

MAR 05 2018

Dedra M. Williams
SECRETARY OF THE BOARD

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
NOVEMBER 6, 2017

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, November 6, 2017, at 3:00 p.m., in Room 270, College of Pharmacy, 833 South Wood Street, Chicago, Illinois. Attendance via videoconference was available in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana, Illinois; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, 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. Donald J. Edwards; Dr. Stuart C. King; Mr. Lester H. McKeever Jr., treasurer; Mr. James D. Montgomery;¹ Mr. Trayshawn M. W. Mitchell,² student trustee, Urbana; Mr. Edwin Robles, student trustee, Springfield. President Timothy L. Killeen was in attendance.

Also present were: Dr. Barbara J. Wilson, executive vice president and vice president for academic affairs; Dr. Robert J. Jones, chancellor, University of Illinois at

¹ Mr. Montgomery participated in the meeting via telephone.

² Mr. Mitchell arrived at 3:12 p.m.

Urbana-Champaign, and vice president, University of Illinois; Dr. Michael D. Amiridis, chancellor, University of Illinois at Chicago, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, University of Illinois at Springfield, and vice president, University of Illinois; Dr. Avijit Ghosh, interim comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, 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 August 28, 2017. On motion of Mr. McKeever, seconded by Mr. Edwards, 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 16, 2017

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 November 16, 2017.

All proposed agenda items discussed at the meeting are on file with the clerk.

Fiscal Year 2018 Operations Budget Summary

Mr. Cepeda asked Dr. Wilson to discuss the recommendation to approve the Fiscal Year 2018 operating budget and give a Fiscal Year 2018 operations budget summary. Dr. Wilson explained this is a yearly process that has not taken place in the last two years

because of the State's budget impasse. Dr. Wilson began the presentation (materials on file with the clerk) by reporting on the system-wide budget and discussing key budget drivers for Fiscal Year 2018. She reported on unrestricted funds, restricted funds, and payments on behalf and reviewed the allocation of funds throughout the University system. Dr. Wilson presented charts depicting sources of funds and the distribution of those funds throughout the University system and at Urbana, Chicago, and Springfield. She noted that the percentage of funding derived from tuition dollars exceeds the percentage derived from the State appropriation. Mr. Edwards asked that the data related to the hospital be presented separately next year. Mr. Edwards also asked how funds are allocated to each university, and Dr. Ghosh explained that this is decided primarily by the president in consultation with the chancellors, noting that there are specifications that certain areas receive a direct allocation. Dr. Wilson returned to her presentation and showed charts depicting sources of funds and the distribution of those funds to system offices and system-wide programs, and she discussed budget-related challenges going forward.

Mr. Montgomery inquired about funding for scholarships, and Dr. Wilson referred to a presentation that was made at the meeting of the Academic and Student Affairs Committee last year that showed yearly increases in financial aid. Discussion followed, and President Killeen told the committee that raising funds for scholarships is a priority of the new fundraising campaign. Dr. Amiridis also noted that students who receive Pell and Monetary Award Program (MAP) grants are not responsible for paying the remainder of their tuition at Chicago.

Mr. Edwards then asked for additional information regarding budgeting for capital items and sources of funding for these projects. Dr. Ghosh indicated that these are not specifically listed in the budget, and he discussed the process by which funding is determined. Discussion followed regarding sources of revenue and the allocation of funds to departments and colleges throughout the universities. Dr. King inquired about the impact of a shortfall in meeting fundraising goals for capital expenditures, and President Killeen indicated he would provide Dr. King with additional information regarding the impact of fundraising on capital projects. Committee members also discussed revenue, and Dr. Wilson and Dr. Ghosh provided information about the process used to determine revenue by college and department.

Fiscal Year 2019 Budget Request

Next, Mr. Cepeda asked Dr. Wilson to provide information on the recommendation to approve requests for operating and capital appropriations for Fiscal Year 2019 to be submitted to the Illinois Board of Higher Education. Dr. Wilson gave a presentation (materials on file with the clerk) that showed the Fiscal Year 2019 budget request includes an increase of \$98.0 million to strengthen academic quality, address facility operations needs, and address increased costs. She discussed components of the requested increase in each of these areas and said the request also includes \$585.1 million for capital projects to address repair and renovation needs, support innovation and workforce development, and renovate the University's academic libraries. Dr. Wilson also noted the legacy appropriation to fund the Advanced Chemical Technology Building

at Chicago. Mr. Edwards inquired about the included list of capital projects, and Dr. Wilson indicated additional details about these projects are available in the “Fiscal Year 2019 Budget Request for Operating and Capital Funds,” also known as the “Green Book.” Additional discussion followed regarding the renovation needs of the Brookens Library at Springfield, and Dr. Koch told the committee that the library is more than 40 years old and in need of extensive renovation of its infrastructure.

Approve Lease of Space, Ground Lease, Marketing,
and Associated Documents Approving the Public Private Partnership
for the Construction of Dormitory and Academic Space, Chicago

Mr. Cepeda then asked Dr. Amiridis and Dr. Ghosh to provide information on the proposed public private partnership for the construction of dormitory and academic space at Chicago, and to discuss the recommendation to approve the lease of space, ground lease, marketing, and associated documents. Dr. Amiridis gave some background on the project, which he said will provide high-quality housing for undergraduate students, and he reported on the timeline and other related details. Dr. Ghosh discussed aspects of the agenda item and said that Board approval of the item will allow the project to proceed.

Auxiliary Facilities System Revenue Bonds

Next, Mr. Cepeda asked Mr. Robert L. Plankenhorn, assistant vice president for treasury operations, to report on the recommendation to approve actions leading to the issuance of one or more series of auxiliary facilities system revenue bonds. Mr. Plankenhorn discussed aspects of the agenda item regarding the repayment and restructuring of certain

outstanding bonds and financing additional renovation and construction projects. Brief discussion followed regarding the impact of recent changes in legislation and a comparison of the University's debt with its peer groups.

Campus Master Plan Update: University of Illinois at Urbana-Champaign

Mr. Cepeda then asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to present an update on the campus master plan for the University of Illinois at Urbana-Champaign and approve the master plan update. Mr. Bass introduced Ms. Lauren Leighty and Ms. Mary Jukuri from SmithGroupJJR to give a presentation on the master plan update (materials on file with the clerk). Ms. Jukuri reported on the purpose of the master plan and described an open, transparent, and inclusive process. They presented the 2017 campus master plan and noted master plan drivers that were composed of issues and opportunities categorized into six themes. They discussed the iCap goal of net zero growth and commented on ways to balance future growth and renewal with no increases to square footage. They presented organizing principles of the master plan and described potential projects that would reinforce the core, encourage discovery and collaboration, improve access and connectivity, create a student-centered campus, and establish neighborhood identities.

Mr. Bass commented that the projects associated with this plan are extensive and would cost an estimated \$1.2 billion over a 10-year period. Discussion followed regarding uses of the master plan and ways in which it is implemented, and President Killeen indicated that projects that come before the Board that are not within

the parameters of the master plan would need to be justified. Committee members also discussed fundraising efforts, whether there was an opportunity for input from the public, and the status of the master plans at Chicago and Springfield.

Approve Fiscal Year 2018 Services and Management Agreement
for the University of Illinois Foundation

Next, Dr. Ghosh discussed the recommendation to approve the Fiscal Year 2018 services and management agreement for the University of Illinois Foundation. Dr. Ghosh outlined aspects of the agreement and said that the University will provide direct support to the Foundation at an estimated total amount of \$8,577,000 for Fiscal Year 2018. Committee members discussed the increased activity of the Foundation associated with the new fundraising campaign.

Capital and Real Estate Items

Next, Mr. Cepeda asked Mr. Bass to report on capital and real estate items. Mr. Bass first commented on the recommendation to approve the naming, increase the project budget, and award the construction contract for the Modular Design Building at the College of Engineering at Chicago. He reviewed the history of the project and its approval by the Board and discussed the rationale for increasing the project budget. Mr. Bass said the College of Engineering would like to rename the Modular Design Building as the Engineering Innovation Building, and he reported on additional details associated with the project, included Minority and Female Business Enterprise (MAFBE) participation

rates. He said construction is scheduled to begin in January 2018 and is scheduled to be completed in July 2019. Committee members discussed funding for capital projects and how these are reflected in the proposed University budget.

Next, Mr. Bass reported on the recommendation to increase the project budget for slate roof replacement at the English Building at Urbana. He reviewed the history of the project, including a previous approval for a budget increase, and said that an additional \$900,000 of funding is needed to complete the project.

Mr. Bass then discussed the recommendation to increase the project budget and award a construction contract for heating, ventilation, air conditioning, piping, and exhaust system upgrades at Trelease Hall and Florida Avenue Residence Halls Dining Hall at Urbana. He reviewed the history of the project and reported on sources of funding. Mr. Bass said that bids were received in September 2017 and additional funds are needed to support the award of contracts and to complete the project. Mr. Montgomery inquired about MAFBE participation rates, and Mr. Bass provided those figures. Mr. Montgomery referred to a resolution that stated an intent to increase diversity goals and that those participation rates would be regularly brought to the Board for review. Mr. Bass indicated that work is underway to provide this data to the Board and said an update will be provided at the January meeting of this committee.

Next, Mr. Bass provided information on the recommendation to award a construction contract for the lower level simulation laboratory in the College of Nursing at Chicago. He described aspects of the project and said that the gift agreement associated with the project names F. H. Paschen, Chicago, as the contractor, and he told

the committee that the contract would not follow the usual procurement process because of the percentage of gift funding being used for the purchase.

Lastly, Mr. Bass commented on the recommendation to name the Isadore and Sadie Dorin Forum at Chicago in recognition of the Isadore and Sadie Dorin Foundation's \$3.0 million pledge to the University of Illinois at Chicago. Mr. Bass said the pledge secures a 17-year naming of the forum and reported that the name is honorary and not associated with new construction or renovation. Committee members discussed the level at which a gift allows for the naming of buildings or other spaces throughout the University.

Approve Minutes of Prairieland Energy, Inc., Meeting

Next, Mr. Cepeda asked Mr. Bass to comment on the recommendation to approve the minutes of the meeting of Prairieland Energy, Inc., from May 11, 2017. Mr. Bass indicated that the Board would be meeting as the sole member of Prairieland Energy, Inc., at the November 16, 2017, Board of Trustees meeting and that the approval of these minutes is on the Board's agenda.

Amend Agreement with Prairieland Energy, Inc.

Next, Mr. Bass discussed the recommendation to amend the agreement with Prairieland Energy, Inc. He gave a history of the Memorandum of Understanding (MOU) and Energy Commodity Procurement Services Agreement (PSA) that were approved by the Board in November 2014, and said that the PSA has been amended to better reflect the

roles and responsibilities of each party and current operations. Mr. Bass said that necessary provisions from the MOU have been incorporated into the PSA and that it is being recommended that the amended PSA be approved to replace the existing MOU and PSA.

Amend the Energy Cost Management Policy

Mr. Bass then reported on the recommendation to amend the energy cost management policy and explained that it provides a risk management strategy for minimizing the price risk associated with procuring energy commodities to facilitate reliable budget planning and includes oversight by an Energy Cost Management Committee. He said the committee is redundant and no longer necessary given the role of Prairieland Energy, Inc., in the governance and management of the University's energy commodity procurement. Mr. Bass discussed the governance and structure of Prairieland Energy, Inc., and said it is recommended that the committee be dissolved and its role in the policy be replaced with Prairieland Energy, Inc. He stated it is also recommended that Prairieland Energy, Inc., be authorized to execute transactions according to the policy, and that clarifications be made to the scope and report detail required as part of the policy.

Purchase Recommendations

Next, Mr. Cepeda asked Ms. Gloria Keeley, interim assistant vice president for administrative services, to report on purchase recommendations. Ms. Keeley first

discussed the recommendation to purchase electronic journals for all University libraries and said this is exempt from procurement code requirements because the procurement expenditure is for periodicals, books, subscriptions, database licenses, and other publications procured for use by a university library or academic department.

Next, Ms. Keeley provided information on the recommended purchase of a TrueBeam linear accelerator for the College of Veterinary Medicine at Urbana and said this is also exempt from procurement code requirements because the procurement expenditure is for medical supplies/services necessary for the delivery of care and treatment at the veterinary teaching facility. She said the cost is \$2.1 million and that a 25 percent discount was achieved through negotiation.

Ms. Keeley then provided information on the recommended purchase and delivery of gasoline and diesel fuels for transportation services and facilities management at Chicago. She said the estimated cost is \$3,776,323.50 and that competitive bidding procedures were followed in accordance with the Illinois Procurement Code.

Ms. Keeley reported on the historical purchase of utilities for the University of Illinois at Springfield for the term July 1, 2016, through November 16, 2017. She told the committee the university is required by statute to purchase utilities from the City of Springfield's public utility and that due to changes in staffing, the need to obtain Board approval for this purchase was not previously identified.

Lastly, Ms. Keeley provided information on the recommended purchase of utilities for the Springfield campus for the term November 17, 2017, through June 30, 2020, and said this purchase is an intergovernmental agreement and exempt from the

Illinois Procurement Code. She again stated that the university is required by statute to purchase utilities from the City of Springfield's public utility.

Legislative, Budget, and Financial Updates

Mr. Cepeda then asked Dr. Ghosh to give legislative, budget, and financial updates. Dr. Ghosh reported that the State issued \$6.0 million in bonds used to pay a backlog of bills, and he said that priority is being given to Medicaid managed care organizations, hospitals and providers, and outstanding medical bills associated with State employee insurance. He said additional bonds should be issued later in the month that may address the General Revenue Fund backlog.

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, January 8, 2018, at 3:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 5:12 p.m., Mr. Cepeda requested a motion for an executive session to consider discussion of minutes of meetings lawfully closed under the Open Meetings Act. On

motion of Mr. McKeever, seconded by Mr. Edwards, this motion was approved. There were no “nay” votes.

EXECUTIVE SESSION

Mr. Cepeda convened the executive session at 5:13 p.m. All committee members were present. The following were also in attendance: President Timothy L. Killeen; Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University.

Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act

Mr. Cepeda asked Ms. Williams to discuss the recommendation regarding the disclosure of minutes of executive sessions of the Audit, Budget, Finance, and Facilities Committee held between May 2012 and May 2017. The secretary outlined the requirement within the Open Meetings Act for public bodies to review minutes, at least twice annually, for purposes of protection of public interest and in the interest of protection of any individual, and to consider whether a need for these materials to be held from release continues. She stated that she has undertaken this review in conjunction with Mr. Bearrows and recommend the release of minutes from May 1, 2017, which state the discussion of review at that time. No other minutes are proposed for release at this time. Mr. Bearrows reminded committee members that the matters sequestered related to sensitive employment and internal control matters, which require holding from release at this time.

Members inquired about the requirement for release and clarified the material recommended for release, which Mr. Bearrows and Mr. Cepeda confirmed as the discussion of items from the meeting six months prior. Mr. Cepeda then asked for the doors to be opened.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 5:15 p.m.

AGENDA

At 5:15 p.m., the open session resumed. Mr. Cepeda stated that there was one agenda item requiring action by the committee, and Ms. Williams 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.

Items from May 2012 through May 2017 that have been heretofore unreleased are 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 1, 2017, Audit, Budget, Finance, and Facilities Committee

Mr. Cepeda convened this executive session at 2:52 p.m. All committee members, with the exception of Mr. Hoffman, were present. Also present were Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University. President Killeen joined the session at 2:53 p.m.

Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act

Ms. Williams 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. Ms. Williams reported that she and Mr. Bearrows reviewed all sequestered items considered in executive session during meetings of the Audit, Budget, Finance, and Facilities Committee and recommend that two matters discussed in executive sessions during the May 9, 2016, and October 21, 2016, meetings be made available to the public. She said this portion concerns the discussion of minutes lawfully closed under the Open Meetings Act, and she and Mr. Bearrows recommend that all other matters continue to be sequestered. She provided information to the committee members that the Audit, Budget, Finance, and Facilities committee has sequestered materials covering three areas: employment, audits, and internal controls. Mr. Bearrows advised the committee of the guidelines applied during this review for certain types of discussions based on the exception invoked.

On motion of Mr. McKeever, seconded by Mr. Edwards, this recommendation was approved by the following vote: Aye, Mr. Cepeda, Mr. Edwards, Mr. King, Mr. McKeever, Mr. Montgomery, Mr. Mitchell, Mr. Robles; No, none.

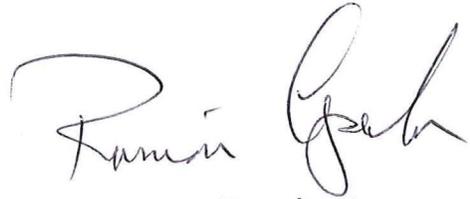
MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Mr. McKeever, the meeting adjourned at 5:16 p.m. There were no “nay” votes.

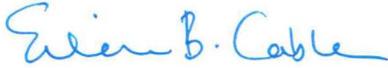
Respectfully submitted,



DEDRA M. WILLIAMS
Clerk



RAMÓN CEPEDA
Chair



EILEEN B. CABLE
Assistant Clerk