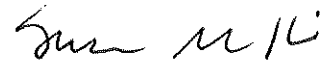


APPROVED BY THE
COMMITTEE

JUL 15 2013



SECRETARY OF THE BOARD

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

May 13, 2013

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, May 13, 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, Mr. Edward L. McMillan, Mr. James D. Montgomery, Ms. Pamela B. Strobel. Also present were Mr. John W. Tienken, voting student trustee from the Springfield campus, and Mr. David Pileski, student trustee from the Urbana campus¹. Mr. Kenneth M. Thomas, student trustee from the Chicago campus, also attended the meeting.

Also present were Mr. Lester H. McKeever, Jr., treasurer; Dr. Robert A. Easter, president; Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, Springfield campus, and vice

¹ Mr. Pileski arrived at 1:15 p.m.

president, University of Illinois; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary. Dr. Avijit Ghosh, senior advisor to the president; Mr. Thomas P. Hardy, executive director for University relations; and Ms. Margaret M. O'Donoghue, interim special assistant to the president, were 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 held February 25, 2013. On motion of Mr. Montgomery, seconded by Ms. Strobel, the minutes were approved. There were no "nay" votes.

DESIGN PRESENTATIONS

Curtis Granderson Stadium, Chicago

Mr. Norman Friedman, associate principal architect from Populous, reviewed a series of slides on the proposed design for the Curtis Granderson Stadium on the Chicago campus (materials on file with the clerk). He presented the site design and described plans for the seating, entrance, and structures at the stadium. Mr. Friedman showed the views from various points in the stadium and highlighted the view of downtown Chicago from home plate. He also described the proposed amenities included in the design. Mr. McMillan spoke in favor of the proposed design, and Ms. Strobel inquired about other uses for the

stadium. Mr. Friedman said it may be possible to host a concert there, adding that additional seating is available along the berm.

Assembly Hall, Urbana

Mr. McMillan then asked Mr. Michael B. Bass, senior associate vice president for business and finance and deputy comptroller, to introduce Mr. Jon Niemuth, design principal from AECOM, to provide a presentation on the proposed design for the Assembly Hall on the Urbana campus (materials on file with the clerk). Before beginning the presentation, Ms. Strobel announced that she would recuse herself from all matters related to the Assembly Hall because of her relationship with State Farm and the significant financial commitment State Farm made to the University to support this renovation project. She stated that she was also not involved in the proposed redesignation of the Assembly Hall as the State Farm Center, which has been proposed in recognition of their support.

Mr. Niemuth presented the site plan and showed depictions of the proposed entrances. He also described the proposed changes to each level of the building and highlighted features such as concessions, air conditioning, and accessibility. Mr. Niemuth also showed depictions of the proposed suite boxes, lobby, and areas designated for students. He explained that square footage would be added while preserving the original character of the building. Discussion regarding the building's significance as an architectural landmark followed, and Mr. Niemuth confirmed that the dome will be

preserved and will remain intact while the roof will be replaced. He acknowledged that this project is a renovation rather than a restoration, and that improvements are needed.

Ikenberry Commons – Residence Hall No. 3, Urbana

Mr. McMillan then asked Mr. Joseph Chronister, principal architect from FGM Architects, to give a presentation on the proposed design for Ikenberry Commons – Residence Hall No. 3, Urbana (materials on file with the clerk). Mr. Chronister stated that this residence hall will feature 500 beds and will have a focus on freshmen, with an opening planned for fall 2016. He presented the design site plan and stated that the addition of a storm weather detention system will alleviate flooding that currently occurs in the area. Mr. Chronister compared the proposed master plan from 2010 to the currently proposed plan and discussed the changes, many of which resulted from the focus on needs related to freshman housing. He then presented day and night exterior views and plans for creating an outdoor space. Mr. Chronister stated that the goal is to achieve LEED gold status for the building.

Mr. Montgomery inquired about minority participation in all three projects, and Mr. Bass stated that he would provide him with this information, noting that a 20-percent participation rate is required.

REVIEW OF RECOMMENDED BOARD ITEMS FOR THE MEETING
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
ON MAY 29, 2013

At 1:40 p.m., 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 May 29, 2013. All proposed items discussed at the meeting are on file with the clerk.

Preliminary Operating Budget for Fiscal Year 2014

Mr. Knorr reported on the preliminary operating budget for Fiscal Year 2014, and stated that said that approval of a preliminary budget is needed to enable the University to continue operations and to pay its bills. He said this is a continuation of the appropriation from the previous year, that this process has been used for several years, and that a formal budget will be presented to the Board at a later date.

Fiscal Year 2014 Agreements for the University of Illinois
Alumni Association and University of Illinois Foundation

Mr. Knorr discussed the proposed Fiscal Year 2014 agreements for the University of Illinois Alumni Association and University of Illinois Foundation, stating that the proposed level of support is the same as the previous year and is subject to change based on the final State appropriation to the University. Brief discussion regarding expenditures and the budget of the University of Illinois Foundation followed.

Capital and Real Estate

Mr. McMillan asked Mr. Bass to provide information regarding capital and real estate items that will be on the Board's agenda at its May 29, 2013, meeting.

Mr. Bass commented on the proposed design and budget increase for Ikenberry Commons – Residence Hall No. 3 at Urbana and stated that the requested budget increase is needed because of the addition of the storm water detention system and increased installation of artificial turf for recreation. He said this item also recommends an amendment to the professional services agreement for services associated with this work. He stated that the proposed design for this project, which is also included in the agenda item for Board approval, was presented earlier in the meeting.

Mr. Bass then discussed the recommendation to approve the project and amend the professional services consultant contract and construction manager contract for the Assembly Hall at Urbana. He reviewed the timeline of the project and stated that it is now in the design development phase. He discussed the budget and funding for the project, which was followed by a brief discussion. Mr. Bass reminded the committee that the project is complex and will be done in phases, with final completion anticipated in time for the 2016-2017 basketball season. He stated that the proposed design for the Assembly Hall renovation and addition is also included in the agenda item for Board approval. Mr. Bass then referred to the recommendation to redesignate the Assembly Hall as the State Farm Center and stated that this is in recognition of the gift being provided by State Farm.

Next, Mr. Bass reviewed the proposed construction contract for exterior repairs at Davenport Hall, Urbana, and stated that these repairs will impact building integrity and appearance while increasing energy efficiency. He briefly commented on the budget, recommended contractor, and rate of Minority and Female Business Enterprise (MAFBE) participation.

Mr. Bass then commented on the recommended renaming of the Art and Design Hall at Chicago as the Art and Exhibition Hall, which he said reflects an appropriate description of the building's use. He also discussed the proposed project and construction contract for the replacement of Boiler No. 7 at the steam plant at Chicago and said the new boiler will have a dual fuel option, which is required by the Illinois Department of Public Health.

Mr. Bass then briefly discussed the recommended designation of the Curtis Granderson Stadium, as well as the proposed project and design. The site design was discussed earlier in the meeting, and Mr. Bass told the committee that the funds for this project will be available from a gift from Mr. Curtis Granderson, a Chicago campus alumnus and current member of the New York Yankees professional baseball organization.

Purchase and Renewal Recommendations

Next, Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president for business and finance, to discuss recommended purchases within the purview of the committee (materials on file with the clerk). Dr. Haberaecker provided an overview of

recommended purchases, including three sole-source purchases for utilities at Chicago and Springfield. She also highlighted the recommended purchase of temporary personnel services at Chicago and explained that this recommendation includes vendors selected for a variety of temporary personnel services in several categories, noting that one of the primary vendors is a certified MAFBE firm and that two secondary vendors are supplier diversity firms.

Chicago Transit Authority U-Pass Contract, Chicago

Dr. Barbara Henley, vice chancellor for student affairs, Chicago, discussed the recommendation to renew the Chicago Transit Authority U-Pass contract, which she explained requires the assessment of a transportation fee for all eligible students that provides an unlimited pass for each eligible student to ride Chicago Transit Authority buses and trains. She reported on the fee and said that students have voted overwhelmingly in favor of it. Dr. Henley responded to questions from committee members and explained that while students do not have the ability to opt out, there have been no complaints regarding the fee.

Student Health Insurance Rates for Chicago Campus, Academic Year 2013-2014

Dr. Henley then discussed the proposed student health insurance rates for the Chicago campus for Academic Year 2013-2014. She reviewed some features of the self-funded student health benefit plan, Campus Care, and stated that the cost to students has not

increased in six years, despite the increased cost of health care and some expanded plan benefits. Mr. Michael S. Jonen, associate vice president for enterprise strategy, and Dr. Michael H. Ginsburg, associate vice chancellor, Chicago, discussed the reimbursement rate from Campus Care to the University of Illinois Hospital and Health Sciences System and the benefits provided by the plan, noting that positive experiences with the hospital may impact students' decisions when selecting a provider of choice as alumni. They also referred to some changes in the plan that have increased costs, including the ability for students to receive care at emergency rooms outside the University, which they said may be a necessity for students who live off campus and need emergency care. Dr. Henley stated that students are happy with the plan. Dr. Ginsburg then discussed the proposed coverage of gender reassignment surgery, and stated that this was proposed and supported by the students and adds a cost of \$4.50 per student per semester. He told the committee that 37 other universities provide coverage for this surgery. Mr. Thomas spoke to the student government support for the additional health insurance coverage.

Discussion regarding the proposed 14-percent increase in the cost of student health insurance followed, and Ms. Strobel suggested that an annual increase of smaller increments may be beneficial going forward. Committee members then discussed the coverage of gender reassignment surgery, and all were in agreement that this item should go forward to the full Board for voting.

Auxiliary Facilities System Revenue Bonds

Mr. Robert L. Plankenhorn, director of capital financing, provided a brief presentation on auxiliary facilities system revenue bonds and explained that the agenda item requests approval for the actions leading to the issuance of one or more series of bonds to fund the construction of Ikenberry Commons – Residence Hall No. 3 and the renovation and addition to the Assembly Hall. He presented the proposed financing team, and Mr. Knorr stated that the issuance of auxiliary facilities system revenue bonds will be brought before the Board for approval at a later date.

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

At 2:45 p.m., Mr. Montgomery and Ms. Strobel departed the meeting.

PRESENTATIONS

Revisions to Language in the University's Liability Self-Insurance Plan

At 2:46 p.m., Dr. Peter J. Newman, Jr., senior assistant vice president for treasury operations, provided a presentation on proposed revisions to language in the University's liability self-insurance plan (materials on file with the clerk). Dr. Newman reviewed the recommended changes and stated that these are designed to provide greater clarity.

University Audits Third- Quarter Report

Next, Ms. Julie A. Zemaitis, executive director for University audits, presented her report on the Office of University Audits activities for the third quarter ended March 31, 2013 (materials on file with the clerk). Ms. Zemaitis reviewed the audit plan completion status and stated that 15 reports were issued during the third quarter. She then discussed audit report findings by high and moderate risk or priority and the implementation of audit recommendations, noting that much progress has been made. She presented the risk and priority rating of open audit recommendations and the aging of outstanding recommendations by management's original implementation date and stated that 70-percent of the open recommendations are not yet due to be implemented. Mr. McMillan thanked Ms. Zemaitis for the report.

Fiscal Year 2012 Federal and State Compliance Audit

At 2:55 p.m., Ms. Maxine E. Sandretto, assistant vice president for business and finance, presented the Fiscal Year 2012 State and federal compliance audit summary report (materials on file with the clerk). She stated that great progress has been made in federal compliance findings in recent years and that the Fiscal Year 2012 federal findings are the same as from previous years. Ms. Sandretto discussed the findings and provided information regarding causes for repeat findings, and she thanked the staff at the University working on the federal audit for all their hard work. She then reviewed the State compliance findings and discussed the causes for these findings. Mr. McMillan

thanked Ms. Sandretto for the presentation and complimented her and her staff on their progress.

Updates on Federal and State Legislative or Budget Issues

Mr. McMillan then asked Mr. Knorr to provide an update on the State budget and federal and State legislative matters. Mr. Knorr discussed the University's credit rating and commented briefly on the bond refunding transaction, which he said is now complete and resulted in a savings of 8.25 percent.

MOTION FOR EXECUTIVE SESSION

At 3:03 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. Pileski, seconded by Mr. Tienken, this motion was approved. There were no "nay" votes.

EXECUTIVE SESSION

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.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 3:06 p.m.

AGENDA

At 3:07 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.

All items from May 2012 through January 2013 that have been heretofore unreleased are not recommended for release 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.

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


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

MEETING ADJOURNED

On motion of Mr. Pileski, seconded by Dr. Koritz, the meeting adjourned at 3:08 p.m.

There were no "nay" votes.


Respectfully submitted,



Susan M. Kies
Clerk



Edward L. McMillan
Chair



Eileen B. Cable
Assistant Clerk