

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

AUGUST 31, 2020

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held via teleconference¹ on Monday, August 31, 2020, at 3:02 p.m.

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.,² treasurer; Ms. Jocelyn Bravo,³ voting student trustee, Chicago. Mr. Ricardo Estrada; Ms. Naomi D. Jakobsson; Mr. Ali Mirza, student trustee, Urbana; and Mr. Austin Verthein, student trustee, Springfield, attended as guests.

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. Michael D. Amiridis, chancellor, University of Illinois at Chicago, and vice president, University of Illinois; Dr. Karen M. Whitney, interim chancellor, University of Illinois at Springfield, and vice president, University of Illinois; Dr. Avijit Ghosh,

¹ Per Governor J. B. Pritzker's Executive Order 2020-52.

² Mr. McKeever joined the meeting at 3:07 p.m.

³ Ms. Bravo joined the meeting at 3:22 p.m.

comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; Dr. Joseph T. Walsh Jr., interim vice president for economic development and innovation; and Mr. Gregory J. Knott, secretary of the Board of Trustees and of the University. Mr. Knott introduced Dr. Roy H. Campbell, Sohaib and Sara Abbasi Professor Emeritus of Computer Science, Urbana, and member of the Finance, Budget and Benefits Committee of the University Senates Conference, who watched the meeting via live streaming video. 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 July 13, 2020. On motion of Mr. Edwards, seconded by Dr. King, the minutes were approved by the following vote:⁴ Aye, Mr. Cepeda, Mr. Edwards, Dr. King; No, none; Absent, Ms. Bravo, Mr. McKeever.

PRESENTATIONS AND REVIEW OF RECOMMENDED BOARD ITEMS
FOR THE MEETING OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF ILLINOIS ON SEPTEMBER 10, 2020

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 September 10, 2020.

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

Capital and Real Estate Items

⁴ Per 5 ILCS 120/7(e), all votes are conducted by roll call.

Mr. Cepeda asked Dr. Ghosh to report on recommended capital and real estate items. Dr. Ghosh first discussed the recommendation to the Capital Development Board to employ Baily Edward Design for professional services required for the Library Learning Student Success Center project at Springfield. He gave a brief description of the history and scope of the project and provided information about the firm and the selection process. Dr. Ghosh told the committee that the professional fees for the firm will be negotiated by the Capital Development Board, as they are managing the project.

Next, Dr. Ghosh provided information on the recommendation to approve the project and design for renovation and addition at the Ubben Basketball Complex Expansion, Division of Intercollegiate Athletics at Urbana, with a budget of \$35.0 million. He described the project and said it will be financed from gift funds, the majority of which have been received or pledged, and institutional funds operating budget. He introduced Mr. Darren Nielsen, HNTB Corporation, to give a design presentation for the project. Mr. Nielsen referred to the successful team assembled for this project and noted they are utilizing local talent and minority-owned firms. Mr. Nielsen then gave a summary of the project, which he said will meet the demands of today's basketball programs and will also serving as a recruiting showpiece. He presented an aerial view of the campus and the location of the Ubben Basketball Complex, reviewed the overall project plan, and showed the site plan. Mr. Nielsen showed the floorplans and elevations, and he presented a series of views of the exterior. There were no questions regarding the proposed design, and Mr. Cepeda thanked Mr. Nielsen for the presentation.

Approve Lease of Space for the Discovery Partners Institute, Chicago, Illinois

Dr. Ghosh then discussed the recommendation to approve the lease of space at 200 South Wacker Drive, Chicago, Illinois, for the Discovery Partners Institute (DPI). He said the space is approximately 22,560 square feet. Dr. Ghosh explained that DPI currently occupies approximately 22,000 square feet of office space on the fourth floor of 200 South Wacker Drive and is at capacity. He said additional space is needed going forward to accommodate expanding programming and staff, and will also assist with efforts to properly socially distance. Dr. Ghosh said the DPI is also inviting groups throughout the University system as well as other companies and organizations to lease space and join DPI.

Approve Lease of Space at 111 East Green Street, Champaign, Illinois

Dr. Ghosh then reported on the recommendation to lease 27,280 square feet of office and classroom space at 111 East Green Street, Champaign, Illinois. He said the University has leased this location for the last 20 years, and that the new proposed lease term is for 10 years, with a termination option at the end of the fifth year. Dr. Ghosh described aspects of the lease and said the space is currently occupied by University Accounting and Financial Reporting and Business Solutions and Support. He said the proposed lease required issuance of a Request for Information (RFI) pursuant to the Illinois Procurement Code, and he described the reasons that this lease best meets the necessary criteria.

Purchase Recommendations

Dr. Ghosh then reported on purchase recommendations, beginning with the proposed purchase of four Triton 500 Systems for the Department of Physics at Urbana. He said this is a sole-source purchase because the items are required for research and no other source is able to meet the researcher's documented need.

Next, Dr. Ghosh discussed the recommended purchase to furnish and deliver an inductively coupled plasma (ICP) wind tunnel. He said this equipment enables the testing of thermal protection materials for hypersonic systems and positions the University at the forefront in hypersonic research. He stated it is needed to remain competitive in the hypersonic research arena. Dr. Ghosh said competitive bidding procedures were followed in accordance with the Illinois Procurement Code.

Dr. Ghosh then reported on the recommended purchase of Gattex injections for the UI Health Ambulatory Care Pharmacy at Chicago. He said these are used for patients with short bowel syndrome to increase intestinal absorption and are needed to support the small bowel transplant program at the hospital. Dr. Ghosh said the vendor is the sole distributor and that the purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code.

Dr. Ghosh provided information on the recommendation to purchase COVID-19 testing kits and ancillaries for UI Health from Fisher Scientific Company LLC, which offers the Abbott Diagnostic's ID NOW COVID-19 test kits. He said these were the first rapid COVID-19 point-of-care tests and provide results in 15 minutes. He

told the committee this purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code.

Next, Dr. Ghosh reported on a recommended change order for the Academic Bridge Program for visiting Illinois undergraduate students from the Zhejiang University International Campus for the Gies College of Business and the College of Liberal Arts and Sciences. He said that students from China may not be able to travel from China or have the option for on-campus study, and the Academic Bridge Program would allow for flexibility of attending the university virtually. He described other aspects of the program and said it is exempt from the usual selection processes of the Illinois Procurement Code. Mr. Cepeda inquired about the estimated cost, and Dr. Ghosh explained it is a high estimate, with the actual amount dependent on the number of students who use it. Dr. Jones stated that he would anticipate approximately 300 students and said he would have a more accurate number in one week.

Approve Fiscal Year 2021 Services and Management Agreement
for the University of Illinois Foundation

Dr. Ghosh then reported on the recommendation to approve the Fiscal Year 2021 services and management agreement for the University of Illinois Foundation. He described the role and responsibilities of the University of Illinois Foundation and said the University will provide direct support for the Foundation at an estimated amount not to exceed \$8,020,200.

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

Investment Update: Staying the Course

Mr. Cepeda asked Ms. Geri Melchiorre, director of investments, to give an investment update (materials on file with the secretary). Ms. Melchiorre gave a market update and described the challenges resulting from the COVID-19 pandemic. She noted extreme volatility in the commodity and equity markets and discussed the impact on fixed income. Ms. Melchiorre described the investment program response, which included proactive liquidity management, an assessment of impact and response, and positioning for the future. Ms. Melchiorre referred to the liquidation of a hedge fund, Malachite Capital, in which the University had invested. She described the composition of the fund and its level of risk and said the strategy failed due to the impact of COVID-19. Mr. Edwards expressed concern regarding this strategy. Ms. Melchiorre discussed the diversification and maturity of the other two hedge funds in which the endowment is invested and described the process of selecting Malachite Capital and the impact of COVID-19. Mr. Edwards reiterated concern regarding the level of risk, and he and Ms. Melchiorre discussed limitations on the percent of the endowment invested with a single fund.

Ms. Melchiorre continued her presentation and gave an update on system endowment and operating assets. She showed the value of the permanent core, operating pool, and endowment funds, which are comprised of gifts and farms. Ms. Melchiorre presented the endowment pool gifts by purpose. She then showed the asset allocation of

the endowment pool and the allocation of the endowment pool to policy targets. Ms. Melchiorre reported on performance of the endowment pool to performance benchmarks over one-year, three-year, five-year, and 10-year periods. She gave a 10-year summary of endowment pool activity and presented the operating investments strategy, which she showed is comprised of four layers of liquidity. Ms. Melchiorre reported on the financial impact of the University system investment program and said it distributed \$112.8 million to the University.

Mr. McKeever and Ms. Melchiorre discussed performance and the impact of COVID-19. Discussion followed regarding performance benchmarks and the role of the consultant who recommended Malachite Capital. Ms. Melchiorre described the role and composition of the University's investment committee. Mr. Edwards and Dr. Ghosh discussed whether the University's endowment could be combined and managed by the University of Illinois Foundation, and Mr. Edwards asked for a formal evaluation and explanation of the benefits and disadvantages of merging the University endowment pool with the Foundation's endowment. Mr. Cepeda agreed with this request and thanked Ms. Melchiorre for the presentation.

Office of University Audits Fourth Quarter and Annual Report
for the Year Ended June 30, 2020

Mr. Cepeda then asked Ms. Julie A. Zemaitis, executive director of University Audits, to give the fourth quarter and annual report for the year ended June 30, 2020 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal

Year 2020 and said hours were slightly less than planned due to a position that remained unfilled until recently. She presented direct audit hours by type of project and by university or area and said that some health-care audits at the University of Illinois at Chicago were deferred due to COVID-19. She said that instead, additional hours were spent on audits at the University of Illinois at Chicago. Ms. Zemaitis then showed the Fiscal Year 2020 productivity rate, which she said is comparable to peers, and said a slight decrease in productive hours was offset by time spent on training. Ms. Zemaitis reported on the implementation of audit recommendations in Fiscal Years 2018 through 2020 and discussed high and moderate risk findings from July 1, 2019, through June 30, 2020. She provided information on the aging of outstanding recommendations and said that while there was some impact from COVID-19, implementation of recommendations is timely overall. She concluded her presentation by presenting a graph that showed that 94 percent of recommendations are implemented within two years. Mr. McKeever thanked Ms. Zemaitis for the high-quality report.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda asked if committee members had any new business to report, and there was none. He announced that the next meeting of this committee is scheduled for Monday, November 2, 2020, at 3:00 p.m.

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Dr. King, the meeting adjourned at 4:24 p.m. by the following vote: Aye, Ms. Bravo, Mr. Cepeda, Mr. Edwards, Dr. King, Mr. McKeever; No, none.

Respectfully submitted,

GREGORY J. KNOTT
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary