget Worksheets	The Budget Office will distribute updated budget worksheets that correspond to the approved FY24 control numbers.
Due to labor negotiations, uncertainty on State appropriation and potential Board direction, the distribution of final control numbers has been suspended		
On-Going	Update and Refine FY24 Preliminary Budget	Budget Office continues to update and refine estimates of revenues and expenses for FY24, evaluate current budget requests relative to spending and needs and incorporate changes required or allowed due to Workday.
5/31/2023	Scheduled Adjournment of the Illinois Legislative Session	
5/31/2023	Executive Committee Meeting	Present current scenarios to the Executive Committee for direction on budget deficit for FY24 Committee to provide direction on budget strategy for FY24
6/1/2023	Validate Prior Control Number Submissions	The Budget Office will distribute budget worksheets and ask VP areas and Dean's to validate their prior submissions for the Final Control number based on the Executive Committee's direction.
6/9/2023	Final Budget Submissions	VP and unit heads submissions of final internal budget worksheets due by end of day.
6/14/2023	Approval of FY2024 Preliminary Operating Budget (Cabinet)	VP and unit heads will be asked to present the budget adjustments required to meet their control number targets. These adjustments must result in a balanced budget and the FY24 Preliminary Operating Budget is to be approved by the cabinet.
6/12 - 7/1	Implement and Load FY24 Budget	Budget Office staff will work various department's and area's to finalize and upload the budget by July 1, including integration with Workday and the implementation of the commitment accounting module.

Historical Overview of the Operating Budget

Expenses by College Within A.A.	FY20	FY21	FY22	FY23 (Original)	FY23 (Revised)	FY24	Avg. Net Share*
Academic Affairs Provost	\$ 8,450,076	\$ 7,174,703	\$ 6,767,660	\$ 6,359,371	\$ 5,599,592	\$ 6,592,617	9.5%
College of Arts and Sciences	\$ 20,111,644	\$ 20,891,108	\$ 21,120,819	\$ 20,651,446	\$ 20,268,861	\$ 22,034,264	28.6%
College of Education	\$ 7,266,462	\$ 7,874,819	\$ 8,322,204	\$ 8,477,577	\$ 8,293,672	\$ 9,314,517	11.2%
Learning Support Center	\$ 437,903	\$ 353,652	\$ 292,870	\$ 295,034	\$ 266,057	\$ 303,934	0.5%
Graduate College	\$ 833,035	\$ 791,155	\$ 807,683	\$ 806,558	\$ 687,967	\$ 874,134	1.1%
Library	\$ 2,546,827	\$ 2,139,529	\$ 2,175,909	\$ 2,227,702	\$ 2,227,702	\$ 2,359,918	3.1%
College of Business and Tech.	\$ 5,896,196	\$ 6,922,566	\$ 7,133,565	\$ 7,257,221	\$ 6,840,235	\$ 7,343,664	9.4%
Total Proj. Expense	\$ 45,542,143	\$ 46,147,532	\$ 46,620,710	\$ 46,074,909	\$ 44,184,086	\$ 48,823,048	

* Net Share is the share of expenses, less spending for General University. This is to be consistent with the proportional budgeting process. The Original FY23 budget is excluded.

Avg Net Share by College Within A.A.	FY20	FY21	FY22	FY23 (Original)	FY23 (Revised)	FY24	Avg. Net Share*
Academic Affairs Provost	11.8%	10.0%	9.1%	8.6%	7.9%	8.5%	9.5%
College of Arts and Sciences	28.1%	29.3%	28.5%	28.0%	28.7%	28.6%	28.6%
College of Education	10.2%	11.0%	11.2%	11.5%	11.7%	12.1%	11.2%
Learning Support Center	0.6%	0.5%	0.4%	0.4%	0.4%	0.4%	0.5%
Graduate College	1.2%	1.1%	1.1%	1.1%	1.0%	1.1%	1.1%
Library	3.6%	3.0%	2.9%	3.0%	3.2%	3.1%	3.1%
College of Business and Tech.	8.2%	9.7%	9.6%	9.8%	9.7%	9.5%	9.4%
Acad. Affairs	63.7%	64.6%	62.9%	62.5%	62.5%	63.3%	63.4%

Proportional Allocation

Office of University Budgets
Preliminary Control Number for FY2024

Credit Hours	Rev. Proj.	Exp. Proj.
110,500	\$84,518,547	\$89,942,779

VP Area	FY23 (Original)*	% share ⁺	FY24 % Allocation
General University	\$ 13,600,674		0.0%
President	\$ 3,905,552	5.3%	5.7%
Finance & Admin	\$ 14,763,613	20.2%	21.7%
Acad Affairs	\$ 46,074,909	63.1%	66.6%
Student Affairs	\$ 2,733,526	3.7%	4.0%
Institutional Advancement	\$ 1,293,442	1.8%	1.9%
Enrollment Management	\$ 4,957,984	6.8%	0.0%
Grand Total	\$ 87,329,700		100%

Allocation	Reservations	Control # Targets	FY24	Req. Reductions	% share ⁺
\$ -	\$ 12,818,717	\$ 12,818,717	\$ 12,818,717	\$ -	
\$ 3,647,820	\$ 78,445	\$ 3,726,265	\$ 4,230,645	\$ (504,380)	5.2%
\$ 13,789,344	\$ 392,376	\$ 14,181,720	\$ 14,809,296	\$ (627,575)	19.8%
\$ 42,358,708	\$ 2,410,326	\$ 44,769,034	\$ 48,823,048	\$ (4,054,015)	62.4%
\$ 2,553,137	\$ 57,984	\$ 2,611,122	\$ 2,744,215	\$ (133,094)	3.6%
\$ 1,208,086	\$ 31,930	\$ 1,240,016	\$ 1,345,186	\$ (105,169)	1.7%
\$ -	\$ 5,171,672	\$ 5,171,672	\$ 5,171,672	\$ -	7.2%
\$ 63,557,095	\$ 20,961,451	\$ 84,518,547	\$ 89,942,779	\$ (5,424,233)	

Calculation of Unreserved Amounts	FY23 (Original)
Total Expected Revenue	\$ 87,329,700
(-) General University	(13,600,674)
(-) Differential Tuition	(723,400)
(-) Nursing Program	0
(-) Enrollment Management	(4,957,984)
Amount to Allocate to Control #	\$ 68,047,642

Category	Description
\$ 84,518,547	
(14,680,104)	\$1.8 million previously allocated to cover salary increases released
(684,675)	Academic Affairs
(425,000)	Academic Affairs
(5,171,672)	Enrollment Management
\$ 63,557,095	

Estimating FY24 Revenue

The current revenue projection of \$84,426,668 is based on the following assumptions:

- Increase in tuition (per credit hour), relative to FY23.
 - 2.5% Undergraduate, 5% Graduate.
- Total projected credit hours = 110,500
 - This is a decrease of 2,300 credit hours or 2% from the final FY23 projection.
- 12% Allowance for Tuition Waivers/Bad Debt
 - Tuition Revenue is Net of this allowance
 - Tuition Revenue = $(1-12\%) * (\text{Credit Hours}) * (\text{per CH tuition})$
- Increased state appropriation of 7% or \$2.6 million
 - Increase from \$37,345,300 to \$39,959,471
- Total “Other” Income of \$2 million
 - \$1.5 million of interest income, 500,000 from other sources

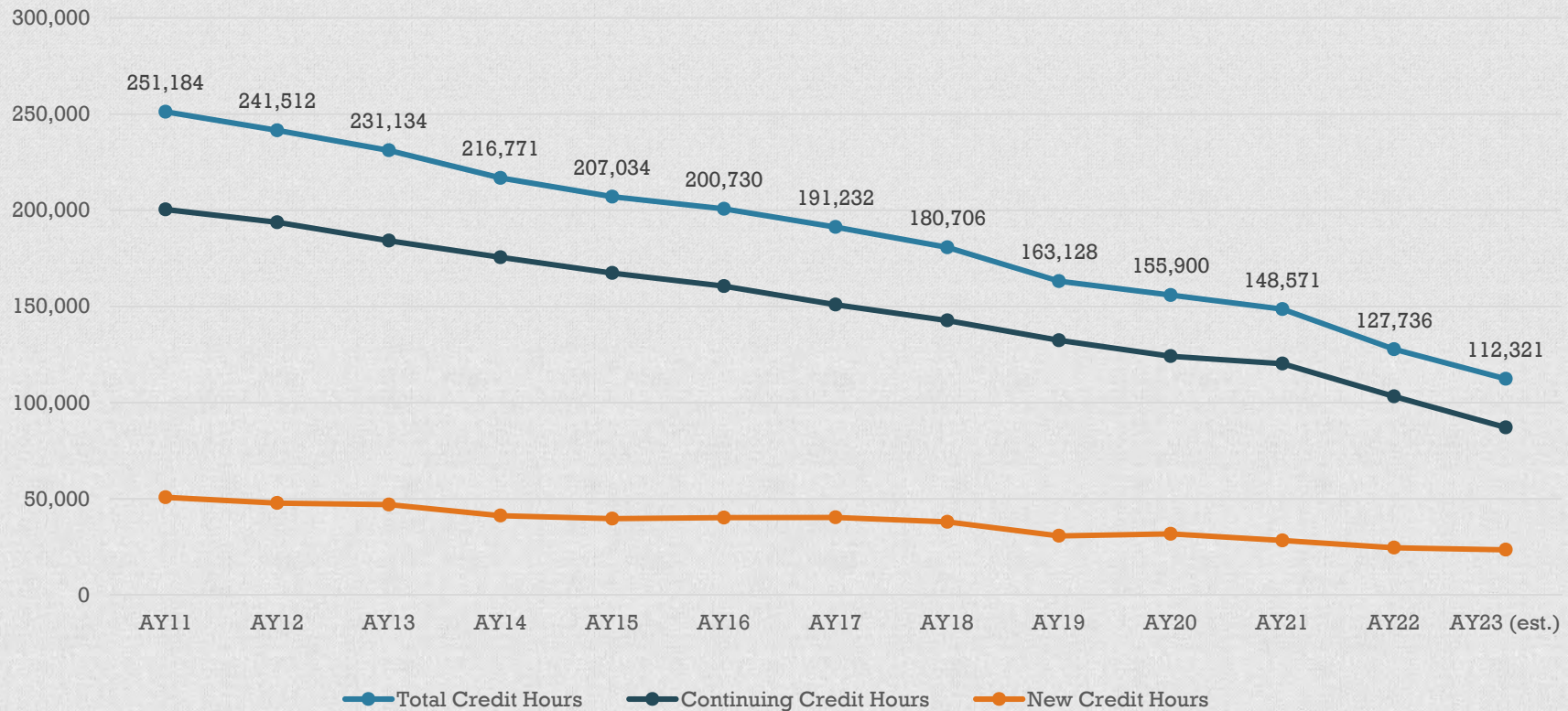
Estimating FY24 Expenses

- FY24 Expenses are currently projected at \$90,067,779.
 - This is an increase of \$2.7 million from the preliminary FY23 budget (\$87.3 million) and an increase of \$6.1 million from the revised/final FY23 budget (\$83.9 million).
- Generally, budget amounts from FY23 are carried forward to FY2024.
 - Exception is permanent changes and/or position eliminations.
 - Salaries are adjusted for known or anticipated increases, including bargaining outcomes.
 - Included is the reversal of approximately \$3 million of one-time or temporary changes from the revised FY23 budget.

Addition Assumptions:

- Salary salvage pool of \$2,000,000
 - *see Salary Salvage slides in Appendix A for additional details*
- NEST Occupancy Contribution est. \$2,975,000
- Funding for Nursing Program of \$425,000

Student Credit Hours FY2011-2023



* Credit hour enrollment based on enrollment on the census date

College of Arts and Sciences

Credit Hour Enrollment by FY

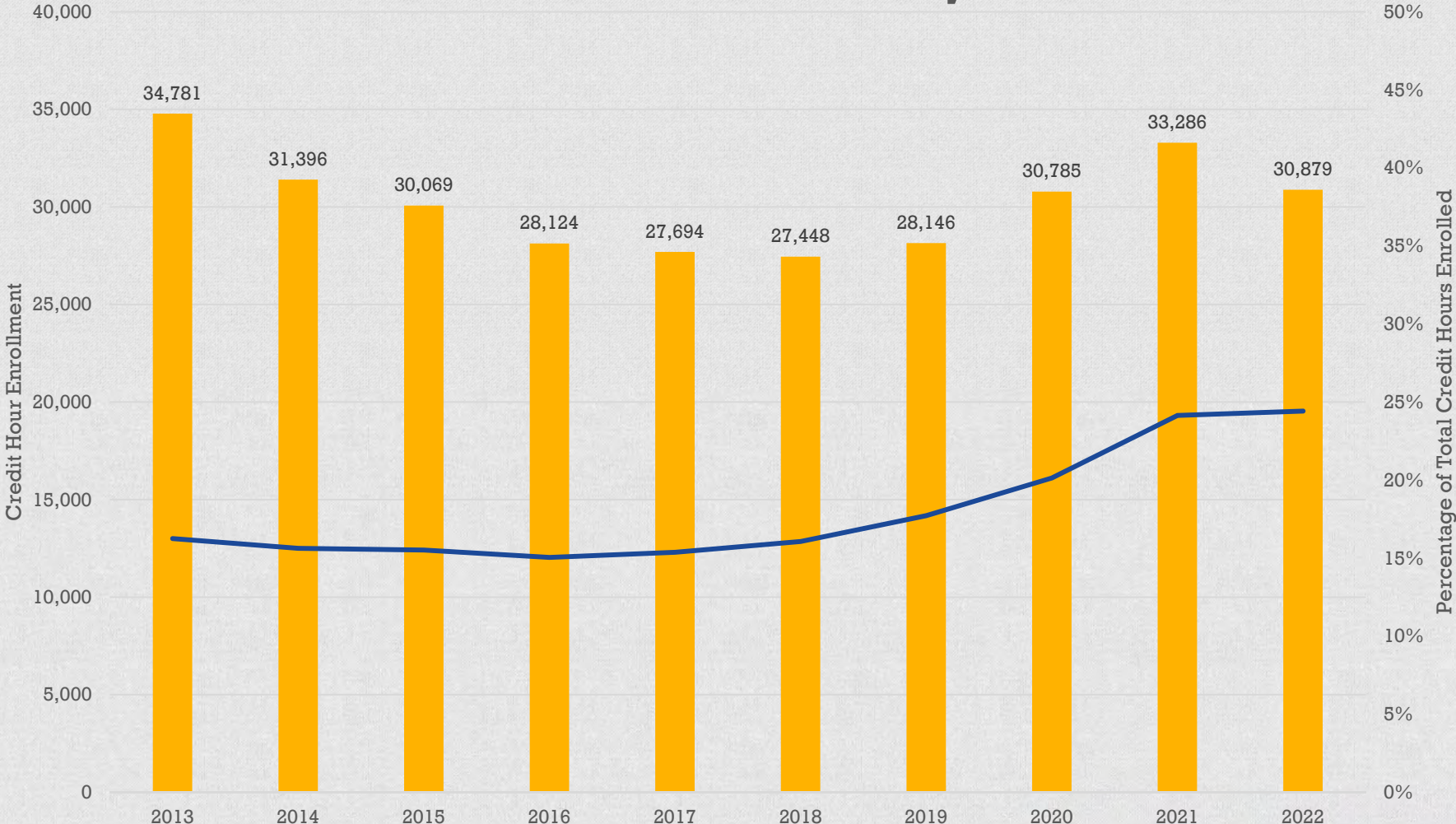


* Credit hour enrollment based on credit hours and enrollments posted to CLSS



Goodwin College of Education

Credit Hour Enrollment by FY

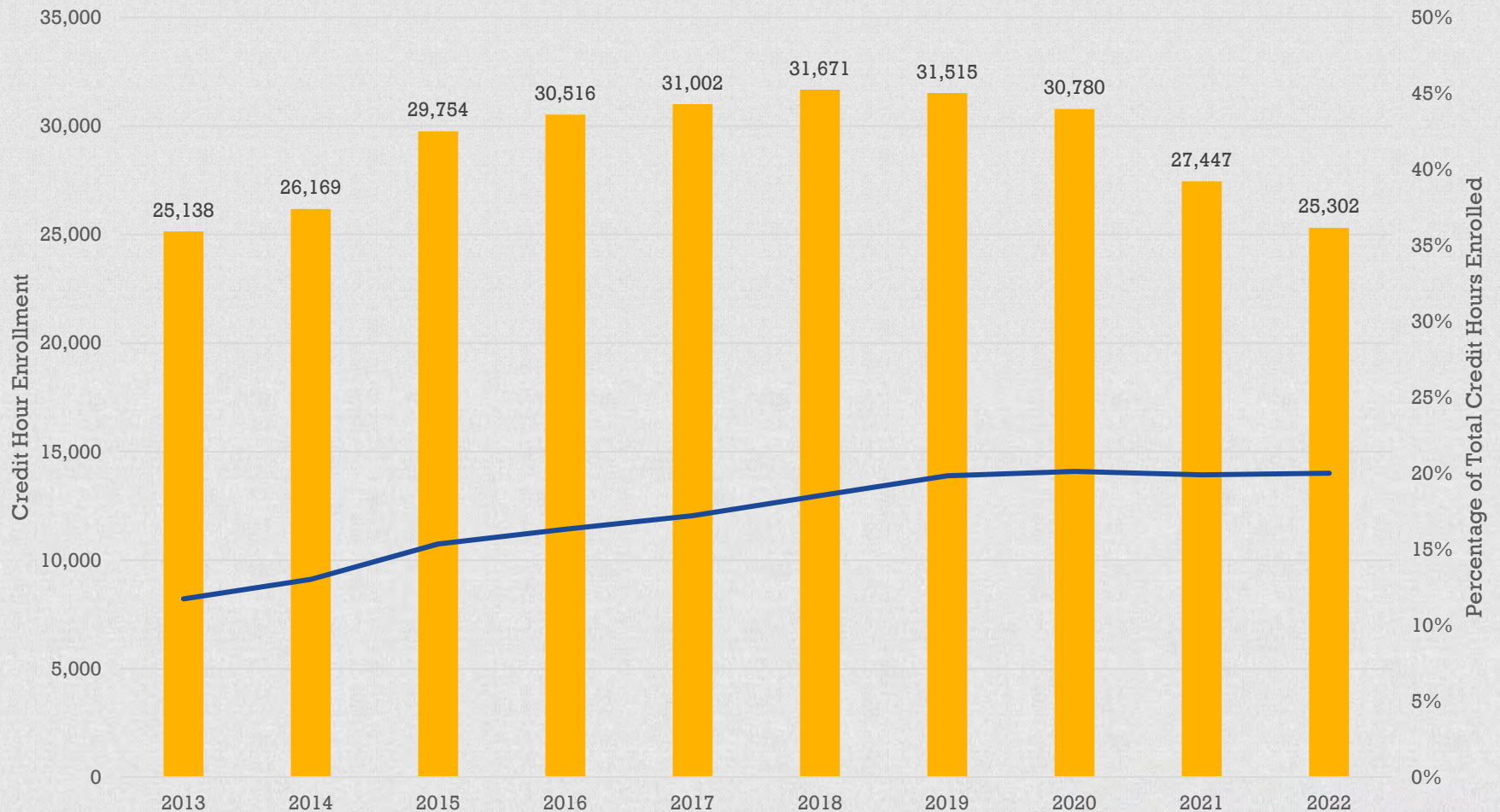


* Credit hour enrollment based on credit hours and enrollments posted to CLSS



College of Business and Technology

Credit Hour Enrollment by FY



* Credit hour enrollment based on credit hours and enrollments posted to CLSS

** Assumes Computer Science is always assigned to CBT.



Credit Hours with Tuition Revenue Attribution

	FY20	FY21	FY22	FY23 (Original)	FY23 (Revised)	FY24
College of Arts and Sciences						
Share of Credit Hours	58.3%	54.4%	54.5%			
Direct Tuition Rev. Share*	34.4%	31.3%	31.1%			
Share of Budget, Net**	31.3%	32.0%	31.0%	29.7%	30.4%	30.5%
Adj. Share of Budget, Net***	38.5%	37.8%	36.3%	35.5%	35.8%	36.1%
College of Education						
Share of Credit Hours	20.1%	24.1%	24.4%			
Direct Tuition Rev. Share*	11.9%	13.9%	13.9%			
Share of Budget, Net**	11.3%	12.1%	12.2%	12.2%	12.4%	12.9%
Adj. Share of Budget, Net***	13.9%	14.3%	14.3%	14.6%	14.6%	15.2%
College of Business and Tech.						
Share of Credit Hours	20.1%	19.9%	20.0%			
Direct Tuition Rev. Share*	12.4%	12.2%	12.2%			
Share of Budget, Net**	9.2%	10.6%	10.5%	10.4%	10.3%	10.2%
Adj. Share of Budget, Net***	11.3%	12.5%	12.3%	12.5%	12.1%	12.0%

* Direct Tuition Rev. Share = (Tuition Revenue * Share of Credit Hours + Differential Tuition) / Total Revenue. ***This measure implicitly assumes that all tuition revenue from a course should be attributed to that College.***

** Share of the net budget where College's expense is the direct expense plus a proportional share of amounts for Summer and Provost instruction included in the "Academic Affairs Provost" budget.

*** Calculated as above but now College's expense is the direct expense plus a proportional share of all other budgeted amounts in the Academic Affairs area.

Salary Salvage

- Salvage Allowance
 - Starting with FY2023, we project an amount of lapsed salary and incorporate an allowance into the operating budget.
 - *Without this allowance, we would need to identify additional budget cuts.*
 - Accounting for lapsed salary in the budget will improve budget-to-actual variances
 - NEIU has had challenges recruiting and retaining employees, which results in “lapsed” salary or salary that was included in the budget but not paid.
 - A portion of lapsed salaries will be “scooped” as they appear throughout the year
 - Functionally, unused budget amounts are transferred to cover the allowance assumed in the budget.
 - The transfers are done quarterly and continue until allowance is met.
- FY2023 Salvage Pool: \$2,654,619
 - Salvage target reached at the end of Q3.
- FY2024 Salvage Pool: \$2,000,000
 - \$6.2 million in expense projection is for positions which are currently vacant.
 - Open or active searches for approximately \$1.4 million
 - In budget worksheets, VP’s reduced funding for these positions by \$1.6m - \$1.9m across the scenarios.

Salary Salvage (cont.)

Summary for FY2024	Total Estimated Expense	Expense, Personnel Positions	Expense, Vacant Positions	% of Personnel Expense in Vacant Positions
President	\$ 4,230,645	\$ 2,832,911	\$ 686,656	24.2%
Finance & Admin	\$ 14,809,296	\$ 13,299,215	\$ 1,655,214	12.4%
Acad Affairs	\$ 48,823,048	\$ 43,812,159	\$ 2,298,851	5.8%
<i>Instructor Pool</i>	\$ 4,041,571	\$ 4,041,571	\$ -	
<i>Adjunct Pool</i>	\$ 142,561	\$ 142,561	\$ -	
Student Affairs	\$ 2,744,215	\$ 2,027,585	\$ 338,371	16.7%
Institutional Advancement	\$ 1,345,186	\$ 1,108,516	\$ 270,470	24.4%
Enrollment Management	\$ 5,171,672	\$ 4,892,425	\$ 990,647	20.2%
Total	\$ 77,124,062	\$ 67,972,811	\$ 6,240,209	9.2%

Total Vacant Positions in Budget by Fiscal Year

	FY20	FY21	FY22	FY23 (Revised)	FY24
President	\$ 49,000	\$ 171,360	\$ 606,959	\$ 602,077	\$ 686,656
Finance & Admin	\$ 623,542	\$ 633,719	\$ 958,082	\$ 1,233,605	\$ 1,655,214
Acad Affairs	\$ 1,641,604	\$ 206,800	\$ 1,434,387	\$ 1,021,062	\$ 2,298,851
Student Affairs	\$ 135,797	\$ 275,680	\$ 388,921	\$ 336,087	\$ 338,371
Institutional Advancement	\$ -	\$ -	\$ 190,881	\$ 82,088	\$ 270,470
Enrollment Management	\$ 401,834	\$ 137,547	\$ 600,408	\$ 929,999	\$ 990,647
Total	\$ 2,851,777	\$ 1,425,106	\$ 4,179,638	\$ 4,204,918	\$ 6,240,209

Note: For FY2020 - FY2023, values reflect final approved budgets, while FY2024 is before the return of Final Control numbers.

- FY24 values are not final and include reversal of 1x or temporary changes in FY24.

Salary Salvage (cont.)

Total Vacant Positions by Employee Type (E-Class) for each VP Area in FY2024

	Admin. & Professional	ASP (UPI)	Tenure/Tenure Track Fac (UPI)	Full-Time Instructors (UPI)	Part-Time Instructors (UPI)	Adjuncts, Non-Unit	Fac & Grad Assistants (Pooled)	AFSCME Exempt	AFSCME Non Exempt
President	\$ 405,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Finance & Admin	\$ 571,581	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,587
Acad Affairs	\$ 890,321	\$ -	\$ 666,937	\$ 68,949	\$ -	\$ -	\$ -	\$ 187,224	\$ 269,155
Student Affairs	\$ 152,506	\$ 89,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,296
Institutional Advancement	\$ 143,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Enrollment Management	\$ 606,752	\$ 63,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,711
Total	\$ 2,769,660	\$ 153,568	\$ 666,937	\$ 68,949	\$ -	\$ -	\$ -	\$ 187,224	\$ 755,750

	Building Service Workers	Plant Operating Engineers	Metropolitan Alliance of Police	Prevailing Wage Employees	Non Neg Civ Srvc Exempt	Non Neg Civ Srvc Non Exempt	Misc Hourly (Ex Help Hrly)	Student Aides	Resource Prof. (UPI)	Total (Both Tables)
President	\$ -	\$ -	\$ -	\$ -	\$ 53,553	\$ 217,574	\$ 10,524	\$ -	\$ -	\$ 686,656
Finance & Admin	\$ -	\$ -	\$ 181,892	\$ 110,016	\$ 488,287	\$ 149,850	\$ -	\$ -	\$ -	\$ 1,655,214
Acad Affairs	\$ -	\$ -	\$ -	\$ -	\$ 140,999	\$ 18,570	\$ -	\$ -	\$ 56,694	\$ 2,298,851
Student Affairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,371
Institutional Advancement	\$ -	\$ -	\$ -	\$ -	\$ 68,114	\$ 58,861	\$ -	\$ -	\$ -	\$ 270,470
Enrollment Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,185	\$ -	\$ -	\$ -	\$ 990,647
Total	\$ -	\$ -	\$ 181,892	\$ 110,016	\$ 750,953	\$ 528,040	\$ 10,524	\$ -	\$ 56,694	\$ 6,240,209

Appendix B: Additional Information on Reserves

Why maintain financial reserves?

- Meet the accreditation requirements of the Higher Learning Commission (HLC)
- Ensure adequate resources available to provide cash flow for employee payroll, and pay bondholders
- Protect the University's cash position from tardy and erratic State appropriation disbursements, and unplanned and unforeseen financial requirements
- Expand facilities to better position the University to be competitive in the future
- Strengthen the overall financial health of the University
- Maintain the University's credit ratings to improve chances of favorable refinancing options
- Improve, maintain, repair and renew facilities to offset declines in state capital funding

What is the appropriate level of reserves?

- The National Association of College and University Business Officers (NACUBO) recommends a level of reserves equal to **five** months of general operating expenses. The University's FY2022 monthly operating expenses (excluding Depreciation and Scholarship) is approximately \$9 million per month, therefore an appropriate level of reserves would be at least \$45 million.
- The Higher Learning Commission (HLC) relies on a Composite Financial Index (CFI) score to determine a university's financial health. One component of the CFI calculation is a university's unrestricted net assets (reserves). Unrestricted net assets represents approximately 35% of the overall CFI score. While the CFI score has a number of financial pieces, financial reserves of approximately \$45 million would maintain a good CFI score.
- We can summarize that NEIU needs to have reserves around \$45 million to maintain financial security. In FY22, NEIU's unrestricted reserves was \$36.6M

Credit Rating Scale

No	S&P	Moody's	Fitch	Meaning and Color
1	AAA	Aaa	AAA	Prime
2	AA+	Aa1	AA+	High Grade
3	AA	Aa2	AA	
4	AA-	Aa3	AA	
5	A+	A1	A+	Upper Medium Grade
6	A	A2	A	
7	A-	A3	A-	
8	BBB+	Baa1	BBB+	Lower Medium Grade
9	BBB	Baa2	BBB	
10	BBB-	Baa3	BBB-	
11	BB+	Ba1	BB+	Non Investment Grade Speculative
12	BB	Ba2	BB	
13	BB-	Ba3	BB-	
14	B+	B1	B+	Highly Speculative
15	B	B2	B	
16	B-	B3	B-	
17	CCC+	Caa1	CCC+	Substantial Risks
18	CCC	Caa2	CCC	Extremely Speculative

Moody's Credit Rating Press Release April 2023



Press Release

The stable outlook acknowledges the university's improved state funding environment and strengthened liquidity profile, which help mitigate the continued student demand pressures and thinning operating performance.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant improvement in brand and strategic positioning, reflected in enrollment and net tuition revenue growth and less reliance on the state to fund operations
- Material and sustained strengthening of operating performance
- For Certificates of Participation (COPs) bonds, sustained increase in university revenues and/or material increase in available funds

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material reductions in state appropriations and operational support
- Failure to make progress towards stabilizing enrollment and net student revenue by fall 2024
- Weakening of liquidity or an inability to return to at least breakeven operations by fiscal 2024



Key Financial Ratio Indicators

RATIO INDICATOR	FY2022	FY2021	FY2020	FY2019	FY2018	NOTES
Primary Reserve Ratio: $\left[\frac{\text{Expendable net assets}}{\text{Total expenses}} \right]$	0.27	0.26	0.15	0.13	0.08	Measures how long can the University function by using reserves without the generation of any new net assets. A primary reserve ratio of .40 is advisable, implying that the university has the ability to cover 4-5 months of expenses. At .27 rate, NEIU remained unchanged from prior year and provides approx. three month of expense coverage (27% of 12 months).
Net Operating Reserve Ratio: $\left[\frac{\text{Excess of unrestricted operating revenue over unrestricted operating expense}}{\text{Total unrestricted operating income}} \right]$	0.00	0.08	0.02	0.03	0.14	Indicates if an institution is living within its available resources. A ratio of 2-4% indicates the university operated within its means. A larger ratio indicates an operating surplus and stronger financial position. Negative ratio indicates an operating loss for the year.
Return on Net Assets Ratio: $\left[\frac{\text{Change in net assets}}{\text{Total net assets}} \right]$	-0.01	0.16	0.02	0.03	-0.05	Measures whether the university is financially better off than in the previous years. Measures growth or decline in wealth over time. Recommended goal is 3-4% return over the long-term
Viability Ratio: Formula: $\left[\frac{\text{Expendable net assets}}{\text{Long-term debt}} \right]$	1.20	1.15	0.57	0.44	0.28	Measures whether financial resources are being strategically managed to advance the mission of the institution. A ratio of 1.25 or greater indicates a strong creditworthy university with sufficient resources to satisfy debt obligations. A ratio that falls below 1.1 hinders the university's ability to respond to adverse condition, to secure external capital, and to have flexibility to fund new
Composite Financial Indicator score (CFI)	1.61	3.87	1.18	1.21	0.99	CFI combines the four ratios above into a single score. A negative CFI is indicative of a struggling university. A score of 1.0 indicates very little financial health. A ratio of 3.0 or above is preferred. The highest benchmark is 10.0 and represents the strongest financial position.

- The University's audited financial statements are posted [publicly](#) on the State of Illinois Auditor General website.

NEIU's Post-Employment Benefits (OPEB)

- Post-Employment Benefits (OPEB) are benefits (other than pension) that the State of Illinois provides to their retired employees.
- In addition to the OPEB liability presented in the audited financial statements, the University also recognized deferred inflows and deferred outflows of resources related to OPEB.
- Deferred inflows of resources represents a future period investment performance.
- Deferred outflows represents a consumption of net position that applies to a future period and will not be recognized as an expense until then.

Fiscal Year	TOTAL OPEB
2022	38,571,477
2021	41,303,495
2020	42,768,733
2019	42,154,303
2018	42,560,498

Appendix C: Details on Internal Budget Worksheet Exercise

President's Report to the Executive Committee of the Board of Trustees
of Northeastern Illinois University
May 31, 2023

**INFORMATION ITEM: NOTIFICATION TO THE BOARD OF CERTAIN EXPENDITURES:
PURCHASES OF AT LEAST \$50,000 BUT LESS THAN \$100,000**

Board of Trustees' Regulations require that the President report to the Board purchases of at least \$50,000 but less than \$100,000 other than those exempt from Board approval (e.g. utilities). The following lists those purchases since the last Board meeting.

VENDOR	DESCRIPTION	PURCHASE ORDER AMOUNT
Quickstart Learning, Inc.	Non-Credit training courses delivered online in FY23	\$77,180.00
Nu- Veterans Construction Services (BEP)*	Remove existing and install LVT flooring in Fine Arts Building	\$55,000.00
Rescue 8 Special Events & Training, Inc. (BEP)**	Security Services for The Nest	Not to exceed \$99,960.00

*Nu Veterans Construction Services, Inc. (BEP- Service Disabled Veteran)

**Rescue 8 Special Events & Training (BEP- African American Male)

**ACTION ITEM: CONSIDERATION AND POSSIBLE ACTION ON THE CONTRACT BETWEEN
THE UNIVERSITY AND THE INTERNATIONAL UNION OF OPERATING
ENGINEERS, LOCAL 399**

This item summarizes the proposed changes to the Operating Engineers Local 399 collective bargaining agreement and recommends the foregoing to the Board of Trustees for consideration.

Wages and Length of Agreement:

- The agreement would be a six-year agreement, expiring on June 30, 2029.
- On July 1 of each year of the contract, beginning on July 1, 2023 the fourteen (14) operating engineers at NEIU would receive 90% of prevailing wage.
- Each year following, the unit would be compensated at the following rates:
 - 7/1/24 92% of then current Prevailing Wage
 - 7/1/25 94% of then current Prevailing Wage
 - 7/1/26 96% of then current Prevailing Wage
 - 7/1/27 98% of then current Prevailing Wage
 - 7/1/28 100% of then current Prevailing Wage

State institutions have been paying prevailing wage and the Union is agreeable to accomplishing this at Northeastern over time. The University is recommending six years for two reasons:

1. The prevailing wage is unknown from year-to-year. A diligent search for a history of Prevailing Wage for Stationary Engineers in Illinois as a comparison on the amount of increase year to year was not found. An increase of 2.0% per year was subsequently negotiated;

and
2. The agreement would be for a six-year period running through June 30, 2029.

The terms of the agreement between Local 399 and Chicago State are similar. The Prevailing Wage referenced is the Prevailing Wage determined for State of Illinois Institutions by the Illinois Department of Labor (IDOL).

The current prevailing wage reported by Local 399 is \$47.58 per hour. The current hourly wage for NEIU Operating Engineers is \$46.23. The \$1.35 per hour difference equates to an approximate 2.9% increase in FY24. It is not possible to calculate several years out because of the moveable Prevailing Wage, so the climb to prevailing wage at 2.0% annually is about as close as can be predicted.

Highlights of other agreed language:

- Added the Juneteenth holiday.
- Agreed to rates for Local 399 trainees. There are currently no Local 399 trainees at NEIU and to our knowledge, no plans to hire any.
- Agreed to follow the new Bereavement Leave law passed in Illinois.

**ACTION ITEM: CONSIDERATION AND POSSIBLE ACTION ON THE CONTRACT BETWEEN
THE UNIVERSITY AND THE INTERNATIONAL UNION OF OPERATING
ENGINEERS, LOCAL 399**

Recommended Action:

I request that the Executive Committee, acting on behalf of and with the knowledge of the Board of Trustees, approve this proposal on the terms presented, and as ratified by the membership of the International Union of Operating Engineers, Local 399 and reported to the University on May 25, 2023.