

The discussion held in executive session has not been approved for release to the public and has thus been deleted from these minutes.

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SPECIAL MEETING OF THE BOARD OF TRUSTEES
OF THE
UNIVERSITY OF ILLINOIS

February 3, 2009

This special meeting of the Board of Trustees of the University of Illinois was held in Rooms B and C, Student Services Building, Chicago campus, Chicago, Illinois, on Tuesday, February 3, 2009, beginning at 4:50 p.m., pursuant to a call by the chair of the Board. The secretary of the Board gave notice of the meeting as prescribed by the bylaws and by Illinois statutes.

Chair Niranjan S. Shah called the meeting to order and asked the secretary to call the roll. The following members of the Board were present: Mr. Devon C. Bruce,¹ Dr. Frances G. Carroll, Mr. David V. Dorris, Mr. Lawrence C. Eppley, Mr. James D. Montgomery, Dr. Kenneth D. Schmidt, Mr. Niranjan S. Shah, Mr. Robert F. Vickrey. Governor Rod Blagojevich was absent. Mr. James A. Winters, voting student trustee from the Chicago campus, was present. The following nonvoting student trustees were present, participating telephonically: Mr. D. Craig McFarland, Springfield campus; Mr. Paul D. Schmitt, Urbana-Champaign campus.

¹Mr. Bruce arrived at 5:00 p.m.

President B. Joseph White was present and also the following University officers: Dr. Richard H. Herman, chancellor, University of Illinois at Urbana-Champaign; Dr. Paula Allen-Meares, chancellor, University of Illinois at Chicago; Dr. Richard D. Ringeisen, chancellor, University of Illinois at Springfield; Dr. Mrinalini Rao, vice president for academic affairs; Dr. Avijit Ghosh, vice president for technology and economic development; and the officers of the Board, Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Mr. Steven A. Veazie, deputy university counsel (representing Mr. Thomas R. Bearrows, university counsel); and Dr. Michele M. Thompson, secretary. In addition, the following persons were in attendance: Mr. Richard M. Schoell, executive director for governmental relations; Mr. Thomas P. Hardy, executive director for university relations.

PRESENTATION AND DISCUSSION OF EMERGENCY ITEM

Mr. Shah stated that earlier in the day, university counsel notified him that there was a matter that required consideration by the Board as an emergency. Mr. Shah asked Mr. Veazie to present the item. Mr. Veazie told the Board that this was a recommendation for a governmental cooperation agreement concerning use of facilities on the Chicago campus for the City of Chicago's bid to host the 2016 summer Olympics. Mr. Shah asked Mr. Veazie to address this item. Mr. Veazie explained that as it was made known earlier today that the Mayor's Office of the City of Chicago required Board of Trustees' approval of the cooperative agreement regarding the proposed use of facilities at the Chicago campus for the city's submission of a bid to host the 2016 summer

Olympics and that the bid was to be submitted the following day, February 4, 2009.

(Notice according to the Open Meetings Act and the *Bylaws* of the Board of Trustees was given as soon as practicable on February 3, 2009, since this recommendation for action was deemed a *bona fide* emergency.)

Following Mr. Veazie's remarks, Mr. Shah asked that the Board consider agenda item no. 1, "Governmental Cooperation Agreement and Venue Use Agreement for the City of Chicago's Bid to Host the 2016 Summer Olympics." The item follows.

Approve Governmental Cooperation Agreement and Venue Use Agreement for the City of Chicago's Bid to Host the 2016 Summer Olympics, Chicago

On September 4, 2007, the United States Olympic Committee ("USOC") formally submitted the City of Chicago (the "City") as its official Applicant City to host the 2016 Olympic and Paralympic Games currently scheduled to commence on July 22, 2016, and end on August 28, 2016 (the "Games"). On June 4, 2008, the International Olympic Committee (the "IOC") named the City as a finalist in the competition to host the Games. The other finalists are Tokyo, Madrid, and Rio de Janeiro. The IOC Evaluation Commission will visit Chicago and the other finalist cities this spring, and will announce its selection of the host city on October 2, 2009. The privilege of hosting the Games would be a great honor for the City and State and other participating governmental and private parties and would serve as a catalyst for sport, cultural and educational development, and opportunity for years to come.

As part of the early-stage planning and preparation for the Chicago bid, the Board approved on January 18, 2007, an Intergovernmental Agreement with the City that allowed the parties to explore means of cooperation and potential venues and facilities on the Chicago campus that could be used in the Games. Now that the City has been named a finalist to host the Games, the IOC requires the City, among other things, to submit: (i) binding use agreements with all of the venue owners; and (ii) a cooperation agreement with all public authorities involved in the planning and hosting of the Games to demonstrate their ability to successfully stage the Games by describing the procedures they will put in place to ensure coordination during the period before and after the IOC's selection of the host city.

An entity known as Chicago 2016 has been incorporated and appointed by the City to act as the organizing committee for the City's bid to host the Games. On or before February 12, 2009, the City and Chicago 2016 will submit a Candidature File and related materials to the IOC in support of the Chicago bid that will include venue use and governmental cooperation agreements with all public and private parties, including the University.

Chicago 2016 has identified several facilities on the Chicago campus that would play an important role in hosting the Games. They are: the UIC Pavilion, Flames Athletic Center, Physical Education Building, South Field Complex/Flames Field, and Student Recreation Facility. It is anticipated that the UIC Pavilion would be the venue in which the Olympic boxing and Paralympic sitting volleyball competitions will be held. The other facilities may be used for a variety of purposes, including, athletic practice,

training, and other sport-related activities, test events, staging of medal or award ceremonies, activities of the Olympic Broadcast Service, and marketing and promotion of the Games.

Beginning in the summer of 2008, representatives from Chicago 2016 have conducted informational meetings and held numerous discussions and negotiations with Chicago campus representatives, including athletics, police, facilities management, legal counsel, and the Office of the Vice Chancellor for Student Affairs. Additionally, former Interim Chancellor Gislason appointed a UIC/Chicago 2016 Olympic Executive and Working Committee comprised of campus leaders and stakeholders to facilitate decisions and the eventual implementation of the agreements should Chicago be awarded the Games.

The Venue Use Agreement

The parties to the Venue Use Agreement (the “VUA”) are the Board of Trustees of the University of Illinois, the City, and Chicago 2016. The VUA encompasses each of the above-mentioned facilities on the Chicago campus and grants exclusive use of the facilities, and limited surrounding areas, to Chicago 2016 (or a successor entity to be formed) during the Games and for periods ranging from one to seven weeks before the Games. Chicago 2016 will also have the non-exclusive right to use the facilities and limited surrounding areas for certain periods before and after the Games to install and remove, at its expense and risk, “Olympic overlay” materials such as advertising, temporary structures, equipment, security, and other infrastructure.

Under IOC policy, the University, as a public agency, may not charge a fee for the use of the facilities. However, all direct expenses for services required at the Chicago campus venues during the exclusive use periods will be the responsibility of Chicago 2016. Services may be provided by the University's existing vendors and employees, or by outside vendors selected by Chicago 2016. Olympic sponsors, concessions, ticket sales, and sale of merchandise will be determined exclusively by the IOC, USOC and Chicago 2016. The University will have no commercial, advertising or merchandising rights for the Games unless such rights are negotiated and granted under separate agreements. The VUA requires designation of a Venue Representative to make major decisions, (subject to all applicable laws, the University Rules and such further approvals as may be necessary), that are required to carry-out the VUA. Walter K. Knorr, Comptroller, is designated as the initial Venue Representative. An Operational Representative designee is also required by the VUA to handle day-to-day matters. The initial designee is Michael Landek, Associate Vice Chancellor for Student Affairs at the Chicago campus. The University may change the Representatives at any time by notice to Chicago 2016. If Chicago is not awarded the Games, the VUA terminates automatically.

The Governmental Cooperation Agreement

The parties to the Governmental Cooperation Agreement ("GCA") are the Board of Trustees of the University of Illinois, the City, Chicago 2016, The Metropolitan Pier and Exposition Authority, The Chicago Park District, The Board of Education of the

City of Chicago, The County of Cook, The County of Lake, The City of Evanston, and The Village of Old Mill Creek. The GCA contains a number of guarantees by the University and other governmental parties. Significant among the guarantees are:

- The City and the governmental parties guarantee that the City, working in partnership with Chicago 2016, shall be the primary and lead governmental authority for the planning, organization, and hosting of the 2016 Games, and the delivery of public services specific to the Games.
- The governmental parties guarantee the respect of the Olympic Charter and the host city contract to be entered into by the City, the IOC, the USOC, and Chicago 2016 if Chicago is awarded the Games.
- A guarantee by each governmental party that to the maximum extent of its authority, it will not hold any other important national or international meeting or event within the vicinity of the venues in its jurisdiction during the 2016 Games or for the one week immediately before and after the 2016 Games.
- A guarantee by each governmental party that to the maximum extent of its authority, that all construction work necessary for the organization of the 2016 Games within its respective jurisdictional boundaries, to the extent permitted or authorized by the governmental party, will comply with:
 - (a) Local, regional and national environmental regulations and acts; and
 - (b) International agreements and protocols to which the United States is a party regarding planning, construction, and protection of the environment.
- A guarantee by each governmental party that it shall provide or cause to be provided all government-related services that it customarily provides and that are necessary for the successful planning, organization and staging of the portions of 2016 Games at no cost to Chicago 2016.
- The City and the governmental parties agree that a commission, known as the Chicago Olympic Public Safety Command, or COPSC, shall engage in comprehensive security and public safety planning to prepare for hosting the 2016 Games, and COPSC shall have primary responsibility for security

and public safety at each of the Olympic venues and in the surrounding areas.

- If Chicago is not awarded the Games, the GCA terminates automatically.

The Chancellor at Chicago with the concurrence of the appropriate administrative officers recommends that the Board enter into the Venue Use Agreement and the 2016 Olympic and Paralympic Governmental Cooperation Agreement, and that the Comptroller, Walter K. Knorr, be granted authority to execute both agreements on behalf of the Board, substantially consistent in form and substance with the description above, and that Michele M. Thompson, Secretary of the Board, be granted authority to attest to the signature of the Comptroller on the two agreements.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.

On motion of Mr. Montgomery, seconded by Mr. Dorris, these recommendations were approved by the following vote: Aye, Dr. Carroll, Mr. Dorris, Mr. Eppley, Mr. Montgomery, Dr. Schmidt, Mr. Shah, Mr. Vickrey, Mr. Winters; no, none; absent, Mr. Bruce, Governor Quinn.

(The student advisory vote was: Aye, Mr. McFarland, Mr. Schmitt; no, none.)

SUMMARY OF AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Mr. Shah said that one of the reasons for calling this special meeting was to receive information and discuss pending federal legislation known as the American Recovery and Reinvestment Act of 2009 which, if passed by Congress, would likely provide funding for University capital projects. He asked Mr. Schoell to summarize the parts of the American Recovery and Reinvestment Act of 2009 (also known as economic stimulus program) that pertained to higher education (materials on file with the secretary).

Mr. Schoell stated that the federal government is expected to enact economic stimulus legislation for the nation in the coming weeks, which would provide excellent opportunities for higher education and the University of Illinois. He said that the federal and state governments have also begun work on their respective Fiscal Year 2010 budgets, which will address operating and capital needs for the University.

He indicated that the economic stimulus program offers major opportunities for the University of Illinois in terms of research, infrastructure, and assistance to students. Mr. Schoell noted that it is important to recognize that the present legislation, as approved by the U.S. House of Representatives, with action pending by the U.S. Senate, would provide block grants to the states for higher education. He also said that the final authority on spending decisions for specific projects in Illinois for higher education will probably rest with the governor and the State legislature.

Mr. Schoell then presented highlights of the economic stimulus program.

He stated that there is \$6.0 billion proposed for grants to the states for modernization, renovation, and repair of higher education facilities. Also, he said that grants will be distributed based on the proportion of full-time equivalent students attending institutions of higher education. Mr. Schoell indicated that based on this, national higher education organizations and the Illinois Board of Higher Education (IBHE) estimate that the State of Illinois might receive approximately \$265.0 million for higher education infrastructure projects. In addition, he said that historically the University of Illinois has received about 30 percent of State funds for higher education, which in this instance would mean that the University of Illinois would receive about \$80.0 million.

Mr. Schoell stated that in this legislation several billion dollars are identified for key science and research initiatives, which would be awarded through competitive grants and could be used for equipment and infrastructure. He also said that funds are identified in the legislation to improve energy efficiency and technology infrastructure for higher education and that there is a major program proposed for administration by the Department of Energy for energy efficiency and carbon sequestration demonstration projects. He also said that the legislation includes \$5.0 billion for health information technology to support efforts to increase the use of technology to improve efficiency in health care. Further, he noted that \$13.9 billion is proposed for an increase of \$500 in the Pell grant maximum award and that funds would be provided to enhance campus-based aid programs.

Mr. Schoell then identified the following capital priorities recommended by the University administration, which, pending Board of Trustees' approval, would hopefully be candidates for support from the State as well as the federal government:

- A major initiative to construct a new acute care hospital to meet the current and growing demands of technologically advanced intensive care and high-tech surgical services, a new facility for pathology, and a new Eye and Ear Infirmary, at a total estimated cost of \$660.0 million.
- Repair and renovation for all three campuses, \$22.6 million.
- Remodeling Lincoln Hall, Urbana, \$56.2 million.
- Addition to College of Medicine at Rockford, \$14.2 million.
- Electrical and Computer Engineering Building, Urbana, \$42.0 million.
- Integrated Bioprocessing and Research Lab, Urbana, \$20.03 million.
- College of Dentistry modernization and code compliance, Chicago, \$20.0 million.
- College of Pharmacy renovation and addition, Chicago, \$120.0 million
- Public Safety Building, Springfield, \$4.0 million
- Petascale Computing Facility, Urbana, \$60.0 million.

Mr. Schoell said that the bill in the U.S. Senate has lower numbers than the Bill that passed the House for the economic stimulus program. In response to a query from Mr. Vickrey, Mr. Schoell said that there are no specific projects mentioned in the

House Bill and that the Senate does not plan to have special programs in its Bill, but that the Senate does plan for some agencies to have accounts for stimulus spending. He said that infrastructure monies are to go to the states. Mr. Schoell also reported that President Obama wants bi-partisan support for this program and that currently he and his staff are working with the two U.S. Senators from Illinois on this. Mr. Schoell stated it is expected that the Bill will be signed on February 15, 2009. Discussion followed this report.

Mr. Montgomery asked if there was any language in either Bill regarding job creation and Mr. Schoell said this subject was not mentioned in either Bill. However, Mr. Schoell later made it clear that the recommendation for funding for capital projects was for the purpose of creating jobs quickly.

Mr. Eppley asked if there were any matching funds in either Bill, and Mr. Schoell said that there might be because creating job opportunities was a major aspect of the legislation.

Mr. Schoell stressed that in order to be eligible for funding, capital projects must be “shovel ready” within 90 days of the award of funds to the states. Mr. Shah asked for clarification regarding whether the 90 days refers to receipt of funds by a state or 90 days after a state agency with responsibility for administering the projects receives the funds.

MOTION FOR EXECUTIVE SESSION

Chair Shah stated: “A motion is now in order to hold an executive session to consider University employee matters.”

The motion was made by Mr. Eppley, seconded by Dr. Schmidt, and approved.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session was adjourned and the board meeting resumed in regular session.¹

BOARD DISCUSSION OF VARIOUS MATTERS

President White asked Mr. Schoell to speak to the responsibilities of his position.

Mr. Schoell described the Office of Governmental Relations as a unit of the University administration that is designed to provide advocacy for the University with governmental officials at the State and federal levels. He noted that Mr. Jim Jepsen, associate director of governmental relations (federal relations) was retiring in spring 2009.

Mr. Shah then announced that all University staff members should keep the chancellors, the president, and the trustees apprised of all instances of outreach to public officials to seek support of individual projects. He said that the embarrassment of

¹Mr. Eppley and Student Trustees McFarland and Schmitt left the meeting at 6:30 p.m.

individual administrators and staff approaching governmental officials to advocate for their special University projects must stop.

Mr. Montgomery then asked Mr. Schoell if he was aware of overtures by staff outside his office to governmental officials to advocate for special projects.

Mr. Schoell responded that this happens occasionally and he said that this is a problem because the University cannot risk communication difficulties in such dealings. He described very positively the system of campus liaisons to his office that is intended to coordinate efforts to communicate with governmental officials. He said that the liaison staff members also assist with visits by governmental officials to the University.

Mr. Bruce reminded the Board of the External Affairs Committee of the Board and its role in contacts with governmental officials.

Mr. Schoell noted that Trustees Bruce and Schmidt had helped him in meetings with governmental officials at both the State and federal levels. Mr. Shah then stated that contacts with Senator Durbin's office must not be made without notifying Trustees Bruce and Dorris as well as the president and chancellor. Mr. Shah also said that Trustees Carroll, Montgomery, and Shah must be notified before anyone in the University contacts the White House. In addition, Mr. Shah stated that he and Trustee Carroll should be notified before any contact is made with the Department of Energy. Further, Mr. Shah stated that both he and Mr. Bruce must be informed of contacts with the Office of the Governor. He indicated that the University needs the benefit of the relationships the trustees have with certain governmental officials, thus the trustees must be involved in or notified of all outreach efforts to governmental officials.

Mr. Shah stated that the support to the University will most often come as a result of the efforts of the researchers at the University. Therefore, he asked Vice President Rao to discover how many proposals for research funding are currently in federal agencies for consideration for funding. He observed that there are now many opportunities for medical research.

Moving to other matters for discussion, Mr. Shah indicated that the needs of the University of Illinois Hospital are presently an important focus for the Board. He praised the work of Mr. John J. DeNardo, CEO, HealthCare System, Chicago, and Dr. Joseph A. Flaherty, dean, College of Medicine. He asked Chancellor Allen-Meares to include Dean Flaherty in all discussions regarding the hospital.

Mr. Shah then turned to the subject of capital programs at the Chicago campus and recognized Mr. Mark Donovan, vice chancellor for administrative services, and said he has done a good job in this area. Mr. Shah also said that for the capital projects related to the University Hospital, in order to control costs it is necessary to assign the responsibility for these to someone reporting to Mr. DeNardo. He said that Mr. David H. Loffing, senior associate hospital director, would be responsible for these projects.

Next, Mr. Shah stated that he was requesting President White and Vice President Ghosh to carry out an evaluation of the University organization in the next thirty days. He added that the purpose of the evaluation was to learn if there are ways to cut costs in the University. Mr. Shah said that this review might result in reducing the number of positions in the University by not filling vacant positions. He said that he was

aware of 200 positions in the University administration in the area of information technology, and said he had requested information about how many were employees of contractors and how many staff positions existed in information technology at the campuses. He indicated that the review would begin at lower levels in the University and advance to the higher levels. Mr. Shah stressed that the goal of this review was to cut costs by not filling vacancies and to avoid laying off large numbers of staff members.

At Mr. Shah's invitation, President White commented on this request. The president said that the Board's directive to study the organization is timely given the current financial pressures. He said that the administration and the Board of the University would need to make a difficult decision in the next few months regarding the tuition to be charged next year. He stated that it is most important to place resources at the academic front lines, for faculty members and students. The president said that there were some data and findings available from the Resources Summit held a little over a year ago.

President White then turned to the subject of the federal stimulus program and called attention to the notebook prepared for the Board that was sent the Board members a few days ago (on file with the secretary), and asked Mr. Schoell to review this material.

Mr. Schoell presented the material prepared for the Board and identified the top priorities in the University's operating and capital budget request for Fiscal Year 2010. He said that the list of capital priorities had been approved by the Board and that they are in the capital bill now being considered by the State legislature. He also said

that there are two capital projects not in the capital list that have been discussed and for which funds will be sought, the initiative for new hospital facilities at Chicago and the Petascale Computing Facility at Urbana. He said that many of the needs for capital projects on the list would be appropriate projects for funding from the federal stimulus program. He noted that some federal agencies will have funding as part of the federal stimulus program for infrastructure projects and remodeling projects such as needs of research laboratories. He said that the University will need to be positioned appropriately to take advantage of the opportunities that will be presented by the federal government to fund capital needs.

Mr. Schoell then discussed the initiative to obtain new facilities for the University Hospital, including: a new hospital, a new pathology facility, and a new building for the Eye and Ear Infirmary, estimated to cost \$660.0 million. He saluted Dr. Schmidt for his dedication to communicating the need for these facilities as part of the Illinois Bill of Health, Healthy Returns, to other Board members and to legislators. Mr. Schoell noted that this list presents an ambitious goal and that achieving all aspects of it would be a multi-year project.

Next, Mr. Schoell commented on the project known as Energy Innovation Center@Illinois at Urbana, that is designed to address environmental and energy challenges. He said that securing funding for this would also be a multi-year effort.

The next subject Mr. Schoell introduced was the University's operating budget. He said that the challenge to the State is to construct a budget that will make the

State whole again. He noted that the IBHE had a step approach to this for higher education.

Mr. Schoell also told the Board that he and his staff are in the process of identifying all agencies that might provide funding so as to be ready to inform the University community and to gather proposals for such. He reminded the Board that funds for infrastructure projects would be assigned by the federal stimulus program to the IBHE, and to receive these funds an institution must propose funding for projects that are “shovel ready.”

Mr. Shah, referring to the listing of capital projects that might be eligible for funding by the federal stimulus program, asked Mr. Schoell to check the cost estimate for the College of Dentistry project. Mr. Shah stated that the estimate did not seem accurate because the project is described as a 190,000 square foot project with an estimated cost of \$20.0 million.

The Board members briefly discussed other parts of the materials provided by Mr. Schoell, then Dr. Schmidt asked for clarification of the funding for the Illinois Bill of Health, Healthy Returns project. He specifically asked about funding, estimated at \$5.5 million to increase the size of the College of Medicine classes by 60 students, following a recommendation by the American Association of Medical Colleges. A response to this query was not provided at this meeting.

Dr. Schmidt then commented on the importance of providing a new facility for pathology as part of the initiative for new hospital facilities. He said that the pathology unit serves the entire State, much the way the hospital does. Mr. Shah assured

the Board that he was trying diligently to obtain funds for the hospital facilities. He also stated that an alternative to receiving federal and State funds would be to ask the University of Illinois Foundation to support the hospital by providing \$50.0 million for this project. In addition, he said that he is attempting to secure funds as part of a Tax Increment Financing (TIF) arrangement by having the hospital annexed to an existing TIF area. He stated that the University's status as a 501C3 organization adds to the complexity of accomplishing this, since it will require more steps in the application process and the University must be annexed into the TIF area, and also establish that it would stimulate commercial development in and around the medical district area to add to the City of Chicago's tax revenue.

Mr. Shah urged Mr. Knorr to research the TIF provisions and to seek assistance from the Illinois Medical District Commission regarding the requirement to add commercial development to the district. Mr. Shah indicated that he wanted to arrange for \$100.0 million to start the hospital project.

Mr. Shah said he considered the new hospital facilities for the Chicago campus and the renovation of Lincoln Hall for the Urbana campus as major priorities for the near future. He added that he thought the University should try to obtain funding for the Petascale Computing Facility from other sources.

Dr. Carroll asked about the status of the Mile Square Health Center, as a federally qualified health center that is part of the University Hospital. Mr. DeNardo responded that the clinic now had three clinic locations and that a new site for the original

clinic had been identified. Dean Flaherty said that Mile Square Health Center was an integral part of the medical educational system.

There being no further business, the Board adjourned.

MICHELE M. THOMPSON
Secretary

NIRANJAN S. SHAH
Chair