

Information Item: First Quarter Budget to Actual Report

The Northeastern Illinois University Board of Trustees at its September 19, 2024 meeting approved the University final operating budget, which represented spending plans for fiscal year 2025 (FY2025). The information herein reflects a comparison of actual expenditures to that budget, as well as previous year-to-date actual expenditures.

The operating budget for FY2025 totals \$154,972,075. Of that total, \$90,913,000 is the University's unrestricted general operating budget supported by State appropriation and student tuition. In addition, the University's restricted funds budget amount of \$64,059,075 is supported by student fee programs, auxiliary services, grants, and contracts.

At the Board's request, quarterly reports are provided for the unrestricted operating budget, which supports most University departments and ongoing operations. This report provides an update on first quarter spending in the unrestricted budget and is summarized in Table 1, which also includes a comparison with year-to-date spending for both FY2024 and FY2023.

Moreover, Table 2 provides a financial forecast for the unrestricted operating budget. This financial forecast builds upon the existing quarterly reporting and presentation structure of the budget-to-actual reports and incorporates separate forecasts for revenues and expenses. The revenue forecast is forward-looking and based on existing models used to build the University's operating budget. The expense forecast is based on average historical spending by category and utilized data, adjusted to account for new initiatives/funding sources, any anticipated new spending, and current commitments/ encumbrances.

President's Report to the Finance, Building and Grounds Committee
of the Board of Trustees of Northeastern Illinois University
November 8, 2024

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Table 1
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL YEAR 2025 BUDGET TO ACTUAL COMPARISONS
FOR THE PERIOD ENDED SEPTEMBER 30, 2024
UNAUDITED FIGURES

	FY2023 Q1			FY2024 Q1			FY2025 Q1				FY25 vs FY24 ACTUALS	
	Adopted Budget	FY23 Actual YTD	% of Budget	Adopted Budget	FY24 Actual YTD	% of Budget	Adopted Budget	Adjusted Budget	Actual Year to Date	% of Current Budget		
Revenue												
State Appropriations	\$ 37,345,300	\$ 14,090,488	37.7%	\$ 39,960,000	\$ 10,376,923	26.0%	\$ 40,758,700	\$ 40,758,700	\$ 12,283,426	30.1%	\$ 1,906,503	(A)
Net Tuition Revenue	42,172,200	22,462,349	53.3	41,874,400	21,955,530	52.4%	45,134,178	45,134,178	23,286,420	51.6%	1,330,889	(B)
Net Differential Tuition Revenue	972,400	393,139	40.4	689,000	395,480	57.4%	820,122	820,122	470,732	57.4%	75,253	(B)
Investment Income	1,000,000	378,240	37.8	2,276,600	1,025,049	45.0%	3,700,000	3,700,000	1,050,446	28.4%	25,397	
All Other Sources	2,450,100	239,491	9.8	500,000	173,499	34.7%	500,000	500,000	157,982	31.6%	(15,517)	
Total Revenue	\$ 83,940,000	\$ 37,563,706	44.8%	\$ 85,300,000	\$ 33,926,481	39.8%	\$ 90,913,000	\$ 90,913,000	\$ 37,249,006	41.0%	\$ 3,322,525	
Expenditures												
Personnel Services	\$ 67,142,441	\$ 13,426,502	20.0%	\$ 67,901,380	\$ 13,345,164	19.7%	\$ 70,829,802	\$ 71,110,826	\$ 12,906,327	18.1%	\$ (438,837)	(C)
Contractual Services	11,208,876	1,597,342	14.3	14,631,783	1,222,477	8.4%	14,821,712	14,241,397	1,830,600	12.9	608,123	(D)
Equipment	846,410	77,304	9.1	431,986	53,821	12.5%	383,986	561,935	120,150	21.4	66,329	
Commodities	775,075	31,417	4.1	807,401	48,884	6.1%	818,150	887,030	99,323	11.2	50,439	
Telecommunications	176,422	8,345	4.7	176,700	643	0.4%	176,700	177,400	1,081	0.6	438	
Travel	168,841	6,508	3.9	197,750	1,458	0.7%	193,650	234,107	46,034	19.7	44,576	
Permanent Improvements	25,000	-	-	25,000	-	0.0%	25,000	25,000	-	-	-	
Operation of Auto Equip	20,935	6,053	28.9	21,000	2,008	9.6%	24,000	34,600	8,570	24.8	6,562	
Scholarships, Awards and Grants	1,299,000	627,394	48.3	1,299,000	788,821	60.7%	1,299,000	1,299,705	799,048	61.5	10,227	
Other/Transfer Out/Debt Service	2,277,000	1,131,903	49.7	2,308,000	571,800	24.8%	2,341,000	2,341,000	578,408	24.7	6,608	
Total Expenditures	83,940,000	16,912,768	20.1%	87,800,000	16,035,076	18.3%	90,913,000	90,913,000	16,389,541	18.0%	354,465	
<i>BOT Reserve Allocation</i>	-	-	-	(2,500,000)	-	-	-	-	-	-	-	
Net Expenditures	\$ 83,940,000	\$ 16,912,768	20.1%	\$ 85,300,000	\$ 16,035,076	18.8%	\$ 90,913,000	\$ 90,913,000	\$ 16,389,541	18.0%	\$ 354,465	

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 September 30, 2024 and does not include encumbrances.
4. All Other Sources includes space rental and other miscellaneous fees/income (lab, transcript, NSF, late fees, etc.)

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**Northeastern Illinois University FY25
Q1 vs FY24 Q1 Actuals Explanation
for Change**

{A} Change from PY (totaling \$1.9 million) relates to timing of requesting reimbursements from the State. Full State appropriation amount is expected to be exhausted by Q3.

{B} The increase in Net Tuition Revenue and Net Differential Revenue (\$1.4 million) was mainly due to following:

	<u>Impact</u>
Higher credit hours	Increase revenues
Lower Allowance for bad debts and tuition waivers %	Increase revenues

	<u>Q1 FY25</u>	<u>Q1 FY24</u>	<u>Difference</u>	<u>% Change</u>
Summer Split @44%	5,906	6,065	(159)	-3%
Fall	<u>53,900</u>	<u>51,845</u>	<u>2,055</u>	4%
Total Credit Hours	<u>59,806</u>	<u>57,910</u>	<u>1,896</u>	3%

Revenue:

	<u>Q1 FY25</u>	<u>Q1 FY24</u>	<u>Difference</u>
Gross Tuition Revenue	\$ 25,873,800	\$ 24,949,466	\$ 924,333
Gross Differential Tuition Revenue	<u>523,036</u>	<u>449,409</u>	<u>73,627</u>
	26,396,836	25,398,875	997,961
Less: Allowance for bad debts and tuition waivers (@10% - FY25, @12% FY24)	<u>2,639,684</u>	<u>3,047,865</u>	<u>(408,181)</u>
Net Revenue	<u>\$ 23,757,152</u>	<u>\$ 22,351,010</u>	<u>\$ 1,406,142</u>

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{C} The decrease in Personnel Services of (\$439K) relates to the net impact of the following:

- (1) Timing of vouchering to the State of group insurance expenses. In FY24, the State strongly encouraged vouchering for early spending by September 11, 2023, thereby the University charged the full annual cost of \$1,072,600 in the first quarter of FY24. In FY25, the University reverted back to quarterly vouchering to the State.

	<u>Q1 FY25</u>	<u>Q1 FY24</u>	<u>Difference</u>
CMS Group Health Insurance	\$ 268,150	\$ 1,072,600	\$ (804,450)

- (2) Salary increases of union and non-union employees estimated to be approx. \$400K.

{D} The increase in Contractual Services is primarily due to the timing of incurring or recording expenses.

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Table 2
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL YEAR 2025 BUDGET TO FORECAST COMPARISONS
FOR THE PERIOD ENDED SEPTEMBER 30, 2024
UNAUDITED FIGURES

	Adopted Budget	Budget Adjustment	Adjusted Budget	Actual Year to Date as of 09/30/24	Forecasted Revenue/Expenses Thru 06/30/25	Annual Forecast	Adjusted Budget Vs Annual Forecast
Revenue							
State Appropriations	\$ 40,758,700	-	\$ 40,758,700	\$ 12,283,426	\$ 28,475,274	\$ 40,758,700	\$ -
Net Tuition Revenue	45,134,178	-	45,134,178	23,286,420	21,870,486	45,156,906	22,728
Net Differential Tuition Revenue	820,122	-	820,122	470,732	359,267	829,999	9,877
Investment Income	3,700,000	-	3,700,000	1,050,446	2,480,219	3,530,665	(169,335)
All Other Sources	500,000	-	500,000	157,982	342,018	500,000	-
Total Revenue	90,913,000	-	90,913,000	37,249,006	53,527,264	90,776,270	(136,730)
Expenditures							
Personnel Services	70,829,802	281,024	71,110,826	12,906,327	58,067,074	70,973,401	137,425
Contractual Services	14,821,712	69,538	14,891,250	1,830,600	12,995,347	14,825,947	65,303
Equipment	383,986	177,949	561,935	120,150	339,861	460,011	101,924
Commodities	818,150	68,880	887,030	99,323	614,813	714,136	172,894
Telecommunications	176,700	700	177,400	1,081	165,360	166,441	10,959
Travel	193,650	40,457	234,107	46,034	174,697	220,731	13,376
Permanent Improvements	25,000	-	25,000	-	-	-	25,000
Operation of Auto Equip	24,000	10,600	34,600	8,570	26,030	34,600	-
Scholarships, Awards and Grants	1,299,000	(649,148)	649,852	799,048	(149,196)	649,852	-
Other/Transfer Out/Debt Service	2,341,000	-	2,341,000	578,408	1,762,859	2,341,267	(267)
Total Expenditures	90,913,000	-	90,913,000	16,389,541	73,996,845	90,386,386	526,614
Excess Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ 20,859,465	\$ (20,469,582)	\$ 389,883	\$ 389,883

See Figure 1
See Figure 1
{AA}

Notes:

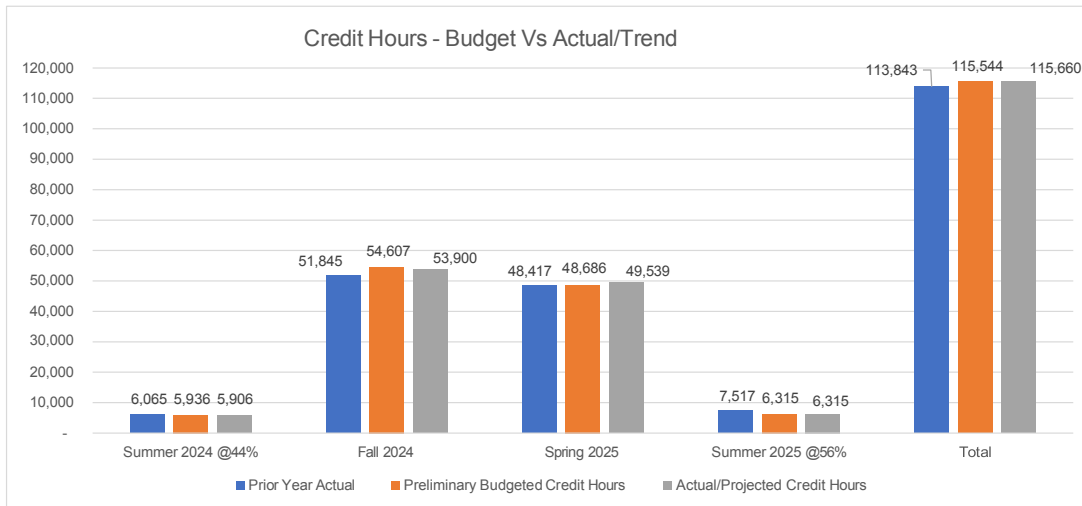
1. Adopted Budget column reflects the FY2025 budget approved by the Board of Trustees on September 19, 2024.
2. The Current Budget reflects budget transfers processed between organizations and accounts.
3. "Actual Year to Date" or "Actual YTD" is current year expenses recorded or booked through September 30, 2024 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.

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Figure 1
NORTHEASTERN ILLINOIS UNIVERSITY
FY2025 Budget Vs Actual/Projected Credit Hours

	Summer 2024 @44%	Fall 2024	Spring 2025	Summer 2025 @56%	Total
Preliminary Budgeted Credit Hours	5,936	54,607	48,686	6,315	115,544
Actual/Projected Credit Hours	5,906	53,900	49,539	6,315	115,660
Difference	(30)	(707)	853	-	116



- "Budgeted Credit Hours" reflects the FY2025 enrollment projections presented to the Finance, Building and Grounds Committee/Board of Trustees in May 2024.
- Spring 2025 is based on enrollment projections from trend model after Fall 2024 census. This is aligned with the historical Spring return rate as follows:

Average Historical Spring
Return Rate:

91%

Term	Fall Actual	Spring Actual/Trend	Spring Return Rate from Fall	Enrollment	
				Student FTE (Fall and Spring)	Student Headcount (Fall and Spring)
FY2019	75,557	67,225	89%	9,846	15,329
FY2020	70,027	63,429	91%	9,246	14,186
FY2021	67,050	61,097	91%	8,944	13,736
FY2022	59,461	53,107	89%	7,874	12,202
FY2023	53,912	49,484	92%	7,214	11,076
FY2024	51,845	48,417	93%	6,989	10,709
FY2025	53,900	49,539	92%	7,210	11,009

- The Summer term is crossing fiscal years and related revenue is allocated between fiscal years based on the following percentages:

	Allocation	Budget	Actual/Forecast
Summer I	44%	5,936	5,906
Summer II	56%	6,315	6,315
	100%	12,251	12,221

Summer Term Total Budgeted Credit Hours: 12,251
Summer 2024 Actual Total Credit Hours: 13,423

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Northeastern Illinois University
FY2025 Q1 Budget to Actual
Explanation for Variance

{AA} The \$165K unfavorable variance in investment income is a result of the projected impact of the Federal Reserve's decision to reduce rates by half a percentage point effective September 19, 2024.

Action Item: FY25 Strategic Planning Development Fund Report and Requested Allocation

OVERVIEW:

In September 2015, the Board approved the formation of a Strategic Planning Development Fund (SPDF). The purpose of the SPDF fund is to give the President the financial resources to pursue a strategy at the president’s discretion based on key priorities and strategic initiatives. The SPDF fund has been funded with annual allocations from unrestricted reserves since its formation as shown in Table 1. The SPDF has been used to foster enrollment growth, improve retention, address equity gaps, support capital improvements, as well as funding projects established as priorities by our University Planning and Budget Council (UPBC).

Table 1

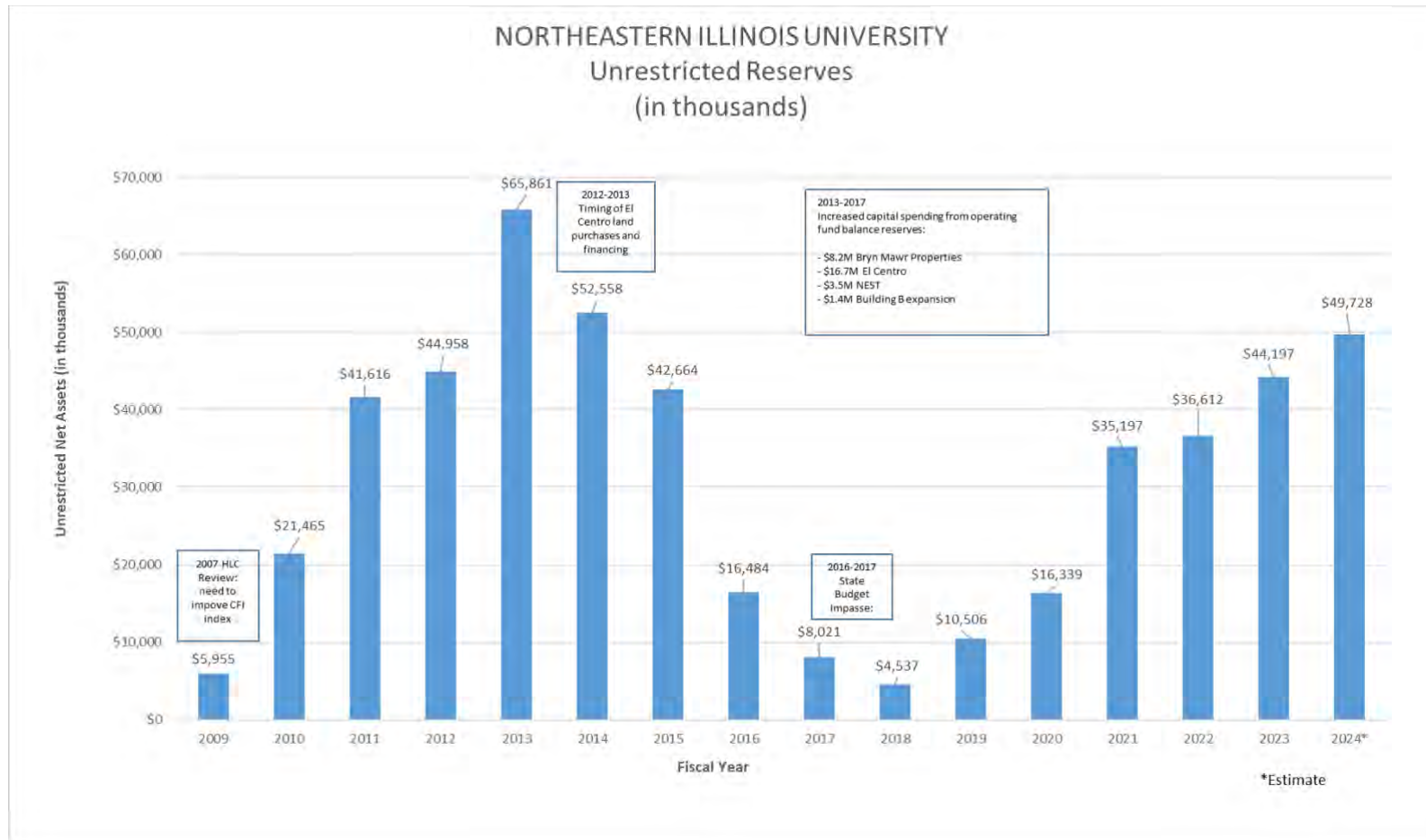
Fiscal Year	Board Approved Transfers	Allocated for Initiatives
FY2016	750,000	500,000
FY2017	-	-
FY2018	-	250,000
FY2019	1,100,000	199,127
FY2020	2,000,000	703,994
FY2021	2,000,000	241,319
FY2022	2,000,000	2,930,494
FY2023	1,000,000	2,202,936
FY2024	-	1,121,332
Total	8,850,000	8,149,202

Note: The SPDF was not replenished in FY2017, FY2018 (budget impasse) and FY2024 (presidential transitional year)

Action Item: FY25 Strategic Planning Development Fund Report and Requested Allocation

Table 2 illustrates the unrestricted net position balance (reserve) from fiscal year 2009 to 2024.

Table 2



Note: FY2024 has not been audited yet and is considered an estimate until fully audited.

Action Item: FY25 Strategic Planning Development Fund Report and Requested Allocation

Based on unaudited figures, the University will end FY2024 with an estimated year-end increase in net position of approximately \$5.5 million. The increase was mostly due to higher short-term interest rates on investment income and adjustments to Pension and OPEB liabilities at year - end. This amount is in addition to the increase from the previous year totaling \$7.6 million for which the SPDF fund was not replenished due to it being a presidential transitional year.

The SPDF is funded with prior year accumulated (*excess*) revenues over expenses (net position or net income). It is common for the University to end the fiscal year with an increase in net position. Increases in net position can occur from a variety of reasons:

- Enrollment exceeded budgeted expectations
- Unexpected (unbudgeted) additional sources of revenue (ie: investment income or large grant)
- Actual expenses are lower than budgeted due to salary savings of vacant positions and/or delayed hiring
- Pension costs and Other Post Employment Benefits (OPEB) liabilities decrease based on actuarial values at year-end.

On an annual basis, the University reports to the Board actual initiative funded from the SPDF fund during the past fiscal year. In FY2024, the University allocated \$1,121,332 on the initiatives listed in Table 3:

Table 3

FY24 Initiative	Amount
Enrollment	163,500
Student Success & Retention	390,576
Capital/Campus Improvements	567,256
Total	\$1,121,332

FY25 Proposal:

The University requests approval from the Board to transfer \$4 million of the net position to the SPDF.

With a \$4 million allocation to the SPDF, the president will be able to allocate resources where needed with a primary focus on **student success and retention initiatives** and **new program growth**. Upon consultation with various departments across campus, including within Academic and Student Affairs, the excess funds will make an impact on areas of enrollment, student success and retention and equity to address the significant equity gaps for Black, Latinx and Pell-eligible students. This focus is also consistent with the FY26 Capital Request and the President's strategic planning initiatives submitted to the State of Illinois (see Appendix for board action item presented on September 19, 2024 FBG meeting).

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Action Item: FY25 Strategic Planning Development Fund Report and Requested Allocation

Recommended Action:

I request that the Finance, Buildings and Grounds Committee recommend approval to transfer \$4 million from the University's FY24 unrestricted net position balance to the Strategic Planning Development Fund.

**Action Item: Recommendation To Approve Contract Renewal: Watermark Insights, LLC,
Assessment Management System**

Project Background

In 2015, Northeastern Illinois University entered into a five-year contract with Tk20, Inc. (now known as Watermark Insights, LLC.) as a result of a competitive Request for Proposal procurement process. This procurement was approved by the Board of Trustees at its April 9, 2015 meeting. On April 16, 2020, the Board of Trustees approved to move forward with the five-year renewal option. Academic Affairs was notified by the vendor in 2021 that the software application called Tk20 will reach the end of its life and will no longer be supported. Watermark Insights has since proposed upgrade enhancements to its assessment management system in order to maintain the University's robust assessment processes. The Faculty Success application was added to our suite of Watermark applications to support the collection and storage of faculty activities and the administrative functions of faculty portfolios. Academic Affairs decided that is in the best interest of the University to upgrade the current system. On March 24, 2022, the Board of Trustees approved to amend the contract and upgrade to newest suite assessment applications.

Renewal Justification

Higher education accrediting bodies require that their member institutions conduct systematic assessments of student learning. Such data demonstrates to stakeholders the benefits of attending an institution. To support this requirement, Northeastern currently uses a comprehensive, web-based, hosted assessment management software application called Watermark Educational Impact Suite which enables faculty and staff to collect and store data and report on student learning, among other assessments. Student Learning and Licensure along with Planning & Self Study applications facilitate compliance with accreditation mandates, reporting on certificate programs, examining non-traditional pedagogical delivery methods, and assessing institutional effectiveness at the program, college, and institutional level. The system enables Northeastern to comply with and excel in requirements for:

- National, regional, local, and discipline specific accreditation and certification mandates
- The retention, tenure, and promotion of faculty per the collective bargaining agreement
- Administering course evaluations per the collective bargaining agreement.
- Maintaining field placement data required for certain licensure programs

The negotiated renewal costs allow NEIU to lock in 2024 pricing structure for the entire five-year renewal. Waiting to sign the renewal in 2025 would cost us approximately 5%, \$30,000, more than today. Additionally, we are combining two separate contracts with Watermark Insights, LLC into one contract to maximize efficiency of our business processes. The renewal costs reflect the complete cost of the system, managed hosting, end user and administrative technical support, and a dedicated client success manager.

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**Action Item: Recommendation To Approve Contract Renewal: Watermark Insights, LLC,
Assessment Management System**

Costs

Watermark Insights, LLC Assessment Management System renewal costs to for a new five year term:

	Cost
Partial Year to Merge the two Contracts	\$28,896.14
Year 1 7/1/2025 to 6/30/2026	\$109,430.41
Year 2 7/1/2026 to 6/30/2027	\$112,713.32
Year 3 7/1/2027 to 6/30/2028	\$116,094.73
Year 4 7/1/2028 to 6/30/2029	\$119,577.56
Year 5 7/1/2029 to 6/30/2030	\$123,164.90
Total Cost	\$609,877.06
Partial Year Credit to Merge to Contracts	\$(24,811.75)
Overall Contract Renewal Cost	\$585,065.31

Current Vendor

Watermark Insights, LLC.^(TM) (Non-BEP)
New York Headquarters
71 W. 23rd Street
New York, NY 10010

Source of Funds

Technology Initiatives (Online Course Fee)

Recommended Action

I request that the Finance, Buildings and Grounds Committee recommend approval the to renew the contract with Watermark Insights, LLC for \$585,065.31 for another five-year term ending on June 30, 2030.

Action Item: Special Partner Tuition Price Point for Cohort-based International Partnerships

Background

At its September 19, 2019 meeting, the Board of Trustees approved a special tuition price point for cohort-based international partnerships for College of Business and Technology (CBT) graduate programs. In these partnerships, students typically spend the first year at their home institution and the second year at NEIU and then graduate from NEIU. All three CBT graduate degrees, MBA, MS Accounting, and MS Computer Science are STEM designated which, also provides international students with eligibility for 3 years of Optional Practical Training (OPT) following commencement.

Existing partnerships include two MBA partnerships with Professional Schools in India, one MS Computer Science partnership with a professional school in India, and another with a Swiss University. There are several new international partnerships being negotiated and at least one that is due to be renewed. Only one of these partnerships has had the tuition officially set by the NEIU Board of Trustees (BOT).

Note: Northeastern Illinois University law (110 ILCS 680/25-45(5)) establishes that the BOT sets tuition rates. One recent cohort-based international partnership relies on a model that “scholarships” each international student to effectively create a “special” price point. The scholarship model is funded from the President’s strategic funds and is not sustainable as these programs grow in size and in number as there are a limited number of strategic funds.

This action item relies on the College of Business and Technology experience as the example, however, this policy would work with any cohort-based international partnership program on campus. For CBT, there are three components to tuition: (1) Base tuition, (2) fees, and (3) differential tuition. Fees may not be modified. Differential tuition is a fixed percentage of 10% for all Computer Science and Business students thus it adjusts automatically as base tuition changes. This proposal therefore requests the establishment of a “Special Partner Rate” for the base tuition component.

Operationalization and Example of the Action Requested

As presented in the example below, the “Special Partner” price point can be operationalized with the existing price points (e.g., in-state tuition and out-of-state tuition) that: (1) enables the creation of an international tuition cohort policy that adjusts rather than having to engage the board with every new negotiation; (2) allows for the utilization of existing tuition rates to provide an incentive to partners to send larger cohorts; (3) provides the International Programs office and Colleges with necessary tools in negotiations of new partnerships; and (4) streamlines operational implementation in the Bursar’s office.

Cohort Size	Base Tuition Price
0-5 students	Full out-of-state/country tuition
6-19 students	Special Partner tuition rate (computed below)*
>19	In-state tuition

*The “Special Partner” rate is computed by calculating the mid-point between in-state and out-of-state tuition or $(\text{In-state tuition} + \text{Out-of-state tuition})/2$.

Requested Action

I request that the Finance, Buildings and Grounds Committee recommend approval of this proposal to establish a “special partner” tuition price point to be utilized when negotiating cohort-based international partnerships. The “special partner” rate is computed by calculating the mid-point between in-state and out-of-state tuition or $((\text{In-state tuition} + \text{Out-of-state tuition})/2)$.