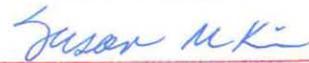


APPROVED BY THE
COMMITTEE

JAN 31 2014


SECRETARY OF THE BOARD

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

November 4, 2013

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, November 4, 2013, 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; the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield; and Room S200A, 1601 Parkview Avenue, College of Medicine, Rockford. 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: Dr. Timothy N. Koritz,¹ Mr. Edward L. McMillan; Mr. James D. Montgomery; Ms. Pamela B. Strobel¹. The following committee members were also present: Mr. Lester H. McKeever, Jr., treasurer; Mr. Michael A. Cunningham, voting student trustee from the Urbana campus; and Mr. Jamaal E. Hollins, student trustee from the Springfield campus.

¹ Ms. Strobel participated via telephone.

Also present were Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Dr. Christophe Pierre, vice president for academic affairs; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary.

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 held September 4, 2013. On motion of Mr. Montgomery, seconded by Mr. Cunningham, the minutes were approved. There were no "nay" votes.

PRESENTATIONS AND REVIEW OF RECOMMENDED BOARD ITEMS FOR THE
MEETING OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
ON NOVEMBER 14, 2013

Mr. McMillan asked the appropriate individuals in attendance to provide presentations and report on the items that will appear on the Board's agenda at its meeting on November 14, 2013. All proposed items discussed at the meeting are on file with the clerk.

Design for Addition and Renovation, Chemistry Annex Building, Urbana

Mr. Michael B. Bass, senior associate vice president for business and finance and deputy comptroller, introduced Mr. Jack G. Bullo from Harley Ellis Devereaux architects to present the proposed design for the Chemistry Annex building at Urbana (materials on file with the clerk). Mr. Bullo listed the team members and reviewed the project mission

and explained that this project includes renovations to the interior and exterior and an addition to the building. He stated that efforts are underway to list the Chemistry Annex building on the National Register of Historic Places, and that the building is targeted to receive gold LEED status when the addition and renovations are complete. Mr. Bullo then presented the campus site plan and site landscape plan, and he reviewed the components, use, and layout of the four floors of the building. He provided images of the exterior views of the existing building and the proposed addition, noting that the addition will reflect a contemporary interpretation of details on the existing building. Brief discussion followed, and Mr. Bullo said the project will be complete in July 2016. He also responded to questions regarding the building's potential designation as a historical building, and said that this tells a compelling story for the University and that this designation would pertain only to the exterior. Mr. Bullo referred to the importance of preserving old buildings and responded to questions about the flat roof.

Context for Fiscal Year 2015 Tuition and Financial Aid

Mr. McMillan asked Dr. Pierre to provide a presentation on the context for tuition and financial aid for Fiscal Year 2015 (materials on file with the clerk). Dr. Pierre reviewed key elements of the Board's tuition policy and the guaranteed tuition program and described the advantages of early approval of the tuition rate. He reported on State appropriations to the University from Fiscal Year 2005 through 2014 and emphasized the decrease in State support combined with an increase in student enrollment. Dr. Pierre

then presented details regarding the State appropriation revenue and highlighted the pattern of late payments in recent years, noting that this makes planning difficult. He compared the State appropriation to tuition and fees from Fiscal Year 2005 through 2014, showed net tuition revenue by student residency and level, and reviewed the guaranteed tuition and fees and room and board that were set for Fiscal Year 2014. Dr. Pierre then reported on financial aid and affordability and explained that the gap between financial aid provided by Pell and MAP grants and the cost of tuition can equal as high as \$10,000 per year, particularly if the student is enrolled in a program with a tuition differential. He presented charts reflecting undergraduate Pell, MAP, and supplemental aid provided by the University and supplemental aid offered by each campus. Next, Dr. Pierre presented an analysis of the net cost to students for tuition and fees and discussed how the University's tuition and fees compare to peer institutions. He discussed potential changes in tuition at peer institutions for Fiscal Year 2015 and reported that some schools have frozen their tuition rates. Dr. Pierre presented data regarding enrollment and the impact of a potential tuition increase on revenue, and he concluded his presentation by providing a summary of factors impacting tuition.

Mr. McMillan told the committee that this presentation would also be provided to the Academic and Student Affairs Committee. Brief discussion regarding the impact of a tuition increase on revenue over a four-year period followed, and Ms. Strobel asked to see a comparison of tuition at the Chicago campus to its peers. Dr. Pierre

confirmed that an increase in the allocation of financial aid would be proportionate to an increase in tuition.

Fiscal Year 2014 Agreement for the University of Illinois Foundation

At 1:53 p.m., Dr. Thomas J. Farrell, president of the University of Illinois Foundation, made a presentation on Advance Illinois (materials on file with the clerk). He explained that he provided a presentation to the Governance, Personnel, and Ethics Committee on a strategic plan and road map for the University of Illinois Foundation, and he reviewed some aspects of the organizational audit and plan that has been developed. Dr. Farrell discussed the purpose of Advance Illinois, which he explained is to review and improve the advancement technology infrastructure related to fundraising and advancement at the University, and he described the benefits of the new proposed system. He provided some context and discussed the process used to select the proposed vendor, and he presented the cost of ownership, transition, and support. Dr. Farrell confirmed that the University of Illinois Alumni Association was also consulted in the selection of the proposed vendor. Mr. Knorr reviewed the cost for this project, and brief discussion regarding requests for additional support followed. Ms. Strobel expressed support for this initiative on behalf of the Governance, Personnel, and Ethics Committee, and all agreed to forward the item to the full Board.

University Internal Audits - Fiscal Year 2014 First Quarter Report

Ms. Julie A. Zemaitis, executive director for University audits, presented her report on the Office of University Audits activities for the first quarter ended September 30, 2013 (materials on file with the clerk). Ms. Zemaitis reviewed the audit plan completion status and stated that 13 reports were issued during the first quarter. She then discussed audit report findings by high and moderate risk or priority and the implementation of audit recommendations. Next, she presented the risk and priority rating of open audit recommendations and the aging of outstanding recommendations by management's original implementation date. Mr. McMillan thanked Ms. Zemaitis for the report.

Investment Performance and Manager Update

At 2:11 p.m., Mr. McMillan asked Mr. Dean A. Hagan, director of University investments, to provide a presentation on investment performance and a manager update (materials on file with the clerk). He reviewed the capital markets as of September 30, 2013, and presented preliminary endowment-pool performance at one-year, three-year, and five-year periods. Mr. Hagan then provided an investment manager update. Next, he presented an opportunity fund emerging manager proposal and stated that this would improve the diversity of managers, noting that a related item would be ready to present for Board approval at its March meeting.

Capital Projects/Real Estate

Mr. McMillan asked Mr. Michael B. Bass, senior associate vice president for business and finance and deputy comptroller, to provide information regarding capital and real estate items. Mr. Bass commented on the recommendation to award a contract for the first phase of construction for Ikenberry Commons – Residence Hall No. 3 at Urbana and said that the award totals \$5,098,000.

Mr. Bass then discussed the recommendation to award a contract for renovation and addition at the State Farm Center at Urbana. He stated that this is the first bid package and that out of eight contracts, one requires Board approval. He discussed the scope of the work and said that the concrete work is in the process of being rebid.

Next, Mr. Bass reviewed the proposed budget increase and recommendation to award a contract for the Chez Family Foundation Center for Wounded Veterans in Higher Education at Urbana. He said this project was previously approved by the Board and that the need for a budget increase has become apparent in the design process. Brief discussion followed, and Mr. Bass reported on the participation rates among female- and minority-owned businesses, stating that the intent is to meet the goal of 15 percent.

Purchase Recommendation

Next, Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president for business and finance, to discuss a recommended purchase within the purview of the

committee (materials on file with the clerk). Dr. Haberaecker discussed the purchase of maintenance and repair work for the steam plant at Urbana. She stated that the vendor does not qualify as a female- or minority-owned business.

Update on Federal, State, and Local Issues

Mr. Knorr stated that the State appropriation from Fiscal Year 2013 has been paid, and that \$319.0 million is due to the University from Fiscal Year 2014. He commented briefly on the State's veto session and referred to challenges regarding delayed Medicaid reimbursements. Mr. Knorr reported that the rating agencies issued an AA3 rating with a negative outlook to the University and said the impact may be seen in the financing for the State Farm Center and Ikenberry Commons.

MOTION FOR EXECUTIVE SESSION

At 2:35 p.m., Mr. McMillan stated that a motion was in order to convene an executive session to consider the recommendation to disclose minutes of meetings lawfully closed under the Open Meetings Act. On motion of Mr. Montgomery, seconded by Mr. Cunningham, this motion was approved. There were no "nay" votes.

EXECUTIVE SESSION

At 2:37 p.m., Dr. Kies stated that the Open Meetings Act requires that minutes from business conducted under exceptions specified in the act must, at least every six months,

be reviewed to determine whether the need for confidentiality still exists with respect to each item considered under such exception. She reported that she and Mr. Bearrows reviewed all sequestered items and recommend one matter considered in executive session during meetings of the Audit, Budget, Finance, and Facilities Committee held from September 2010 through July 2013 and recommend that one matter discussed in executive session during the May 9, 2013, meeting be made available to the public. She said this portion concerns the discussion of the release of minutes, and they recommend that all other matters continue to be sequestered. There were no questions or comments regarding this recommendation.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 2:39 p.m.

AGENDA

At 2:39 p.m., the open session resumed. Mr. McMillan stated that there was one agenda item requiring action by the committee, and he asked Dr. Kies to read aloud the title of the item, "Disclose Certain Minutes of Executive Sessions Pursuant to the Open Meetings Act." The committee agreed that one roll call vote would be taken and considered the vote on the agenda item as listed below.

Disclose Certain Minutes of Executive Sessions
Pursuant to Open Meetings Act

(1) Under the Open Meetings Act passed by the General Assembly, public bodies subject to the Act that conduct business under exceptions specified in the Act must, at least every six months, determine whether the need for confidentiality still exists with respect to each item considered under such exception.

An item from May 2012 through January 2013 that has been heretofore unreleased is recommended for release at this time.

The University Counsel and the Secretary of the Board, having consulted with appropriate University officers, recommends that the following matter considered in executive session for the time period above be made available to the public at this time.

The committee 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.

Executive Session Minutes Released to Public

May 13, 2013, Audit, Budget, Finance, and Facilities Committee

At 3:05 p.m., Dr. Kies stated that the Open Meetings Act requires that minutes from business conducted under exceptions specified in the act must, at least every six months,

be reviewed to determine whether the need for confidentiality still exists with respect to each item considered under such exception. She reported that she and Mr. Bearrows reviewed all sequestered items and recommend all matters considered in executive session to date continue to be sequestered. There were no questions or comments regarding this recommendation.

On motion of Mr. Montgomery, seconded by Mr. Cunningham, this recommendation was approved by the following vote: Aye, Mr. Cunningham, Dr. Koritz, Mr. McKeever, Mr. McMillan, Mr. Montgomery, Ms. Strobel; No, none.

(The student advisory vote was: Aye, Mr. Hollins)

MEETING ADJOURNED

On motion of Mr. Cunningham, seconded by Mr. Montgomery, the meeting adjourned at 2:41 p.m. There were no "nay" votes.

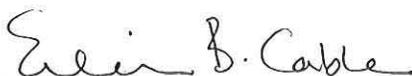
Respectfully submitted,



Susan M. Kies
Clerk



Edward L. McMillan
Chair



Eileen B. Cable
Assistant Clerk

