

## MEETING OF THE BOARD OF TRUSTEES

OF THE

# UNIVERSITY OF ILLINOIS

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March 11-12, 1998



The March meeting of the Board of Trustees of the University of Illinois was held in Chicago Room C, Chicago Illini Union, Chicago campus, Chicago, Illinois, on Wednesday and Thursday, March 11-12, 1998, beginning at 2:15 p.m. on Wednesday.

Chair Susan L. Gravenhorst called the meeting to order and asked the secretary to call the roll. The following members of the board were present: Mrs. Judith Ann Calder, Mr. William D. Engelbrecht, Dr. Jeffrey Gindorf, Mrs. Susan L. Gravenhorst, Mr. Thomas R. Lamont, Ms. Ada N. Lopez, Mrs. Martha R. O'Malley, Mr. Roger L. Plummer, Ms. Judith R. Reese. Governor Jim Edgar was absent. The following nonvoting student trustees were present: Ms. Kellyn Doyle, Urbana-Champaign campus; Ms. Yazmin Sanchez, Chicago campus; Ms. Denise Yates, Springfield campus.

Also present were President James J. Stukel; Dr. Sylvia Manning, vice president for academic affairs; Dr. Michael Aiken, chancellor, University of Illinois at Urbana-Champaign; Dr. Naomi B. Lynn, chancellor, University of Illinois at Springfield; and the officers of the board, Dr. Craig S. Bazzani, comptroller (and vice president for business and finance); Mr. Thomas R. Bearrows, university counsel; Mr. Lester H. McKeever, Jr., treasurer; and Dr. Michele M. Thompson, secretary. (Provost Elizabeth Hoffman attended for Dr. David C. Broski, chancellor, University of Illinois at Chicago.) In addi-

tion, the following persons were also in attendance: Mr. Donald K. Coe, university director of public affairs; Mr. Kirk Hard, executive director for governmental relations; Ms. Susan J. Sindelar, special assistant to the president; and Ms. Marna K. Fuesting, executive assistant to the secretary.

### **GENERAL DISCUSSION<sup>1</sup>**

During the session devoted to a general discussion of items on the agenda for the meeting, Mrs. Gravenhorst asked for more information on the recommendation for a new Master of Fine Arts in Creative Writing. Vice President Manning explained that it was suggested as a terminal degree program for individuals who wish specific preparation in creative writing. She said that demand for such programs is growing. Mrs. O'Malley commended the Urbana campus for developing and proposing this new program.

Next, Mr. Lamont asked for a description of the basis for granting sabbatical leaves. Dr. Manning responded by describing the criteria for granting sabbaticals and the process for reviewing proposals for these. She also promised to send the board members a copy of a recent report on sabbatical leaves at the University. Dr. Gindorf continued the discussion by asking what happens to the creative and research products that result from the work faculty members do on sabbaticals. Dr. Manning explained that the University does not claim a property interest in anything other than patents and copyrights issued for work performed or developments supported in some way by the University.

### **EXECUTIVE SESSION**

Chair Gravenhorst, referring to Section Two of the Open Meetings Act, stated: "A motion is now in order to hold an executive session to consider information regarding the appointment, employment, or dismissal of employees or officers, to discuss pending, probable, or imminent litigation, the acquisition of real property, to discuss campus security, and to receive legal advice from counsel."

The motion was made by Mrs. O'Malley and approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Doyle, Ms. Sanchez, Ms. Yates; no, none.)

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<sup>1</sup>Prior to this the Committee on Finance and Audit met to receive the following reports: the University of Illinois Investment Review for the Quarter Ended December 31, 1997; an Overview of Annual Inventory Report; and the Annual Review of University Investment Policies. The committee discussed each of these reports and also discussed evaluations of investment managers and the possibility of using "emerging managers" in the future.

### **Report from Chancellor, Urbana**

Chancellor Aiken briefly reviewed the procedures to be followed for searching for a provost at Urbana.

The chancellor then reported that Dr. George Badger, currently associate vice chancellor for computing and communications, would become the chief information officer for the campus. The chancellor explained that this is a new position which Dr. Badger would hold during the formative stages, until his retirement, which the chancellor expects in a few years. Chancellor Aiken noted that in time this position may be changed to a vice chancellor.

### **Report from Chancellor, Chicago**

Chancellor Broski described a potential land acquisition matter. He explained that this would be for entering into a joint project to build a facility for a music and dance company in Chicago. He indicated that there had been discussions with a group of supporters of several music and dance groups in Chicago who were searching for a location for a facility to be used by the several groups. The chancellor stated that \$650,000 would be required to acquire the needed land. He added that if the facility were to be built the Chicago campus departments of music, dance, and theatre would occupy space in the building, also. The location presented was the corner of Halsted Street and Roosevelt Road. Chancellor Broski added that the facility is envisioned as a 150,000 square foot building, with 90,000 square feet devoted to performance space. He said that the remaining space would be used for purposes of Chicago campus academic programs.

The board agreed by consensus that the chancellor should continue to meet with the individuals noted above as supporters of the music and dance groups and continue to plan for acquisition of the land for such a facility.

### **Report on Search for President and Chief Executive Officer, University of Illinois Alumni Association**

Mr. Plummer reported on the progress made in the search for a new president and chief executive officer of the Alumni Association. He said that the search committee hoped to have a recommendation by June 1998.

### **EXECUTIVE SESSION ADJOURNED**

There being no further business, the executive session adjourned.

### **BOARD MEETING RECESSED**

At this point, the board recessed for a reception for students at the Chicago campus and to reconvene at 10:30 a.m., Thursday, March 12, 1998.

**BOARD MEETING, MARCH 12, 1998<sup>1</sup>**

When the board reconvened at 10:30 a.m. on Thursday, March 12, the same members of the board and University officers recorded as present at the beginning of this meeting were in attendance, with the exception of Student Trustee Sanchez.

**EXECUTIVE SESSION**

Chair Gravenhorst, referring to Section Two of the Open Meetings Act, stated: "A motion is now in order to hold an executive session to consider information regarding the appointment, employment, or dismissal of employees or officers, to discuss pending, probable, or imminent litigation, the acquisition of real property, to discuss campus security, and to receive legal advice from counsel."

The motion was made by Ms. Reese and approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Doyle, Ms. Yates; absent, Ms. Sanchez.)

Mrs. Gravenhorst stated that the topic for this executive session was the recommendation in the agenda for many individual faculty members to receive sabbatical leaves. The board members discussed the need for these and what follow-up occurred after the individuals completed the leaves. President Stukel and Vice President Manning both described the lengthy and thorough process followed in review of proposals for sabbaticals and the reports that are received after the work of a sabbatical is completed. President Stukel recommended that the board support these and assured that there was quality control. Vice President Manning told the board that the provision for sabbatical leaves is contained in the University of Illinois *Statutes*. Some discussion followed on proposals submitted by individual faculty members. The trustees considered not approving all such proposals because they thought background information on some was weak. Mr. Bearrows reiterated the process of laborious review and emphasized that the proposals had to be considered as part of one recommendation. The trustees ended the discussion with a request for more information on the review process at a later meeting.

**EXECUTIVE SESSION ADJOURNED**

There being no further business, the executive session adjourned and the board reconvened in regular session. The same members of the board were in attendance, with the exception of Student Trustee Doyle.

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<sup>1</sup>Prior to this, the Committee on Buildings and Grounds met. The members reviewed a preliminary design presentation for the College of ACES Library, Information, and Alumni Center, Urbana; a design presentation for the Campus Core Development Project, Phase II, Chicago; a report on the status of capital projects; and a description of several items on the agenda for this meeting.

The Committee on the University Hospital and Clinics met and received a report on the quality of care at the hospital and clinics for 1997 which included examples of managerial evaluations, controls for hospital-contracted illnesses, and results of a survey showing patient satisfaction at the 80 percent level.

## **BUSINESS PRESENTED BY THE PRESIDENT OF THE UNIVERSITY**

President Stukel recognized and introduced observers from the campus senates and from the University Senates Conference.<sup>1</sup>

### **Legislative Report**

The president then asked Mr. Kirk Hard, executive director for governmental relations, to give the board an update on the legislative agenda for the University. Mr. Hard reminded the board of the upcoming primary election for many State legislative seats and indicated that this would have an impact on the legislative session, as some legislators would be running in the November election and some would not. Then he noted that he expected the bill recommending a vote for one student trustee on the board to go to the Senate floor for a vote soon, and then to be sent to the governor with a recommendation for approval. Next, he reported that the bill recommending reinstatement of collective bargaining rights for faculty at the Springfield campus had advanced and that it would probably be voted on in the House soon. He stated that the University's opposition to this bill had been registered.

Mr. Hard then explained that there was a bill proposing that the fire fighters who are University employees presently, but will be transferring to either the city of Champaign or to Urbana on April 1, 1998, be permitted to continue to contribute to the State Universities Retirement System and remain participants in that system. He also stated that Governor Edgar's budget recommendations with regard to higher education were positive. Mr. Hard then indicated that the Senate hearing on the University's budget would be either March 23 or 24 and that the hearing in the House would be in mid-April 1998.

### **Recognition of Richard L. Margison**

President Stukel gave remarks in praise of the work and contributions of Richard L. Margison, associate vice president for business and finance, who is leaving to go to the University of Alabama at Birmingham as vice president for financial affairs and administration.

### **Comments from the Chancellors**

The president then turned to the chancellors and asked for comments from them. Chancellor Aiken commented on recent news stories about the South Farms at the Urbana campus. He told the board that more land was needed for the College of Agricultural, Consumer and Environmental Sciences research farms because increasing urbanization around the current farms was making it difficult to carry out the research that is needed in

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<sup>1</sup>University Senates Conference: Kenneth E. Andersen, professor emeritus of speech communication, Urbana; Chicago Senate: David Bardack, professor of biological sciences; Springfield Senate: Donna Dufner, assistant professor of management information systems; Urbana-Champaign Senate Council: Donald L. Uchtman, professor of agricultural and consumer economics and vice-chair of the Senate Council.

areas surrounded by heavy traffic. He said that acquisition of more land in the near future was necessary. He estimated that the college needed approximately 2900 acres. He promised a full briefing of the needs for more land for research farms in a few months.

Chancellor Aiken then introduced Mr. Eboo Patel, a senior at Urbana who had been named a Rhodes Scholar. The chancellor described Mr. Patel's capacity for superior academic work and his many other interests, chiefly his current work with public education in Chicago.

Provost Hoffman, who was attending the board meeting today in Chancellor Broski's stead, reported that she had studied the matter of course availability at Chicago since the subject was presented in November, and had opened 34 new sections of courses for the second semester. Further, she announced that \$504,000 was added to the budget of the College of Liberal Arts and Sciences for this purpose and to enhance academic advising services. In addition, she reported that a survey of students regarding their concerns about course availability and other topics was in progress. She stated that there had been a 28.3 percent response of those asked to respond and that her staff was trying to get a greater response. Next, she told the board that a consultant had been hired to review academic advising at the campus and make recommendations for improvement. She described meetings with faculty and staff concerning academic advising and course availability and said that these would continue. Both Ms. Lopez and Ms. Reese commended Provost Hoffman for these actions.

### **President Stukel's Report of Good News**

The president reported the basketball successes of all three campuses: the UIC Flames are making their first appearance in the NCAA Tournament; the Urbana Fighting Illini are a fifth seed in the NCAA West, after winning their first Big Ten title since 1984; the women Illini are a third seed and will host an NCAA sub-regional tournament; and the UIS Prairie Stars are participating in the NAIA National Tournament.

Next, President Stukel noted that Professor Burks Oakley II, who holds faculty positions on all three campuses, has been elected a Fellow of the Institute of Electrical and Electronic Engineers. The president stated that Professor Oakley was honored for his development, implementation, and advocacy of asynchronous learning networks.

The president then reported that Professor Donald Wink, professor of chemistry, and one of UIC's leading experts in science education, has been invited to edit and write a monthly column in the *Journal of Chemical Education* for the National Science Foundation web site. President Stukel stated that Professor Wink's column will assist chemistry teachers at all levels to keep abreast of new teaching tools and strategies.

### **OLD BUSINESS**

Ms. Reese described a recent meeting she attended as chair of the Committee on Finance and Audit with the University's outside auditor, George S.

Olive. She said that Dr. Bazzani and Mr. Margison also attended. She summarized this as a meeting for an exit report from the auditor.

Dr. Gindorf reported that he attended a meeting of the UIHMO recently and that this group had passed their budget for the year ahead. He noted that this was a conservative budget.

Mrs. Gravenhorst thanked Ms. Sanchez for her work on the student reception held the previous day. Next, she reminded the board that the annual meeting of the Association of Governing Boards was to be in Nashville in April. She then reminded the board of the University of Illinois Foundation's spring gathering, April 24 in Chicago.

In closing, Ms. Reese commended Dr. William Murphy, associate chancellor, Urbana, for his work on the new logo for the Urbana campus.

## **NEW BUSINESS**

### **Student Trustee Report**

Ms. Yates reported on an art exhibit assembled at the Springfield campus to commemorate Black History Month. She congratulated the Lady Prairie Stars, the women's basketball team at UIS, for their success. In closing, she stated that the vote for a new student trustee would be in April, as well as a vote recommending more student fees to become effective in 2000.

## **REGULAR AGENDA**

The board considered the following reports and recommendations from the president of the University.

By consensus, the board agreed that one vote would be taken and considered the vote on each agenda item nos. 1 through 6 inclusive. The recommendations were individually discussed but acted upon at one time.

(The record of board action appears at the end of each item.)

### **Appointments to the Institute for the Humanities, Chicago**

(1) The chancellor at Chicago, with the recommendation of the director for the Institute for the Humanities and with the concurrence of the dean of the College of Liberal Arts and Sciences, has recommended the following appointments of fellows in the Institute for the Humanities for the academic year 1998-99 and for the program of research or study as indicated in each case.<sup>1</sup> Fellows are released from teaching and administrative duties, normally for a year, so they can devote full effort to their research.

MARK E. CANUEL (assistant professor of English), "Emancipated Britain: Romanticism, Religion, and Civil Society, 1790-1830"

ROBIN SANDRA GREY (associate professor of English), "Regional Competition and American National Identity: Representing the Landscape in American Literature, Politics, and Painting"

SYDNEY HALPERN (associate professor of sociology), "Making Subjects Ill: Moral Constructions of Wartime and Postwar Medical Experiments"

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<sup>1</sup> Faculty fellows are chosen competitively by the Institute's Executive Committee through evaluation of research proposals.

- LAWRENCE H. KEELEY<sup>1</sup> (professor of anthropology), "Other Frontiers: Non-Western Settlement Frontiers"
- ANTHONY LADEN (assistant professor of philosophy), "Deliberative Liberalism and the Politics of Identity"
- JOSEPH TABBI (assistant professor of English), "Ecologies of Mind in Postmodern American Fiction"
- MARYA SCHECHTMAN (associate professor of philosophy), "The Critical Self: Life Episodes, Psychological Continuity, and Personal Identity"
- CAROL RICHMOND TSANG (assistant professor of history), "War and Faith: Honganji and Sectarian Conflict in Sixteenth-Century Japan"
- R. STEPHEN WARNER<sup>2</sup> (professor of sociology), "Communities of Faith: American Religion and Civil Society at the Turn of the Century"

The vice president for academic affairs concurs.

I recommend approval.

On motion of Dr. Gindorf, these appointments were approved.

### Honorary Degree, Urbana

(2) The senate of the Urbana campus has recommended that an honorary degree be conferred on the following person at the Commencement Exercises on May 17, 1998:

ROBERT D. NOVAK, Washington columnist and political commentator—the honorary degree of Doctor of Letters.

The chancellor concurs in the recommendation.

I recommend approval.

On motion of Dr. Gindorf, this degree was authorized as recommended.

### Appointments to the Faculty, Administrative/Professional Staff, and Intercollegiate Athletic Staff

(3) Positions in the University are classified in the following categories and are designated in the budget by the symbols indicated.

A—Indefinite tenure

B—Ten months' service paid over twelve months

K—Headship—As provided in the *Statutes*, the head of a department is appointed without specified term

N—Term appointment not eligible to be appointed for an indefinite term and not credited toward probationary period

Q—Initial term appointment for a professor or associate professor

Y—Twelve-month service basis

1-7—Indicates the number of years of service which will be credited at the end of the contract period toward completion of the probationary period relating to tenure.

Figures following a symbol indicate percentage of time if the appointment is on a part-time basis (e.g., N75 means one year on three-fourths time).

### Chicago

ELIZABETH M. DELANEY, assistant professor, College of Education, beginning January 1, 1998 (N), at an annual salary of \$42,500.

<sup>1</sup>Requested appointment as fellow for 1999-00.

<sup>2</sup>Alternate appointee for 1998-99 in place of Lawrence Keeley.



- JOSEPH E. HUMMEL, assistant professor of electrical engineering and computer science, beginning January 6, 1998 (N), at an annual salary of \$54,000.
- MARIA M. SAONA, assistant professor of Spanish, French, Italian, and Portuguese, beginning January 6, 1998 (N), at an annual salary of \$38,000.
- STEVEN M. SWANSON, assistant professor of pharmacognosy in the Department of Medicinal Chemistry and Pharmacognosy, beginning January 1, 1998 (N), at an annual salary of \$50,000.
- RODNEY J. VERGOTINE, assistant professor of pediatric dentistry, beginning February 1, 1998 (NY), at an annual salary of \$59,918.
- RACHEL N. WEBER, assistant professor, Urban Planning and Policy Program, beginning January 6, 1998 (A), at an annual salary of \$40,000.

#### Urbana-Champaign

- NARAYANA R. ALURU, assistant professor of general engineering, beginning January 6, 1998 (N), at an annual salary of \$56,000.
- ROBERT M. CLEGG, professor of physics, beginning January 21, 1998 (A), at an annual salary of \$101,700.
- LINDA M. DEFENDEIFER, assistant law librarian and assistant professor of library administration, University Library, beginning January 21, 1998 (NY), at an annual salary of \$38,000.
- JAMES N. ECKSTEIN, professor of physics, beginning January 15, 1998 (A), at an annual salary of \$90,000.

#### *Emeritus Appointment*

- GALE D. TAYLOR, professor emeritus of veterinary pathobiology, February 1, 1998

#### Administrative/Professional Staff

- ANN M. HAMMERSLA, associate vice chancellor for research and director of the Research and Technology Management Office, Urbana-Champaign, beginning February 2, 1998 (NY), at an annual salary of \$120,000.
- CARLA A. KNOROWSKI, director, Alumni Affairs, Office of Alumni Relations and Records, on 50 percent time, and deputy associate chancellor for development, Office of Institutional Advancement, Chicago, on 50 percent time, beginning January 19, 1998 (NY50;NY50), at an annual salary of \$76,000.
- JOANNE MORRIS, service line administrator, University of Illinois Hospital and Clinics, Chicago, beginning January 22, 1998 (NY), at an annual salary of \$90,000.
- FRANK R. RUSCH, associate director, National Center for Supercomputing Applications, Urbana-Champaign, on seventy-five percent time on a twelve-month service basis, beginning November 21, 1997 (NY75), at an annual salary of \$90,000. This appointment will be increased during the summer to 100 percent time on a twelve-month service basis, from May 21, 1998, through August 20, 1998 (NY), at an annual salary of \$120,000. During his service as associate director, Dr. Rusch will also receive an administrative increment of \$5,000 paid on a twelve-month service basis. Dr. Rusch will continue to hold the rank of professor of special education, on indefinite tenure on an academic year service basis, on twenty-five percent time, at an annual salary of \$21,033 (A25), and will continue as professor, Division of Rehabilitation Education Services, non-tenured, on zero percent time (N), for a total annual salary of \$123,533.

On motion of Dr. Gindorf, these appointments were confirmed.

#### **Sabbatical Leaves of Absence, 1998-1999**

- (4) The chancellors at the Chicago, Springfield, and Urbana-Champaign campuses have recommended that the following members of the faculty be given sabbatical leaves of absence in accordance with the provisions of the University of Illinois *Statutes* and on the terms and for the periods indicated.

The programs of research and study for which leaves are requested have been examined on the respective campuses. The vice president for academic affairs has reviewed the applications for the leaves and recommends approval of 72 leaves for Chicago; 10 leaves for Springfield; and 152 leaves for Urbana-Champaign. (A list of those recommended has been filed with the secretary of the board for record.)

(For the record and to provide an annual compilation, in 1997-98, 61 leaves were taken at Chicago; 7 leaves were taken at Springfield; and 149 leaves were taken at Urbana-Champaign.)

I concur.

On motion of Dr. Gindorf, these leaves were granted as recommended. (Mr. Lamont and Ms. Reese asked to be recorded as not voting on this item.)

Mr. Lamont explained his vote on this item. He said that he has had concerns about the sabbatical leaves since 1990 and that he had not seen any changes in these recommendations. Therefore, he thought he had to abstain from voting on this item that recommends sabbatical leaves for the next year. He added that he had heard concerns about these leaves from legislators in Springfield also. He requested more evidence of reviews and assessment of work products in the future.

#### **Establishment of a Master of Fine Arts in Creative Writing, College of Liberal Arts And Sciences, Urbana**

(5) The chancellor at Urbana, with the recommendation of the Urbana-Champaign Senate, has approved a request from the College of Liberal Arts and Sciences to establish a Master of Fine Arts (MFA) in Creative Writing.

The Master of Fine Arts (MFA) in Creative Writing is a two-year program combining professional training in creative writing with literary study. No graduate program in creative writing is now in place at UIUC, yet demand for such programs is high across the country. As the Department of English has long offered an undergraduate creative writing (Rhetoric) major, the nine full-time creative writing faculty will be adequate to staff the proposed MFA program.

A candidate for the MFA in Creative Writing must spend at least four semesters in residence and complete 12 units of course work, including four units of workshop and two units of thesis credit. A public reading from the completed thesis is required for graduation.

The vice president for academic affairs concurs in this recommendation. The University Senates Conference has indicated that no further senate jurisdiction is involved.

I recommend approval, pending further action by the Illinois Board of Higher Education.

On motion of Dr. Gindorf, this recommendation was approved.

#### **Change in Designation of University Buildings, Urbana**

(6) The chancellor at Urbana recommends that the following buildings on the Urbana campus be re-designated so that students and visitors seeking the units and activities housed in the facilities can more easily identify them.

Re-designate as the Art-East Annex both the old Agricultural Engineering Building, with its connected garage, 1208 W. Peabody, Urbana; and the Forest Science Lab, 1301 S. Goodwin Avenue, Urbana. In addition, the old Agricultural Engineering Building be re-designated Studio 1 and the Forest Science Lab be re-designated Studio 2. Programs of the School of Art and Design have been the sole or predominant occupants of these

buildings for more than seven years; the current names cause considerable problems for students and visitors attempting to find the offices and studios located within them.

Re-designate as the Pest Management Laboratory the current Pesticide Storage and Mixing Facility, 1810 Griffith Drive, Champaign. The new designation is more descriptive of the research conducted at the facility.

Re-designate as the Printing and Photographic Services Building both the Printing Services Building and the Printing Services Imaging Building, 54 East Gregory, Champaign. The two buildings are connected and the two names are confusing; there will be one main entrance on East Gregory.

Designate as the Printing Services South Building an unnamed building at 1805 S. Wright Street, Urbana. By carrying a name in addition to the street address, the building is more easily identified by clients.

I concur.

On motion of Dr. Gindorf, this recommendation was approved.

By consensus, the board agreed that one roll call vote would be taken and considered the vote on each agenda item nos. 7 through 16 inclusive. The recommendations were individually discussed but acted upon at one time.

(The record of board action appears at the end of each item.)

### **Revision of Investment Policy (Short-Term Funds)**

(7) The University investment staff and the financial consulting firm Ennis, Knupp & Associates have performed a review of the University's short-term funds investment program. The consultant and the University investment staff believe the asset allocation policy established by the board will be the most important determinant of the investment performance of the short-term funds investment program. Based upon the review it is recommended the short-term investment policy be revised as follows:

1. Add language which requires review at least annually.
2. Add language that describes the investment objective.
3. Revise the short-term funds policy asset allocation.
4. Eliminate the ten year maturity limit for permissible investments.

The first item will establish current University practice as board approved policy. Items two through four reflect the continuing refinement of the short-term investment program due to its growth. Item two will ensure that the goals of the short-term program are clearly stated. Items three and four will implement a longer term investment approach for core short-term assets. The key benefits of the proposed asset allocation changes are increased long-term total investment return, improved diversification, and a streamlined manager structure.

The recommended asset allocation changes would be implemented through the termination of Payden & Rygel and the allocation of the funds they currently manage to Miller Anderson and Sherrerd. The current and recommended asset allocations are summarized below with changes in italics:

**Current Structure:**

| <i>Maturity Range<br/>(In Years)</i> | <i>Investment<br/>Manager</i>       | <i>Performance<br/>Benchmark</i>                  | <i>Dollar Amount<br/>(In Millions)</i> | <i>Allocation<br/>(In % of<br/>Pool)</i> |
|--------------------------------------|-------------------------------------|---|--|--|
| 0 – 1                                | The Common Fund, IPTIP, FCNBD Sweep | 90-Day Treasury Bills                             | \$20                                   | 5-15%                                    |
| 0.5 – 1.5                            | Brinson Partners                    | Lehman Bros. 360-Day Treasury Bill Index          | \$50                                   | 0-15%                                    |
| 1 – 3                                | Brinson Partners                    | Lehman Bros. 1-3 Year Investment Grade Debt Index | \$150                                  | 30-40%                                   |
| 1 – 10                               | Lincoln Capital                     | Lehman Bros. Intermediate Aggregate Bond Index    | \$90                                   | 20-25%                                   |
| 1 – 10                               | Payden & Rygel                      | Lehman Bros. Intermediate Aggregate Bond Index    | \$90                                   | 20-25%                                   |
| 2 – 4                                | Total Pool                          | Weighted Average of Manager Benchmarks            | \$400                                  | 100%                                     |

**Recommended Structure:**

| <i>Maturity Range<br/>(In Years)</i> | <i>Investment<br/>Manager</i>       | <i>Performance<br/>Benchmark</i>                  | <i>Dollar Amount<br/>(In Millions)</i> | <i>Allocation<br/>(In % of<br/>Pool)</i> |
|--------------------------------------|-------------------------------------|---|--|--|
| 0 – 0.5                              | The Common Fund, IPTIP, FCNBD Sweep | 90-Day Treasury Bills                             | \$20                                   | 5-15%                                    |
| 0.5 – 1.5                            | Brinson Partners                    | Lehman Bros. 360-Day Treasury Bill Index          | \$50                                   | 0-15%                                    |
| 1 – 3                                | Brinson Partners                    | Lehman Bros. 1-3 Year Investment Grade Debt Index | \$150                                  | 30-40%                                   |
| 1 – 10                               | Lincoln Capital                     | Lehman Bros. Intermediate Aggregate Bond Index    | \$90                                   | 20-25%                                   |
| 1 – 30                               | Miller Anderson & Sherrerd          | Lehman Bros. Aggregate Bond Index                 | \$90                                   | 20-25%                                   |
| 2 – 5                                | Total Pool                          | Weighted Average of Manager Benchmarks            | \$400                                  | 100%                                     |

Accordingly, the vice president for business and finance recommends the adoption of the recommended short-term funds investment policy and structure.

I concur.

On motion of Mrs. O'Malley, this recommendation was approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs.

Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

### **Revision of Investment Policy (Endowment Funds)**

(8) The vice president for business and finance believes the investment policies of the University should be reviewed on at least an annual basis in order to keep them current. Accordingly, the endowment investment policy has been reviewed and some changes are recommended. The recommendations are summarized below:

1. Add language which requires review at least annually.
2. Add language authorizing the president of the University to set the budgeted spending rate with notification to the board.
3. Maintain the current asset allocation and retain the current investment managers.

The first two items will establish current University practices as board approved policies. This action will ensure the annual review of the endowment policy by the board and will provide authorization for the president to set the budgeted spending rate from the endowment. The board will be informed of the spending policy decision prior to implementation. The third item reflects the University investment staff's and external consultant's opinion that the endowment investment asset allocation is prudent, the investment managers employed are quality investment firms and the performance of the investment managers and overall portfolio has met or exceeded the appropriate market benchmarks.

Accordingly, the vice president for business and finance recommends adoption of the proposed endowment funds policy.

I concur.

On motion of Mrs. O'Malley, this recommendation was approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

### **Establishment of Energy Hedging Program**

(9) Hedging commodity transactions has been a fundamental component of operations management since 1975 when the University established its first hedging account for farm commodities at the Urbana campus.

The hedging of commodity transactions is an important tool when the goal is to reduce market risk associated with fluctuating supplies and demand, abnormal weather conditions, and large seasonal swings in market prices.

With the deregulation of the natural gas market in the mid 1980's, the recent deregulation of the electric market, and the large volumes of fuel oil and coal the University purchases (approximately 7.6 million gallons of fuel oil in Fiscal Year 1997), it is recommended that the University take advantage of the opportunity to reduce the market price risk of these commodities. This action would be beneficial to the University and can be accommodated through a hedging program.

The following resolution provides authorization to the comptroller, or the comptroller's designee, to establish such accounts as necessary to implement the hedging program. The University will be required to pay fees to a registered broker or trading company as necessary to maintain this program and are considered expenses similar to delivery costs for any energy purchase the University may make.

Accordingly the president, with the concurrence of the appropriate University officers, recommends the board adopt the following corporate resolution authorizing the establishment of hedging transactions and authorizes the comptroller to pay such fees required to secure this activity.

Funds for this program are available from the Institutional Funds Budget of the respective campus' physical plant department.

### Corporate Resolutions

*First:* The comptroller of the Board of Trustees of the University of Illinois, the vice president for business and finance, or any person so designated by the comptroller of the Board of Trustees, be, and each of them hereby is, authorized and empowered, for and on behalf of the University of Illinois to establish and maintain energy margin accounts with any company transacting business as a registered broker or trading company for the purpose of purchasing, investing in, or otherwise acquiring, selling (including short sales), possessing, transferring, exchanging, pledging, or otherwise disposing of, or realizing upon, and generally dealing in and with any and all energy commodities, commodity options and/or contracts for the future delivery thereof, whether represented by trust, participating and/or other certificates or otherwise, to execute any and all documents and agreements with such registered broker or trading company and generally to do and take all action necessary in connection with the accounts, or considered desirable by such officer and/or agent with respect thereto.

*Second:* Such registered broker or trading company may deal with any and all of the persons directly or indirectly by the foregoing resolution empowered, as though they were dealing with the University directly and may rely upon any certification given in accordance with these resolutions, as continuing fully effective until and unless such registered broker or trading company shall receive written notice to the contrary.

*Third:* The secretary of the Board of Trustees of the University of Illinois be, and is authorized, empowered, and directed to certify, under the seal of the University, or otherwise to such registered broker or trading company: (a) a true copy of these resolutions; (b) specimen signatures of each and every person empowered by these resolutions; (c) a certification that the University of Illinois is duly organized and existing, that its charter empowers it to transact the business by these resolutions.

*Fourth:* In the event of any change in the office or powers of persons hereby empowered, the secretary shall certify such changes to such registered broker or trading company in writing, which notification, when received, shall be adequate both to terminate the powers of the persons theretofore authorized, and to empower the persons thereby substituted.

*Fifth:* The foregoing resolutions and the certificates actually furnished to any registered broker or trading company by the secretary of the Board of Trustees pursuant thereto be, and they hereby are, made irrevocable until written notice of the revocation thereof shall have been received by such registered broker or trading company.

On motion of Mrs. O'Malley, the foregoing resolutions were adopted by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

### Contracts For Utilities Interconnection Project, Chicago

(10) In September 1997, the Board of Trustees approved \$48.2 million Certificates of Participation financing for University utility infrastructure projects, including a utilities

interconnection project. In April 1997, the University and the City of Chicago entered into an intergovernmental agreement permitting utility construction on the Chicago campus, including a path that connects the two sides of the campus.

The president of the University, with the concurrence of the appropriate University officers, recommends the award of the following construction contract for the utilities interconnection project at the Chicago Campus. Competitive bidding procedures in accordance with the Illinois Purchasing Act were followed and the recommended award is to the lowest responsible bidder on the basis of its base bid plus acceptance of the indicated alternates.<sup>1</sup>

*Division I—General*

|   |             |             |
|---|-------------|-------------|
| Reliable Contracting and Equipment Company, Chicago | Base Bid    | \$1 818 695 |
|   | Alternate 1 | 3 300       |
|   | Alternate 2 | <u>0</u>    |
| Total   |             | \$1 821 995 |

This contract is for all specified labor, materials, and equipment for the utilities interconnection project.

The president further recommends the comptroller be authorized to execute subsequent contracts for additional work to be performed on behalf of the Board of Trustees for the utilities interconnection project, with such authorization not to extend beyond a total utilities interconnection project budget of \$2.5 million.

Funds are available from the proceeds of the sale of (utility infrastructure projects) Series 1997 Certificates of Participation.

A schedule of the bids received has been filed with the secretary of the board for the record.

On motion of Mrs. O'Malley, these recommendations were approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

### **Agreement with the City of Champaign for John Street Improvements, Urbana**

(11) The chancellor at Urbana recommends approval of an agreement with the City of Champaign for certain John Street improvements within the right-of-way between Fifth Street and Wright Street. The improvements include utility work, sidewalk removals and replacements, street pavement removals and replacements, and new street lights.

Under this agreement, the University will reimburse the city for 50 percent of selected portions of the project (the University's portion is estimated to be \$380,000); and 100 percent of the University-owned utilities, including new chilled water pipes, being improved or added (estimated to be \$322,000).

Under the agreement, the City of Champaign will provide plans, specifications, and construction for the project which meet with the University's approval.

Funds for the terms of the agreement are available from the institutional funds operating budget of the Urbana campus.

On motion of Mrs. O'Malley, this recommendation was approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

<sup>1</sup>Description of Alternates: Alternate 1—Irrevocable letter of credit to guarantee performance; Alternate 2—alternate lien waiver process.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

**Roof Replacement Projects, Chicago  
(Capital Development Board Projects)**

(12) The president of the University, with the concurrence of the appropriate University officers, recommends that the Board of Trustees request the Capital Development Board to employ the following firms for the projects indicated below:

| <i>Project</i>   | <i>Professional Firm</i>                        |
|--|---|
| Roof Replacement, Physical Education Building — \$1,330,100        | Wiss, Janney, Elstner Associates, Inc., Chicago |
| Roof Replacement, Science and Engineering Laboratory — \$1,625,000 | Arcon Associates, Inc., North Lombard           |

The professional fee for the firm employed will be negotiated by the Capital Development Board in accordance with its procedure.

The roofs of both buildings are original coal tar based built-up roofs and are approximately 35 years old. Due to age, the roofs are in very poor condition and are leaking in several locations. The project consists of complete tear-out of the existing roof membranes and installation of new roofing materials.

The selection of the architect/engineer for these projects was in accordance with the requirements and provisions of Public Act 87-673 (Architectural, Engineering, and Land Surveying Qualifications-Based Selection Act).<sup>1</sup>

In order for the projects to proceed, University funds need to be added to the projects; namely, \$360,000 for the Physical Education Building and \$625,000 for the Science and Engineering Laboratory.

State statutes provide that the Capital Development Board and the University may contract with each other and other parties on the design and construction of any project to be constructed on University property.

Accordingly, the president of the University, with the concurrence of the appropriate University officers, recommends that the University contract with the Capital Development Board to finance the roof replacement work described above (\$360,000 for the Physical Education Building; \$625,000 for the Science and Engineering Laboratory at the Chicago campus).

University funds are available from the Institutional Funds Operating Budget of the campus.

On motion of Mrs. O'Malley, this recommendation was approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

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<sup>1</sup>Inasmuch as the firms being recommended have successfully completed several roof replacement projects at the Chicago campus, it is in the best interest of the University to employ the firms for the professional services required for these projects. Pursuant to the provisions of Public Act 87-673, it has been interpreted to be in the best interest of the State to select an architectural/engineering firm that has performed prior identical work or successfully completed prior phases of the same project/program.



**Employment of Architect/Engineer for  
Remodeling Medical Sciences Building, Chicago  
(Capital Development Board Project)**

(13) The president of the University, with the concurrence of the appropriate University officers, recommends that the Board of Trustees request the Capital Development Board to employ an architect/engineer as indicated below for a capital project at the Chicago campus. The professional fee for the firm employed will be negotiated by the Capital Development Board in accordance with its procedure.

| <i>Project</i>  | <i>Project Budget</i> | <i>Professional Firm Recommended</i> |
|---|-----------------------|--------------------------------------|
| Remodeling Rooms 811 through 835, Medical Sciences Building | \$139,000             | Primera Engineers, Ltd., Chicago     |

Funds for the employment of the professional firm have been appropriated to the Capital Development Board.

The selection of the architects/engineers for these projects this project was in accordance with the requirements and provisions of Public Act 87-673 (Architectural, Engineering, and Land Surveying Qualifications-Based Selection Act).<sup>1</sup>

On motion of Mrs. O'Malley, this recommendation was approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

**Land Acquisition/Condemnation Resolution**

(14) In October 1991 and September 1992, the Board of Trustees, having found a public purpose, authorized the acquisition of certain parcels of land pertaining to the master plan and master plan update for the south campus at Chicago. The area covered by the authorizations is the area bounded by Morgan Street, Roosevelt Road, Union Street, and the railroad right-of-way at 16th Street.

Two properties located within this area were excluded from these actions due to pending sales contracts. The properties are located in the area bounded by Maxwell, Union, Liberty, and Halsted streets. The apparent owner of both parcels was unable to convey clear title to the University and the transactions were never consummated. Condemnation is likely to be the only method for obtaining clear title.

Accordingly, the chancellor at Chicago, with the concurrence of the appropriate administrative officers, recommends that the following resolution be adopted authorizing the university counsel to take such action as may be necessary to acquire the privately owned real estate identified therein through acquisition or the power of eminent domain should negotiations to purchase said property fail or if the University is unable to identify and negotiate a purchase agreement with the owner(s).

Further, it is recommended that the Executive Committee be authorized to take such further action as may be necessary to effectuate this resolution.

Funds are available from the Institutional Funds Operating Budget of the campus.  
I concur.

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<sup>1</sup>A committee consisting of M. Harms (College of Medicine) and R. Giles and D. Mohiuddin (Chicago Capital Programs) considered the following firms: Donovan Engineering, Inc., Chicago; EME/GKC, LLC, Chicago (MBE); and Primera Engineers, Ltd., Chicago (MBE). The committee has selected Primera Engineers, Ltd., Chicago, as best meeting the criteria and recommends employment of the firm for the project.

### Resolution

*Be It, And It Is Hereby Resolved, Found, And Declared* that the university counsel of the University of Illinois or his designee be, and hereby is, authorized to negotiate with the owners of said property through the duly authorized representatives of said owners for the purchase of said property at a price which this Board of Trustees considers fair and reasonable and which it finds constitutes the present market value of said property; and

*Be It, And It Is Hereby Resolved, Found, And Declared* by the Board of Trustees of the University of Illinois that if the compensation to be paid to the owners cannot be agreed upon by said owners and this Board of Trustees of the University of Illinois, the necessary and appropriate action be taken for the acquisition of said title to said property by said Board of Trustees of the University of Illinois exercising the right of eminent domain conferred upon it by law and having the compensation to be paid therefor determined by the institution and prosecution to completion of a proceeding in eminent domain in a court of competent jurisdiction and that the university counsel for the University be, and he is hereby, authorized to proceed accordingly, to institute and prosecute an eminent domain proceeding or proceedings in the names and on behalf of the Board of Trustees of the University of Illinois for the acquisition of said land and the determination of the compensation to be paid by the Board of Trustees of the University of Illinois therefor and to employ such special legal counsel, appraisers, and others as he may deem necessary or desirable to assist him in the institution and prosecution of said proceeding.

The land to be acquired is described as follows and parcel index numbers (PIN) are:

*PIN 17-21-111-009*

Lot 7 in J. Nutt's Subdivision of Lots 1 to 3 in Block 64 of Canal Trustees' New Subdivision of Blocks in the Northwest 1/4 of Section 21, Township 39 North, Range 14 East of the Third Principal Meridian, in Cook County, Illinois.

*PIN 17-21-111-017*

Lot 13 in J. Nutt's Subdivision of Lots 1, 2 and 3 of Block 64 in Canal Trustees' New Subdivision of Blocks in the Northwest 1/4 of Section 21, Township 39 North, Range 14 East of the Third Principal Meridian, in Cook County, Illinois.

*Property address:*

717 West Maxwell Street

728 West Liberty Street

On motion of Mrs. O'Malley, these recommendations were approved and the foregoing resolution was adopted by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

### **Lease of Space, National Center for Supercomputing Applications, Urbana**

(15) The chancellor at Urbana, with the concurrence of the appropriate administrative officers, recommends, subject to the availability of funds and satisfactory resolution of final lease terms that the comptroller be authorized to execute an agreement to lease approximately 20,000 square feet of space which constitutes the entire building located located at 2301 Fox Drive in Champaign, Illinois. The National Center for Supercomputing Applications (NCSA) has need for the space as soon as possible. Consequently, the space program and design are in process and final costs are yet to be confirmed.

The primary lease term is estimated to be not less than three years or more than five years. The base gross annual rental rate is estimated to be \$13.50 per sq. ft., or \$270,000, and will remain fixed for the length of the primary lease term. The landlord will provide up to an additional \$6.00 per sq. ft. tenant allowance above its standard which may be required to finish the building to University specifications for which the University will pay additional rent. This is estimated not to exceed \$2.25 per sq. ft., or \$45,000 annually for the primary term. The rental costs are competitive with the cost of comparable rental space in the community. The comptroller will report the final costs to the board should they exceed the above estimates.

The space is required to provide additional support to NCSA and its new grant under NSF's Partnerships for Advanced Computational Infrastructure (PACI). There is no available space elsewhere on campus to meet the demands of NCSA's expanding program. The subject building is located across the street from space currently leased by NCSA. The proximity of the buildings will allow operational and networking opportunities resulting in economies, such as the sharing of the high band width network connection that will serve the neighboring facility.

Funds for Fiscal Year 1998 are included in the Institutional Funds Operating Budget of the NCSA at the Urbana-Champaign campus.

I recommend approval.

On motion of Mrs. O'Malley, this recommendation was approved by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

### **Purchases**

(16) The president submitted, with his concurrence, a list of purchases recommended by the directors of purchases and the vice president for business and finance.

The purchases were presented in one category—purchases from institutional funds. The term designates funds received by the University under contracts with the United States government, private corporations, and other organizations; grants from foundations, corporations, and other donors; and University revolving funds authorized by law.

The total amount of these purchases from institutional funds was \$4,926,700.

A complete list of the purchases, with supporting information (including the quotations received), was sent to each member of the board in advance of the meeting. A copy is being filed with the secretary of the board for record.

Purchase item no. 4 elicited a question about why this was in the list of purchases and not a separate board item. The explanation given was that this was a professional service (for cleaning of the hospital), and that it is the practice to treat these perennial purchases of services as a purchase item.

On motion of Mrs. O'Malley, the purchases recommended were authorized by the following vote: Aye, Mrs. Calder, Mr. Engelbrecht, Dr. Gindorf, Mrs. Gravenhorst, Mr. Lamont, Ms. Lopez, Mrs. O'Malley, Mr. Plummer, Ms. Reese; no, none; absent, Governor Edgar.

(The student advisory vote was: Aye, Ms. Yates; absent, Ms. Doyle, Ms. Sanchez.)

**Comptroller's Report of Investment Transactions  
January 1, 1997 Through December 31, 1997**

(17) The comptroller presented the above report which includes transactions under Finance and Audit Committee guidelines. A copy of this report is filed with the secretary of the board.

This report was received for record.

**SECRETARY'S REPORT**

The secretary presented for record appointments to the faculty and changes of status made by the president, resignations, and terminations. A copy of the report is filed with the secretary.

**ANNOUNCEMENTS FROM THE CHAIR OF THE BOARD**

Chair Gravenhorst called attention to the schedule of meetings for the next three months: April 8-9, Urbana; May 14, Urbana (one-day meeting); June 10-11, Chicago.

There being no further business, the board adjourned.

MICHELE M. THOMPSON  
*Secretary*

SUSAN L. GRAVENHORST  
*Chair*