

APPROVED BY THE
COMMITTEE

MAR 07 2016


SECRETARY OF THE BOARD

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
JANUARY 11, 2016

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, January 11, 2016, 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, 833 South Wood Street, Chicago campus, Chicago, Illinois; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield campus, Springfield, Illinois.

Trustee Ramón Cepeda, chair of the committee, convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Ramón Cepeda; Mr. Lester H. McKeever Jr.¹, treasurer; Mr. Edward L. McMillan¹; Mr. James D. Montgomery. The following student trustees were present: Mr. Dominique Wilson, voting student trustee, Springfield campus; Mr. Jaylin D. McClinton, Urbana campus; Mr. Jauwan Hall, Chicago campus. President Timothy L. Killeen was present.

Also in attendance were Dr. Barbara J. Wilson, interim chancellor, Urbana campus, and interim vice president, University of Illinois; Dr. Susan J. Koch¹, chancellor,

¹ Mr. McKeever, Mr. McMillan, and Dr. Koch attended the meeting via telephone.

Springfield campus, and vice president, University of Illinois; Dr. Christophe Pierre, vice president for academic affairs; Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Dr. Lawrence B. Schook, vice president for research; 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. Cepeda welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting held November 2, 2015. On motion of Mr. McKeever, seconded by Mr. McMillan, 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 JANUARY 21, 2016

Mr. Cepeda 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 January 21, 2016. All proposed agenda items discussed at the meeting are on file with the clerk.

Fiscal Year 2017 Budget Presentation

Mr. Cepeda asked Dr. Pierre to give a presentation on the Fiscal Year 2017 budget request (materials on file with the clerk). Dr. Pierre explained that this is an annual statutory requirement and that the same funding level for operations as the initial Fiscal Year 2015 State appropriation is being requested. He then reviewed the Fiscal Year 2017 capital budget

request and showed a prioritized list of projects, noting that there have been no capital funds in the last 10 years, with the exception of Fiscal Year 2010. Mr. Knorr reiterated that the submission of the budget request is a statutory mandate.

Auxiliary Facilities System Revenue Bonds: New Money and Refunding Series 2006

Next, Mr. Cepeda asked Mr. Robert L. Plankenhorn, assistant vice president for treasury operations, to report on recommendations related to Auxiliary Services Revenue Bonds Series 2014A and Series 2006 (materials on file with the clerk). Mr. Plankenhorn first discussed the recommendation related to Series 2014A to approve new projects to be financed by auxiliary facilities system revenue bonds and explained that Series 2014A bonds were originally issued for the Stanley O. Ikenberry Commons - Residence Hall No. 3 project at Urbana. He said that this project was completed for less than the amount budgeted at the time of bond issuance and that the remaining funds must be used for an auxiliary facilities system purpose. Brief discussion followed regarding the recommended projects to be completed with these funds and their timeline.

Mr. Plankenhorn then discussed the agenda item that recommends approval of the delegation of authority to the vice president/chief financial officer and comptroller to refund auxiliary facilities system revenue bonds and to fund a new project. He stated that this relates to Series 2006 and that the purpose is to fund the construction of the student union at Springfield and to refund all or a portion of outstanding auxiliary facilities system revenue bonds for debt service savings. Mr. Plankenhorn discussed security and credit ratings, and he reviewed the estimated bond amount, interest rate, date

of final maturity, amount of new money component, net present value savings, and percentage savings of refunded bonds. He then presented the financing team. Dr. Koch commented on the growth of the Springfield campus student population and the importance of building a student union, and Dr. Clarice Ford, interim vice chancellor for student affairs, Springfield, discussed student support for the student fee that will be used to assist with funding for construction. Mr. Jeff Lorber, vice chancellor for advancement at Springfield, gave an update on fundraising efforts to help fund the project and said that two-thirds of the fundraising goal have been met, and he highlighted some of the large gifts that have been made. Brief discussion followed, and Mr. McMillan commended the Springfield team for their work to secure outside funding for the construction of a student union.

Fiscal Year 2016 Services and Management Agreement
for the University of Illinois Alumni Association

Mr. Cepeda then asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to discuss the recommendation to approve the Fiscal Year 2016 services and management agreement for the University of Illinois Alumni Association. Mr. Bass stated that it is being recommended that the University provide direct support for the Alumni Association at an estimated amount of \$1,931,400 for Fiscal Year 2016, contingent upon the University funding provided within the Fiscal Year 2016 State budget. He said this is a 20 percent reduction from the previous year.

Fiscal Year 2016 Services and Management Agreement
for the University of Illinois Foundation

Mr. Cepeda then asked Mr. Bass to report on the recommendation to approve the Fiscal Year 2016 services and management agreement for the University of Illinois Foundation. Mr. Bass discussed the level of support from the previous year, which he said included funding for Advance Illinois and the Road Map project. He described the process by which a 20 percent reduction was calculated and said that it is being recommended that the University provide direct support for the Foundation at an estimated amount of \$8,336,500 for Fiscal Year 2016, contingent upon the University funding provided within the Fiscal Year 2016 State budget. Discussion followed regarding the impact of a reduction in funding and the advantages of a new legacy donor and alumni tracking software system.

Capital and Real Estate Items

At 1:37 p.m., Mr. Cepeda asked Mr. Bass to discuss recommended capital and real estate items. Mr. Bass first reported on the recommendation to approve the project for classroom revitalization and addition at the Law Building, Urbana, and said that this project would provide 7,700 gross square feet of new and 5,050 gross square feet of renovated classroom space and significantly improve student-learning spaces. He said this will also address significant deferred maintenance issues.

Next, Mr. Bass discussed the recommendation to amend the professional services contract for the Design Center Facility at Urbana. He reported on Minority and

Female Business Enterprise (MAFBE) participation rates and described the work to be completed by minority-owned firms. He said this is an important building and an exciting project.

Mr. Bass then commented on the recommendation to approve the construction contract for the standing seam roof replacement at the Veterinary Teaching Hospital at Urbana. He described the scope and necessity of the project and reported on MAFBE participation rates. He commented briefly on the University's aspirational goals for MAFBE participation and the recent change of the State's goal to 20 percent.

Next, Mr. Bass reported on the recommendation to increase the project budget for pool infill renovation at Freer Hall, Urbana, and he indicated that the completion of this renovation project would provide approximately 19,780 square feet of new repurposed and renovated space in Freer Hall. He stated that the budget increase will provide a total of 38,000 gross square feet of new and existing repurposed and renovated space.

Lastly, Mr. Bass discussed the recommendation to increase the project budget and amend the professional and construction services award for the energy conservation project, Science and Engineering Laboratories Complex, Chicago. He said that the process of changing the control system in the Engineering Research Facility from pneumatic to electronic has been recommended after the initial proposal. He stated that the process of adding fume hood exhaust redundancy is also being recommended, and he discussed the rationale for both of these additions. Mr. Bass also reported on MAFBE participation rates for this project.

Purchase Recommendations

Next, Mr. Cepeda asked Mr. Richard D. Elmore, assistant vice president for procurement services, to report on purchase recommendations. Mr. Elmore reported on the recommended purchase of a major controls system upgrade of three Wartsila generating engines and five-year maintenance service and parts for five Wartsila generating engines for the utilities department at Chicago. He indicated this is a sole-source purchase.

Mr. Elmore then provided information on the recommended renewal option for Hewlett-Packard network equipment and discussed the use of this equipment at the Urbana campus. He stated that this vendor is MAFBE certified and is a woman-owned business. Mr. Elmore then reported on a recommended renewal option for the purchase of coal at Urbana. He discussed some aspects of this renewal option and the use of coal at Urbana.

Next, Mr. Bass informed the committee of an emergency purchase of a da Vinci robot that was made due to an opportunity to obtain a large savings. He said that a reasonable effort was made to consult with members of the Board prior to making the purchase, and he discussed the price of the robot and amount saved by making the expedited purchase.

Summary of Internal Audit Activity for Quarter Ended September 30, 2015

Mr. Cepeda then asked Ms. Julie A. Zemaitis, executive director of University audits, to provide a presentation on internal audit activity for quarter ended September 30, 2015

(materials on file with the clerk). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2016 and discussed audit recommendation findings from July 1, 2015, through September 30, 2015. She presented the implementation of audit recommendations through the first quarter of Fiscal Year 2016 and said the ending balance is trending down, noting that this is the lowest ending balance since 2007. Ms. Zemaitis reported on the aging of outstanding recommendations by management's original implementation date and showed the number of recommendations with management's original implementation dates of 2015 and prior. She provided additional information on high risk audit recommendations with management's original implementation dates of Fiscal Year 2014 and prior.

Update on State and Federal Budget and Financial Matters

At 2:11 p.m., Mr. Knorr provided an update on the State and federal budget and other financial matters. He discussed the State budget impasse and its impact on the appropriation to the University and on Monetary Award Program (MAP) funding. He said some payments have been made to the Medicaid trust fund. Mr. Knorr commented on the backlog of unpaid State bills and the University and hospital credit ratings, and he gave an update on the cost of providing insurance to some employees who qualify under Patient Protection and Affordable Care Act (PPACA) guidelines. Brief discussion regarding the State budget impasse followed.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, March 7, 2016, at 1:00 p.m.

MEETING ADJOURNED

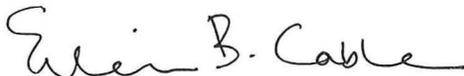
On motion of Mr. McMillan, seconded by Mr. Montgomery, the meeting adjourned at 2:18 p.m. There were no "nay" votes.

Respectfully submitted,



SUSAN M. KIES
Clerk

RAMÓN CEPEDA
Chair



EILEEN B. CABLE
Assistant Clerk