

APPROVED BY THE
COMMITTEE

MAR 14 2011


SECRETARY OF THE BOARD

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

January 10, 2011

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, January 10, 2011, beginning at 1:00 p.m. via videoconference in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana; Room 414, Administrative Office building, 1737 West Polk Street, Chicago; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield. Trustee McMillan convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Edward L. McMillan, chair of the committee; Mr. James D. Montgomery, and Mr. Lawrence Oliver. Ms. Pamela B. Strobel was absent. Mr. Charles L. Olivier, student trustee from the Springfield campus, was present.

Also present were President Michael J. Hogan; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Dr. Mrinalini C. Rao, vice president for academic affairs; Dr. Avijit Ghosh, vice president for technology and economic development; Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; and Dr. Michele M. Thompson, secretary.

Attached is a listing of other staff members in attendance at this meeting, as well as some members of the media.

Mr. McMillan welcomed the committee members and others to the meeting and stated that the first item on the agenda is to approve the minutes from the meeting held on November 8, 2010. On motion of Mr. Montgomery, and seconded by Mr. Oliver, the minutes were approved unanimously.

ENDOWMENT POOL INVESTMENT POLICY UPDATE PRESENTATION
BY HEWITT ENNISKNUPP

Mr. McMillan introduced Ms. Angela Cantillon from Hewitt EnnissKnupp to present an endowment pool investment policy update (materials on file with the clerk). Ms. Cantillon referred to the second slide in her presentation, which she said demonstrates the shift from investment in United States and non-United States equities to global equities and an additional investment in hedge funds. She said this change would increase protection from risk. She also provided additional information regarding the investment in core real estate, and said it is low risk and is beneficial because it has no correlation to the other asset classes. She explained that it would take approximately 12 to 18 months to transition to this form of investment, and she also responded to questions regarding the shift to global equities. She mentioned recent studies that have found global investments to be beneficial, and stated that these types of investments are dictated by sector, rather than by geographical area. She said that this recommendation would expand the range of liquidity, and Mr. Knorr added that the lack of State payments to the University is a driving force behind this proposed change. He said that this recommendation will be on the Board's agenda at the January 20, 2011 meeting. With no further questions or comments, Mr. McMillan asked Mr. Knorr to begin a presentation on student fees and charges for room and board in fiscal year 2012.

STUDENT FEES AND ASSESSMENTS, ROOM AND BOARD

Mr. Knorr said that his presentation would include information on proposed student fees and assessments for fiscal year 2012. He gave an overview of proposed student fees and assessments on each campus, which he said consist of service fees, general fees, health service fees, and library and academic facilities maintenance fund assessments. He described the types of services that these fees provide, and explained that the academic facilities assessment was instituted in recent years and is based on a formulaic calculation. He showed the proposed fees and assessments for each campus, consisting of a \$12 per semester increase at Urbana, a decrease of \$15 per semester at Chicago, and an increase of \$15.8 per semester at Springfield, noting that the fee structures have been previewed by the student body at each campus. He then presented the proposed undergraduate room and board rates for each campus, and indicated increases of 4 percent at Urbana, 2 percent at Chicago, and 2.9 percent at Springfield. Committee members discussed the role of students in the approval process, and Mr. Knorr referred to a document outlining the process for student fee review at each campus that was previously distributed to committee members. He said students are involved throughout the process of developing recommendations for fees, and explained that they have already reviewed and approved the proposed fees. Dr. W. Randall Kangas, associate vice president for planning and budgeting, said that students are also on the committees that review proposals for the charges for room and board, but noted that there is less flexibility in those costs because of bond covenants.

ADMINISTRATIVE REVIEW AND RESTRUCTURING UPDATE

Mr. McMillan then asked Dr. Avijit Ghosh, vice president for technology and economic development, to present an update concerning the recommendations of the Administrative Review and Restructuring (ARR) report. Dr. Ghosh stated that he would provide a similar

update at the Board meeting on January 20, 2011, and began by giving background information on the ARR and the working group that has been responsible for its progress. He said the steering committee is comprised of the three vice presidents/chancellors, the other vice presidents, the chair of the University Senates Conference, and the president, and said they meet frequently to establish, manage, and implement priorities. He said the current areas of focus are information technology, procurement, capital programs, and human resources, and he described some of the work that has occurred in each area to increase efficiency and decrease costs. He provided examples of initiatives that have already resulted in savings and others that will save money in the future, and said projects are underway at the campus, department, and unit level, with some occurring University-wide. Mr. Oliver and Mr. McMillan advised that it would be advantageous to share these efforts with the public.

REPORT ON STATE FINANCES

Dr. David Merriman, professor and associate director, Institute of Government and Public Affairs, Urbana, was then asked to present information on the State's finances. He said that Illinois has a strong, solid economy that is showing signs of improvement, and noted that the State is still recovering from a devastating recession. He referred to current initiatives to increase revenue, but acknowledged that recovery is slow, and said that without cutting costs, a gap will continue to exist in the State's budget. Dr. Merriman responded to questions from committee members regarding efforts to increase revenue through increases in corporate, personal, and gaming taxes, and indicated he will provide a full presentation on the State's finances to the full Board at its meeting on January 20, 2011.

Mr. Knorr provided an update on the State appropriation and said that the University is currently owed \$412.0 million. He added that no funding for the Monetary Award Program (MAP) or University Extension had been received for this fiscal year's budget.

REVIEW RECOMMENDED BOARD ITEMS

With no further questions or comments regarding the presentations, Mr. McMillan asked to review the items within the purview of the committee that will be recommended on the agenda for voting at the Board meeting on January 20, 2011.

- Mr. Michael Bass, senior associate vice president for capital programs and real estate services, provided an overview of a resolution concerning a policy for art in architecture and stated that it would complement the State's statute in that it recommends .5 percent of the construction budget for acquiring works of art for University buildings that are not funded by the Capital Development Board. The state statute covers these projects.
- Dr. Heather Haberaecker, executive assistant vice president for business and finance, reviewed a purchase recommendation for consulting services for the University of Illinois Medical Center, and explained that these services could be utilized over a three year period using the seven vendors identified in the recommendation. Mr. McMillan and Dr. Haberaecker discussed the method used to evaluate and score proposals from various vendors, and Dr. Haberaecker explained that this award would allow the Medical Center to be more nimble in its response to opportunities and needs.
- Mr. Bass reviewed the item to approve the project for the Mile Square Health Center at Chicago. He provided a brief history of the Mile Square Health Center and explained how this would fit within the master plan for the Chicago campus. Mr. John DeNardo, chief executive officer, University of Illinois Medical Center, provided additional

information about how this would relate to the intensive care tower and future plans for the medical center.

- Dr. Ghosh presented information about the proposed item to amend the operating agreement of the University of Illinois Research Park, which he said would change the composition of the research park board. He reviewed the history of the board's composition, and said the proposal would expand board membership and strengthen the link between the research park and the academic community. Mr. McMillan stated that Chairman Kennedy has expressed support for the proposal, and Mr. Montgomery voiced concerns regarding diminished trustee involvement. Dr. Ghosh explained that the item proposes including the vice presidents/chancellors of each campus and reducing the number of University of Illinois trustees on the board of the research park from three out of concern for the workload of trustees. Mr. McMillan noted that this proposal would revert to the original board structure created several years ago, and stressed that the board of the research park has been functioning with one trustee representing the Board for some time, since it was a challenge to appoint additional trustees. Additional discussion continued, and Mr. Oliver stated that it is difficult to evaluate the effectiveness of the current structure of the board, since it has not functioned as intended. Mr. McMillan stated that the item would be brought to the full Board for discussion, and there was no objection to this.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. McMillan stated that the next committee meeting is scheduled for March 14, 2011, at 1:00 p.m.

MEETING ADJOURNED

With no further comments or questions, Mr. McMillan requested a motion to adjourn the meeting. On motion of Mr. Montgomery, seconded by Mr. Oliver, the meeting was adjourned at 2:15 p.m.

Respectfully submitted,

Michele M. Thompson
Clerk

Edward L. McMillan
Chair

Eileen B. Cable
Assistant Clerk

AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
ATTENDANCE, MEETING OF JANUARY 10, 2011

Urbana Campus Site

Doug Beckmann, Senior Associate Vice President for Business and Finance
Kevin Duff, Manager, Capital Programs and Real Estate Services
Robert Easter, Interim Vice President and Chancellor, Urbana-Champaign Campus
Avijit Ghosh, Vice President for Technology and Economic Development
Dean Hagan, Director, University Investments
Randy Kangas, Associate Vice President for Planning and Budgeting
Janier Koss, Staff, Board of Trustees Office
Edward L. McMillan, Trustee, Chair of the committee
Jo Menacher, Associate Director, Planning and Budgeting
Peter Newman, Assistant Vice President, Treasury Operations
Jill Odom, Staff, Office of the Vice President/Chief Financial Officer and Comptroller
Menah Pratt-Clarke, Associate Chancellor, Office of the Chancellor, Urbana-Champaign Campus
Scott Rice, Senior Associate University Counsel
Maxine Sandretto, Assistant Vice President for Business and Finance, Urbana-Champaign Campus
Michele M. Thompson, Secretary, Board of Trustees
Steve Veazie, Deputy University Counsel
Joseph Vitosky, Assistant Vice President, Capital Programs and Real Estate Services
Bruce Walden, Director, Real Estate Services
Paul Wood, *The News-Gazette*
Julie Zemaitis, Executive Director of University Audits

Chicago Campus Site

Jerry Bauman, Interim Vice Chancellor and Provost, Chicago Campus
Thomas R. Bearrows, University Counsel
Angela Cantillon, Associate, Hewitt EnnisKnupp, Inc.
Mark Donovan, Vice Chancellor for Administrative Services, Chicago Campus
John DeNardo, Chief Executive Officer, UIC Healthcare System, Chicago Campus
Thomas P. Hardy, Executive Director for University Relations
Frank Goldberg, Vice Provost for Resource Planning and Management, Chicago Campus
Heather Haberaecker, Executive Assistant Vice President for Business and Finance, Chicago Campus
Walter K. Knorr, Vice President/Chief Financial Officer and Comptroller
Lester H. McKeever, Jr., Treasurer
David F. Merriman, Professor, Institute of Government and Public Affairs, Chicago Campus
James D. Montgomery, Trustee
Lawrence Oliver, Trustee
Mrinalini C. Rao, Vice President for Academic Affairs

Springfield Campus Site

Mike Bass, Senior Associate Vice President for Capital Programs and Real Estate Services
Donna McNeely, University Ethics Officer
Charles L. Olivier, Student Trustee, Springfield Campus
Aaron Shures, Associate Provost, Director of Business and Financial Analysis, Springfield Campus
Lisa Troyer, Executive Assistant to the President and Chief of Staff