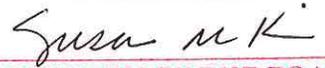


APPROVED BY THE
COMMITTEE

FEB 25 2013


SECRETARY OF THE BOARD

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

January 14, 2013

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, January 14, 2013, beginning at 1:00 p.m. in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana. Attendance via videoconference was available in Room 414, Administrative Office Building, 1737 West Polk Street, Chicago; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield. Trustee Edward L. McMillan, chair of the committee, convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Edward L. McMillan, Mr. James D. Montgomery, Mr. Lawrence Oliver, Ms. Pamela B. Strobel, Mr. John W. Tienken¹, voting student trustee from the Springfield campus, and Mr. David Pileski, student trustee from the Urbana campus, were present.

Also present were Mr. Lester H. McKeever, Jr., treasurer; Dr. Phyllis M. Wise, vice president, University of Illinois and chancellor, Urbana campus; Dr. Susan J. Koch, vice president, University of Illinois and chancellor, Springfield campus; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Dr. Christophe

¹ Mr. Tienken arrived after the roll call at 1:04 p.m.

Pierre, vice president for academic affairs; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary. Dr. Avijit Ghosh, senior advisor to the president, was also in attendance.

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

Mr. McMillan welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting that was held on October 29, 2012. On motion of Mr. Montgomery, seconded by Mr. Oliver, the minutes were approved. There were no “nay” votes.

PRESENTATIONS

Student Fees and Housing Rates for Academic Year 2013-2014

Mr. McMillan asked Dr. Pierre to provide a presentation on proposed student fees and housing rates for Academic Year 2013-2014 (materials on file with the clerk). Dr. Pierre discussed the ways in which service fees, general fees, health service fees, and library and academic facilities maintenance fund assessments are used at each campus, and he provided an overview of the student fee approval process. Brief discussion regarding the fees and assessments at each campus followed. Mr. McMillan asked if these proposed fees were vetted through the appropriate student groups at each campus, and Dr. Pierre confirmed this. Dr. Pierre then presented the proposed fees and assessments at each campus, which include a 1-percent increase at Urbana, a 1.5-percent increase at Chicago,

and a 6.1-percent increase at Springfield. He explained that while the percentage increase is higher at Springfield than it is at the other two campuses, the total cost of the proposed fees and assessments at Springfield is lower than the cost at Urbana or Chicago. Discussion regarding the variation in the health service fee at each campus followed, and information pertaining to the services and facilities available at each campus was provided. Ms. Strobel commented that it may be worthwhile to revisit the cost of health service fees, and Mr. McMillan stated that this could be done at a future meeting or at a meeting of the University Healthcare System Committee. Next, Dr. Pierre stated that the proposed cost of student health insurance for Academic Year 2013-2014 will be available in March 2013. He then discussed the recommended room and board rates for undergraduate housing at each campus for Academic Year 2013-2014, and explained that although the proposed percentage increase is higher at Springfield than it is at Urbana or Chicago, the proposed cost of room and board is similar at all three campuses. Mr. Pileski and Mr. Tienken described the role of students in the student fee and assessment approval process at Urbana and Springfield, and Dr. Barbara Henley, vice chancellor for student affairs, Chicago, commented on the role of students in this process at Chicago.

REVIEW OF RECOMMENDED BOARD ITEMS FOR THE MEETING
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
ON JANUARY 24, 2013

Mr. McMillan asked the appropriate individuals in attendance to report on the items that will appear on the Board's agenda at its meeting on January 24, 2013. All proposed items are on file with the clerk.

Tuition and Fee Increases, Cost Recovery, Off-Campus,
and Aviation Programs, Academic Year 2013-2014

Dr. Pierre discussed the item recommending tuition and fee increases for programs that are offered on a full cost recovery basis at Urbana and stated that these programs are self-supporting. Brief discussion regarding the closure of the Institute of Aviation followed.

Student Fees for Urbana, Chicago, and Springfield, Academic Year 2013-2014

Dr. Pierre referred to the presentation he gave at the start of the meeting and offered to answer any questions. Ms. Strobel inquired about the Emergency Dean Program at Urbana that was listed in the item pertaining to student fees, and Vice President/Chancellor Wise explained that this is a program to provide assistance to students after an unforeseen event or emergency. Dr. Pierre also provided some information and indicated that a similar program is available at Chicago and Springfield.

Rate Changes for University-Operated Housing Facilities, Urbana, Chicago, and
Springfield, Academic Year 2013-2014

Dr. Pierre stated that the presentation he gave outlined the typical costs for room and board and stated that the item lists the costs of many variations for room and board available to students. There were no comments or questions regarding this item.

Capital and Real Estate

At 1:30 p.m., Mr. McMillan asked Mr. Michael B. Bass, senior associate vice president for business and finance and deputy comptroller, to provide information regarding some capital and real estate items that will be on the Board's agenda at its January 24, 2013 meeting.

Mr. Bass reported on the recommendation to name the newly constructed residence hall at Stanley O. Ikenberry Commons at Urbana the Maudelle Tanner Brown Bousfield Hall. Mr. Bass stated that this would commemorate the many accomplishments of Ms. Bousfield.

Next, Mr. Bass stated that the recommendation to rename multiple buildings on the Chicago campus is necessary to better reflect the functions of buildings, to provide accurate identification, and to minimize confusion.

Mr. Bass then discussed the item recommending the award of construction contracts for infrastructure repairs at Smith Memorial Hall at Urbana. He provided

information about the project, the bidding process, and level of Minority and Female Business Enterprise (MAFBE) participation.

Mr. Bass reported on the recommendation to employ an architect/engineer for the addition and renovation of the Chemistry Annex building at Urbana. He discussed the necessity of the renovation, the cost for these professional services, and the level of MAFBE participation.

Next, Mr. Bass discussed the recommendation to employ a professional services consultant for renovation of the Natural History Building at Urbana. He outlined the history of the project and reminded the committee that the contract with the firm that was previous hired was rescinded, and he provided a brief assessment of the potential financial impact caused by the delay in the project.

Chez Family Foundation Center for Wounded Veterans in Higher Education

Mr. Bass stated that there are four components that pertain to the proposed new Chez Family Foundation Center for Wounded Veterans in Higher Education, and he introduced Mr. Dick Lehner, LCM architects, to present an overview of the proposed design (materials on file with the clerk). Mr. Lehner stated that the building will be designed according to LEED gold certification standards, and he discussed the location of the site on campus. He presented the proposed design of the building's exterior, which he said will fit within the campus aesthetic, and the floor plan for each level of the building. He also described the features of the residential rooms, which he said will be accessible and

promote dignity and independence. Mr. McMillan asked how these rooms differ from those in Timothy J. Nugent Hall in Ikenberry Commons, and Mr. Lehner stated that these will feature greater flexibility to accommodate a variety of disabilities and the needs of this particular student population. Mr. McMillan spoke in favor of the project.

Mr. Bass then reported on the recommendation to designate this new building as the Chez Family Foundation Center for Wounded Veterans in Higher Education in recognition of the Chez Family Foundation's \$6.0 million gift, which provides anchor funding for the project. Mr. Bass also discussed the recommendation to approve the project, the project design, and to amend the professional services contract. Brief discussion regarding the anticipated groundbreaking for the building followed, and Ms. Strobel stated it is a wonderful addition to the campus and expressed appreciation for the gift from the Chez Family Foundation.

Mr. Tienken left the meeting at 1:55 p.m.

Purchase Recommendation

At 1:56 p.m., Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president for business and finance, to discuss the recommended purchase of consulting services to assist with the transformation of the University of Illinois Health Sciences System clinical enterprise (materials on file with the clerk). Dr. Haberaecker described the benefits and purpose of this recommendation and discussed the process for selecting Navigant Healthcare, the recommended vendor. Mr. Michael S. Jonen, associate vice

president for enterprise strategy, Office of the Vice President for Health Affairs, University of Illinois, provided some information about Navigant Healthcare and commented on the usefulness of this type of engagement. Discussion regarding the healthcare landscape and issues surrounding healthcare reform followed, and Dr. Haberaecker and Mr. Jonen discussed the structure of the proposed contract. Committee members also discussed the use of services provided by groups such as Navigant Healthcare at peer institutions and the source of funds for the proposed contract.

Amendments Number Two and Three of the 403(b) Plan Document

Ms. Maureen Parks, associate vice president and executive director of human resources, stated that the proposed amendments to the 403(b) plan document are technical corrections. She said plan amendment number two deals with loan and hardship provisions, and that this change is recommended by legal counsel to coordinate with the State 457 plan. She reported that plan amendment three is also recommended by legal counsel to comply with the Workers, Retiree, and Employer Recovery Act. There were no questions or comments regarding the proposed amendments.

There were no objections to forwarding any of the items listed above to the full Board.

PRESENTATIONS, CONTINUED

Investments and Hedge Fund Manager Search

At 2:15 p.m., Dr. Peter Newman, senior assistant vice president for treasury operations, and Mr. Dean Hagan, director of University investments, provided a presentation on investment performance and an update on investment policy and the fund manager search (materials on file with the clerk). Mr. Hagan presented a capital markets review as of September 30, 2012, and he discussed endowment pool rankings at one-, three-, and five-year intervals. He provided an update on the implementation of the endowment pool allocation policy, which was approved by the Board at its meeting in January 2011. Discussion regarding some aspects of the asset allocation followed, and Mr. Hagan presented an update on the endowment manager search. There were no additional questions or comments.

Updates on State Budget and Legislative Matters

At 2:33 p.m., Mr. McMillan asked Mr. Knorr to provide an update on the State budget and federal and State legislative matters. Mr. Knorr referred to a possible 8-percent reduction in federal research funding due to sequestration and discussed the rate of Medicare reimbursements, availability of federal Pell grants, and the preservation of the tax credit for college savings programs. He commented briefly on the farm bill and on charitable donation deductions.

Next, Mr. Knorr reported on State legislative issues, and said that there has been no action regarding pension reform. He discussed the State budget and its backlog of unpaid bills. He stated that the State paid the Fiscal Year 2012 appropriation to the University, and that the receivable for the Fiscal Year 2013 appropriation is the highest it has been in five years. He briefly commented on pending Medicaid reform.

Mr. Knorr then told the committee that the Fiscal Year 2012 audit report from the Illinois Auditor General presented a clean finding, and that this will be reviewed at the next meeting of this committee. He discussed the possibility of changes to the University's credit rating and responded to a question from Mr. Montgomery regarding the impact of pension reform on the State and University credit rating.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. McMillan announced that the next meeting of this committee is scheduled for February 25, 2013, at 1:00 p.m.

MEETING ADJOURNED

On motion of Ms. Strobel, seconded by Mr. Oliver, the meeting adjourned at 2:42 p.m.

There were no "nay" votes.

Respectfully submitted,



Susan M. Kies
Clerk



Edward L. McMillan
Chair



Eileen B. Cable
Assistant Clerk

