

APPROVED BY THE  
COMMITTEE

NOV 03 2014

  
SECRETARY OF THE BOARD

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE  
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS  
SEPTEMBER 3, 2014

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Wednesday, September 3, 2014, at 1:00 p.m. in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana campus, Urbana, Illinois. Attendance via videoconference was available in Room 270, College of Pharmacy Building, 833 South Wood Street, Chicago campus, Chicago, Illinois; the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield campus, Springfield, Illinois; and Room S200A, 1601 Parkview Avenue, College of Medicine, Rockford, Illinois.

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. Lester H. McKeever, Jr.; Mr. Edward L. McMillan; Mr. James D. Montgomery; Ms. Pamela B. Strobel. President Robert A. Easter was also present.

Also in attendance were Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Dr. Christophe Pierre, vice president for academic

affairs; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary of the Board of Trustees and of the University. 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 July 14, 2014. On motion of Mr. Montgomery, seconded by Ms. Strobel, 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 SEPTEMBER 11, 2014

Mr. McMillan asked certain individuals in attendance to provide presentations and report on the items that will appear on the Board's agenda at its meeting on September 11, 2014. All proposed agenda items discussed at the meeting are on file with the clerk.

Budget Summary for Operations Fiscal Year 2015

Mr. McMillan asked Dr. Pierre to provide a presentation on the budget summary for operations for Fiscal Year 2015 (materials on file with the clerk). Dr. Pierre discussed strengths and concerns related to the budget and reviewed key budget drivers for Fiscal Year 2015. He then presented the Fiscal Year 2015 operating budget summary. Dr. Pierre showed charts depicting sources of funding and areas of spending and reviewed unrestricted and restricted revenue components across the University and by campus. He discussed the decline in the State appropriation per student from Fiscal Year 1990

through 2015, and provided a chart depicting payments on behalf, noting that this has increased in part due to prior underfunding. Dr. Pierre then presented supplemental financial aid expenditures and Pell and MAP (Monetary Award Program) funding figures. Lastly, he discussed priorities and areas of focus for Fiscal Year 2015 and beyond.

Mr. Montgomery inquired about undergraduate yield, and Dr. Pierre stated that admitted students who chose not to attend the University did so because of cost. Dr. Wise agreed. Committee members then discussed goals to sustain and increase enrollments in some areas. Discussion followed regarding the percentage of tuition used for supplemental financial aid and whether an evaluation takes place to ensure the effective use of this funding. Dr. Pierre told the committee that graduation rates for students who receive financial aid are similar to those who do not, and that this is an indicator that providing supplemental financial aid improves access to the University.

#### Requests for New Operating and Capital Appropriations, Fiscal Year 2016

Dr. Pierre referred to the Fiscal Year 2016 budget request and combined capital budget request (materials on file with the clerk). Committee members briefly discussed tuition increases and the State appropriation.

#### Approve Academic and Administrative Appointments for Contract Year 2014-2015

Dr. Pierre stated that academic and administrative appointments for contract year 2014-2015 are listed in the gray book, which had been distributed to trustees, and he referred to the annual salary program for University employees.

### Undergraduate Financial Aid Policy and Guidelines

Mr. McMillan then asked Dr. Pierre to report on proposed amendments to the undergraduate financial aid policy and guidelines (materials on file with the clerk). Dr. Pierre stated that this policy was initially approved in 2004 and amended in 2008, and that some of these proposed changes are in response to audit recommendations. He reviewed the recommended amendments and said that they would clarify wording; remove restrictions on each campus to provide financial aid; increase the level of aid; and introduce assessment and accountability requirements. There were no comments or questions regarding the proposed changes.

### Capital and Real Estate Items

At 1:47 p.m., Mr. McMillan asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to report on capital and real estate items appearing on the Board's agenda at its September 11, 2014, meeting.

Mr. Bass commented on the item recommending the award of contracts for renovation at the Natural History Building, Urbana. He outlined the work to be completed during this second phase of the project and said the project is on schedule.



Mr. Bass also commented on Minority and Female Business Enterprise (MAFBE) participation.

Mr. Bass then discussed the recommendation to award contracts for exterior renovations at the Krannert Center for Performing Arts, Urbana. He reviewed the work to be completed and provided information regarding funding and MAFBE participation.

Next, Mr. Bass reviewed the recommendation to approve a project for the Clinical Performance Center in the College of Medicine, Chicago. He provided some information about the project and said the proposed location of the Clinical Performance Center is on the fourth floor of the Mile Square Health Center. Mr. Bass reported that the proposed state-of-the-art space will serve as the new headquarters for the Dr. Allan L. and Mary L. Graham Clinical Performance Center.

#### Purchase and Renewal Options Recommendations

Next, Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president, Office of Business and Finance, to report on purchase and renewal recommendations. Dr. Haberaecker commented on the recommended purchase of specialty pharmaceutical drug products for the Ambulatory Care Pharmacy. She stated that this is a sole source purchase. Dr. Haberaecker referred to legislation that was signed into law the previous week that provides procurement reform in some areas, and she provided a brief overview of areas that will benefit from the exceptions allowed by this legislation. She also

commented on the recommended purchase of 304B pharmaceutical drug products for the Ambulatory Care Pharmacy.

Dr. Haberaecker then discussed the recommended renewal for the purchase of coal for utilities administration at Urbana. She also referred to a group purchase contract report that was made available to committee members in advance of the meeting. Dr. Haberaecker commented on the benefits of these contracts. Discussion followed regarding an analysis of cost savings, and Dr. Haberaecker indicated that it is difficult to determine an exact figure. Dr. Koritz inquired about the cost for specialty pharmaceutical drug products the prior year, and Dr. Haberaecker said she could provide this information at a later date.

#### Amend Energy Cost Management Policy

At 2:05 p.m., Mr. McMillan asked Mr. Bass to comment on proposed amendments to the energy cost management policy. Mr. Bass discussed the recommended amendments, which he said would provide authority to the vice president/chief financial officer and comptroller to execute agreements between the University and Prairieland Energy, Inc.; modify membership requirements of the energy cost management committee; and allow for delegation of transactional authority by the vice president/chief financial officer and comptroller. Ms. Strobel inquired about a requirement to report back on a yearly basis and also commented on the possibility of pursuing a group procurement option.

### Authorize Banking Resolution for Deutsche Bank AG, India

Next, Mr. McMillan asked Mr. Pradeep K. Khanna, associate chancellor, corporate and international relations, Urbana, to provide information on the item recommending the authorization of a banking resolution for Deutsche Bank AG, India. Mr. Khanna provided some background on the Urbana campus's presence in India and its liaison office located there. He explained that this resolution is needed in order to establish and maintain a banking relationship with Deutsche Bank AG, India.

### University of Illinois Foundation Update

Mr. McMillan then asked Mr. Thomas J. Farrell, president of the University of Illinois Foundation, to provide an update from the University of Illinois Foundation (materials on file with the clerk). Mr. Farrell gave an update on fundraising progress for Fiscal Year 2014. He discussed new business, cash flow, annual giving, individual donors of \$1,000 or more, and annual alumni donors, and he reported on development activities, noting that they exceeded the goal of 14,000 visits in Fiscal Year 2014. He informed the committee that campaign preplanning has begun, and he said the Foundation is in the process of refining its priorities and implementing the roadmap process. Mr. Farrell also commented briefly on his departure from the Foundation, the leadership transition, and timeline, and said that Mr. Edward F. Ewald will serve as interim president of the University of Illinois Foundation.

### Federal, State, and Local Budget and Financial Update

At 2:20 p.m., Mr. McMillan asked Mr. Knorr to provide a federal, State, and local budget and financial update. Mr. Knorr commented on recent credit ratings and said that the hospital has received the rating of A2 with a negative outlook from Moody's. He said that Standard and Poor's has not yet released their ratings, and he told the committee that Standard and Poor's published a paper on the relationship between State and university credit ratings and the impact of pension costs and liabilities. Mr. Knorr then provided an update on the unpaid State appropriation and said that legislation was recently passed that provides some procurement relief to the University. He referred to some concern regarding federal grant funding. Mr. Knorr reported that the National Science Foundation (NSF) reviewed expenditures from contracts from 2010 through 2012, and had nominal findings. He thanked those in the Office of Grants and Contracts for their hard work and attention to detail. Dr. Wise stated that the University is in the top 3 percent for NSF funding in the United States and commented that the nominal findings are impressive.

### NEW BUSINESS

Mr. McMillan announced that the next meeting is scheduled for Monday, November 3, 2014, at 1:00 p.m.



## MEETING ADJOURNED

On motion of Mr. Montgomery, seconded by Ms. Strobel, the meeting adjourned at 2:26 p.m. There were no "nay" votes.

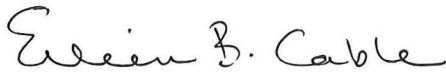
Respectfully submitted,



SUSAN M. KIES  
*Clerk*



EDWARD L. MCMILLAN  
*Chair*



EILEEN B. CABLE  
*Assistant Clerk*

