

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
NOVEMBER 4, 2019

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, November 4, 2019, at 3:00 p.m., in Room 414, Administrative Office Building, 1737 West Polk 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 secretary 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. Trayshawn M. W. Mitchell, voting student trustee, Urbana.

Also present were President Timothy L. Killeen; Dr. Barbara J. Wilson, executive vice president and vice president for academic affairs; Dr. Robert J. Jones, chancellor, University of Illinois at Urbana-Champaign, 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, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; and Ms. Dedra M. Williams, secretary of the

Board of Trustees and of the University. President Killeen introduced Dr. Roy H. Campbell, Sohaib and Sara Abbasi Professor Emeritus of Computer Science, Urbana, and chair of the University Senates Conference's Finance, Budget and Benefits Committee. Attached is a listing of other staff members and some members of the media in attendance at this meeting.

Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held September 9, 2019. 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 14, 2019

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 14, 2019. All proposed agenda items discussed at the meeting are on file with the secretary.

Fiscal Year 2021 Budget Request

Mr. Cepeda asked Dr. Wilson to discuss the recommendation to approve requests for operating and capital appropriations, Fiscal Year 2021. Dr. Wilson began her presentation (materials on file with the secretary) by giving some context to the budget request, referring to the University's tuition freeze, increased enrollment, and expansion of financial aid funded by the University. She also remarked on the need to grow faculty to meet student demand, noting that faculty hiring has not kept pace with the growth in

enrollment. Dr. Wilson presented a chart that showed types of undergraduate financial aid, demonstrating that the majority is derived from institutional aid, and said that increased aid lowers the cost of tuition for Illinois residents. Dr. Wilson discussed the five-year plan for hiring faculty to meet student demand, and she showed the history of State appropriations to the University from 2010 to the present. She told the committee that this budget request reflects an increase of 12.1 percent from the previous year and noted that the total amount requested is still well below 2015 funding when adjusted for inflation. Dr. Wilson listed the components of the operating request, which include initiatives to maintain competitiveness and quality and to support facility and technology infrastructure. Dr. Wilson then provided details regarding the Fiscal Year 2021 capital request, the funds of which would be used for repair and renovation, facilities for innovation and workforce development, and academic libraries. She listed the projects in each category and said the total capital request for Fiscal Year 2021 is \$725.5 million.

Mr. Cepeda thanked Dr. Wilson for the presentation.

UI Health Outpatient Surgery Center and Specialty Clinics

Mr. Cepeda then asked Mr. Michael B. Zenn, chief executive officer, UI Hospital and Clinics, to report on the new UI Health Outpatient Surgery Center and Specialty Clinics building. Dr. Ghosh reminded the committee of previous conversations regarding this project and said that the design and scope would be brought back to the Board at a later date. Dr. Robert A. Barish, vice chancellor for health affairs, prefaced Mr. Zenn's

remarks by stating that this project is many years in the making and is made possible due to Illinois SB 2362, which allows for the execution of a lease for up to 30 years.

Mr. Zenn began his presentation (materials on file with the secretary) and described the benefits and advantages that will result from the completion of this new building. He then asked Mr. David H. Loffing, chief operating officer, University of Illinois Hospital, to provide additional information about the project. Mr. Loffing reviewed details about the physical aspects of the building, the project budget, and pro forma assumptions. Mr. Edwards inquired about funding of depreciation, which was included in the pro forma, and Mr. Loffing, Mr. Zenn, and Mr. Edwards discussed costs of depreciation and maintenance. Discussion followed regarding estimates of future cash flow and the volume of Medicaid Managed Care patients. Mr. McKeever inquired about a letter published from the Cook County Hospital that discussed their high cost of charity care and indicated they are providing the majority of charity care in Chicago. Mr. Zenn stated that the amount of charity care provided by the University of Illinois Hospital and Health Sciences System is impacted by extensive efforts to enroll patients in Medicaid Managed Care whenever possible, which has over time reduced the hospital's level of charity care.

Capital and Real Estate Items

Next, Mr. Cepeda asked Dr. Ghosh to report on capital and real estate items. Dr. Ghosh referred to the recommendation to approve the project budget and project design for the Welcome Atrium, University of Illinois Hospital and Clinics, Chicago, and introduced

Mr. Michael Lundeen and Mr. Steven Blye from Legat Architects to give a design presentation (materials on file with the secretary). Mr. Lundeen and Mr. Blye gave a program statement and described project goals and objectives, and they showed site photographs that included a depiction of the Welcome Atrium and pedestrian bridge. Discussion followed about the use of the bridge by patients and families, and Dr. Barish and Mr. Zenn indicated the bridge would be located on the third level for physicians and on the second level for patients and their families. The presentation continued, and the architects showed the proposed use of space and images of the proposed atrium's exterior and interior. Mr. McKeever thanked them for the presentation and said the proposed building looks beautiful and modern, which could be a noticeable contrast to the current lobby entrance to the hospital. Mr. Zenn commented and noted that this project started under the direction of Dr. Ghosh while he served as chief executive officer of the hospital.

Next, Dr. Ghosh reported on the recommendation to name the Blazer Foundation of Rockford Nanomedicine Laboratory in the College of Medicine, Chicago and said this is in recognition of The Blazer Foundation's \$500,000 commitment and past gifts totaling more than \$3.0 million. He described the mission of the Nanomedicine Laboratory and gave a history of The Blazer Foundation and its previous gifts to the College of Medicine at Rockford.

Dr. Ghosh then discussed the recommendation to name the Bruno and Sallie Pasquinelli Outpatient Surgery Center, University of Illinois Hospital and Health Sciences System, Chicago, in recognition of Bruno and Sallie Pasquinelli's commitment

of \$10.0 million toward the construction of the building. He said the gift will be used specifically to facilitate the purchase of equipment for the surgical spaces within the center and indicated that in recognition of the donors' generosity, the surgical space that will occupy the entire third floor of the new building will be exclusively named the Bruno and Sallie Pasquinelli Outpatient Surgical Center. Dr. Amiridis emphasized that the naming is for the outpatient surgical center only and that there are opportunities to name additional rooms in the building.

Dr. Ghosh reported on the recommendation to approve the project budget for renovation, Altgeld Hall, and replacement, Illini Hall, Urbana. He described the project, which he said is a high priority, and described aspects of the Altgeld Hall renovation. Dr. Ghosh said a new building on the corner of South Wright Street and East John Street will replace the existing Illini Hall, and he noted that this site, chosen by the site selection committee, constitutes a change to the 2017 campus master plan. Dr. Ghosh described the role of the Capital Development Board, and he said that the total project budget is estimated to be \$188.0 million. He told the committee that this item, in anticipation of the release of State capital appropriation funding, requests approval of a budget of \$35.0 million in order to proceed with completion of the professional services outlined in the item. Dr. Ghosh said the project will require full budget approval by the Board as the design is completed and once full funding is released from the State. Dr. King asked why the projects are concurrent, and Dr. Ghosh explained that the two projects are phased in order to accommodate classes. Dr. King also expressed concern for the historical significance of Altgeld Hall, and Dr. Ghosh assured the historical

features would be unchanged. Mr. Edwards inquired about the cost for design, which he said is usually 10 percent of the project cost, and Dr. Ghosh indicated that the amount listed in the agenda item includes other types of costs as well. Mr. Edwards and Dr. Ghosh briefly discussed the Capital Development Board process.

Dr. Ghosh then provided information regarding the recommendation to approve the project budget and amend professional services consultant contract, parking, central campus parking structure(s), Urbana. He described the project and scope of work, stating that the C7 and C10 parking structures were built in 1970 and are in need to critical repair. He reported on Minority and Female Business Enterprise (MAFBE) participation rates for the project and the total estimated cost. Mr. Cepeda inquired about revenue from parking, and Dr. Ghosh said he could provide this data after the meeting.

Next, Dr. Ghosh reported on the recommendation to approve the project budget for the energy conservation project, laboratory facilities, Urbana, and stated that the project was approved by the Board in May 2018 with a budget of \$32.5 million. He said the department has identified additional funding, and that the scope of the project had changed to include the replacement of windows in the north portion of the Roger Adams Laboratory.

Dr. Ghosh discussed the recommendation to approve the project budget and amend the professional services consultant contract for Illinois Field, Baseball Training Center, Division of Intercollegiate Athletics, Urbana. He referred to a second project for a Softball Training Center and said it was recommended to complete the projects concurrently, and he said that the proposed budget increase reflects the addition of this

second structure. He reported on the utilization of diverse businesses. Dr. Ghosh and Mr. Edwards discussed the internal loan process and funding for this project.

Purchase and Renewal Recommendations

Mr. Cepeda then asked Mr. Michael B. Bass, special advisor to the president, to report on recommended purchase and renewal recommendations. Mr. Bass first discussed the recommended purchase of medical supplies from Medline Surgical Supplies Distribution for the University of Illinois Hospital and Health Sciences System. He said this purchase is exempt from Illinois Procurement Code requirements, and he discussed the benefits of purchasing these products through Medline's Vizient Consortium contract.

Mr. Bass then reported on the recommended change order to increase existing contacts for the implementation of the 3i initiative for UI Health Administration. He said this is a recommended increase of \$15,928,009 in two out of the four awarded areas, and he described the rationale for the increase. Mr. Cepeda and Mr. Edwards asked for additional information about the increase, and Mr. Zenn commented on the complexity of hospital operations and noted that \$10.0 million was built into the budget for contingencies. Mr. McKeever inquired about minority participation rates of the two groups with increased cost, and Mr. Zenn stated he would provide this after the meeting. Dr. King and Mr. Zenn discussed the percentage of physicians that will be trained as builders or specialists and the importance of allowing for decreased productivity as Epic is implemented. Additional discussion followed regarding the costs for renewal, overall cost, and potential for additional increases. Mr. Zenn stated that he would recalculate the

pro forma and share it with committee members after the meeting. He indicated it would still show a reasonable return.

There was no objection to the items listed above going forward to the full Board for voting.

Summary of Internal Audit Activity through First Quarter
Ended September 30, 2019

Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to give a summary of internal audit activity through the first quarter ended September 30, 2019 (materials on file with the secretary). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2020 through September 30, 2019. She showed the implementation of audit recommendations, and she reported on year-to-date audit report findings from July 1, 2019, through September 30, 2020. Ms. Zemaitis showed the aging of outstanding recommendations by management's original implementation date, which she said is down from prior years, and she provided context on some of the recommendations. She reported on the aging of open recommendations with management's original expected implementation date of Fiscal Year 2019 and prior. Ms. Zemaitis highlighted the continuous auditing program and provided information about its benefits. Mr. McKeever drew attention to the chart that showed the implementation of internal audit recommendations and highlighted the number of recommendations partially implemented by management. Ms. Zemaitis concluded her presentation, and Mr. Cepeda thanked her for the presentation.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda if there was any new business, and there was none.

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, January 6, 2020, at 3:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 4:51 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. Edwards, seconded by Mr. McKeever, this motion was approved. There were no “nay” votes.

EXECUTIVE SESSION

Mr. Cepeda convened the executive session at 4:53 p.m. All of the 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 May 2012 through July 2019. Ms. Williams 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 6, 2019, which state the discussion of review at that time. Mr. Bearrows commented briefly on considerations and the Open Meetings Act. No other minutes were proposed for release at this time.

Mr. Cepeda then asked for the doors to be opened.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 4:55 p.m.

AGENDA

At 4:55 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. Pursuant to the Act, “[m]inutes of meetings closed to the public shall be available only after the public body determines that it is no longer necessary to protect the public interest or the privacy of an individual by keeping them confidential...” [5 ILCS 120/2.06(f)].

An item from May 2012 through July 2019 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 6, 2019, Audit, Budget, Finance, and Facilities Committee

Mr. Cepeda convened the executive session at 4:01 p.m. All of the committee members except Mr. Edwards, Mr. Mitchell, and Mr. Newsome 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 May 2012 through November 2018. Ms. Williams 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 November 5, 2018, which state the discussion of review at that time. Mr. Bearrows added that this review is taken very seriously, and he discussed the types of topics that remain sequestered. No other minutes were proposed for release at this time.

Mr. Cepeda then asked for the doors to be opened.

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

MEETING ADJOURNED

On motion of Mr. King, seconded by Mr. Mitchell, the meeting adjourned at 4:55 p.m. There were no “nay” votes.

Respectfully submitted,

DEDRA M. WILLIAMS
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary