

APPROVED BY THE
COMMITTEE

OCT 29 2012

Susan M. Kicia
SECRETARY OF THE BOARD

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

September 4, 2012

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Tuesday, September 4, 2012, beginning at 1:00 p.m. via videoconference in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana; Room 414, Administrative Office Building, 1737 West Polk Street, Chicago; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield. Trustee Edward L. McMillan, chair of the committee, convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Edward L. McMillan, Mr. Lawrence Oliver, Ms. Pamela B. Strobel. Mr. James D. Montgomery was absent. Mr. John W. Tienken, voting student trustee from the Springfield campus, was present. Mr. David Pileski, student trustee from the Urbana campus, was absent. Ms. Karen Hasara was also present.

Also present were Mr. Lester H. McKeever, Jr., treasurer; President Robert A. Easter; Dr. Susan J. Koch, vice president, University of Illinois and chancellor, Springfield campus; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Dr. Christophe Pierre, vice president for academic affairs; Dr. Lawrence

Schook, vice president for research; Dr. Avijit Ghosh, special assistant to the president; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary.

Attached is a listing of other staff members in attendance at this meeting, as well as some members of the media.

Mr. McMillan welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting that was held on July 9, 2012. On motion of Ms. Strobel, seconded by Mr. Oliver, the minutes were approved. There were no "nay" votes.

REVIEW OF RECOMMENDED BOARD ITEMS FOR THE MEETING OF THE BOARD
OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS ON SEPTEMBER 14, 2012

Budget Summary for Operations

Mr. Knorr provided a presentation on the Budget Summary for Operations for Fiscal Year 2013 (materials on file with the clerk) and stated that this relates to an agenda item that will come before the Board at its meeting on September 14, 2012. He reviewed current circumstances that were considered in the preparation of this budget and provided information on the unpaid State appropriation to the University from Fiscal Year 2012 and 2013, and said that the general fund appropriation was reduced by 6 percent for Fiscal Year 2013, noting that the direct appropriation from the State will be below the Fiscal Year 1997 level in nominal dollars and below the Fiscal Year 1966 level when adjusted for inflation.

Mr. Knorr then discussed the operating budget for Fiscal Year 2013, which he said increased by 3.7 percent, exclusive of payments on behalf made by the State, and stated that the cost of payments on behalf has increased significantly. He discussed sources of restricted and unrestricted revenue fund growth. He then presented charts depicting sources of revenue and areas of planned spending, and showed a comparison of unrestricted and restricted funds from Fiscal Year 2012 and 2013. He also reviewed specific components of unrestricted and restricted funds, and committee members briefly discussed undergraduate tuition. Mr. Knorr also confirmed that this is the first time sponsored research will exceed \$800.0 million. Next, he provided additional information regarding the 28.7-percent increase in the cost of payments on behalf, which are paid by the State for health care and pensions for employees.

There were no objections to forwarding these items to the full Board for consideration.

Preliminary Budget Request

Mr. McMillan then asked Dr. Christophe Pierre, vice president of academic affairs, to provide a presentation on the preliminary Fiscal Year 2014 budget request (materials on file with the clerk). Dr. Pierre referred to a presentation that he made on this topic to this committee at a previous meeting and stated that the annual budget request is required by the State. He said that the preliminary budget request of \$81.5 million includes funding for strengthening academic quality, addresses facility operational needs, and considers

inflationary and other cost increases. He then discussed the preliminary campus capital priority request, noting that this has been vetted and approved by the provost at each campus and by the president.

Capital Projects

Mr. McMillan then asked Mr. Michael B. Bass, senior associate vice president for business and finance and deputy comptroller, to report on items related to capital projects and real estate that will be on the agenda at the Board meeting on September 14, 2012 (materials on file with the clerk). Mr. Bass provided information regarding an item requesting an increase in the project budget for Davenport Hall at Urbana, and reviewed a recommendation to award construction contracts for the Mile Square Health Center in Chicago. He stated that a construction contract for this project was approved by the Board in July, but that certain issues made it necessary for the project to be rebid. He provided some updates on the project, stating that a Memorandum of Understanding has been signed and that an account for funds has been identified. He said there is work underway regarding the lease of land and that the request to extend the grant that will be used to fund part of this project has been filed and is under review. Mr. Bass then reviewed a recommendation Architect/Engineer for the College of Medicine Learning Center Space Renovation at Chicago, which will create a contemporary learning space for teaching, and provided information regarding a project for the Advanced Chemical Technology Building at Chicago. Lastly, Mr. Bass discussed the update to the master

plan at Springfield and outlined the proposed changes. Vice President/Chancellor Koch spoke in support of these proposed changes.

Purchase Recommendations

Next, Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president for business and finance, to review the purchase recommendations that will be on the agenda for the meeting of the Board of Trustees on September 14, 2012 (materials on file with the clerk). Dr. Haberaecker provided information regarding the recommendation to purchase a new scoreboard for Memorial Stadium at Urbana, and Mr. Oliver commented that only one qualified bid was received for the project. Dr. Haberaecker stated that the bidding process is very cumbersome and restrictive, which may have resulted in a limited number of bids.

PRESENTATIONS TO THE COMMITTEE

University Audits, Annual Report

At 1:40 p.m., Mr. McMillan asked Ms. Julie A. Zemaitis, executive director, University Audits, to provide a presentation on the University Audits annual report for the year ended June 30, 2012 (materials on file with the clerk). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2012, noting that this reflects the lowest number of open recommendations in many years, and stated that the time to implement recommendations has also decreased. She then presented information regarding the total

number of reports issued, and she provided comparisons from Fiscal Year 2011 to Fiscal Year 2012 concerning hours spent on various types of projects and by campus or area. She then provided an overview of the implementation of audit recommendations, and stated that this is the lowest number of open recommendations since 2006. She also referred to the high number of implementations of recommendations and said it was the highest recorded. Mr. McMillan complemented management and those throughout the University on their hard work. Ms. Zemaitis then discussed the risk and priority rating of all open audit recommendations, and stated that these have been reviewed with Mr. McMillan and Mr. McKeever. Ms. Zemaitis then discussed the two-year audit plan for Fiscal Year 2013 and Fiscal Year 2014, and Mr. McMillan stated that he and Mr. McKeever had also reviewed this plan.

State Budget, Appropriation, and Pension Update

Mr. Knorr discussed the downgrading of the State's credit rating and whether this might impact the credit rating of the University. He thanked Mr. McKeever and Ms. Maxine Sandretto, assistant vice president for business and finance, for their assistance with the recent State Legislative Audit Commission meeting. He also reported that the State appropriation receivable is significantly behind what it was last year at this time.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS


Mr. McMillan announced that the next meeting of this committee is scheduled for Monday, October 29, 2012, at 1:00 p.m.

MEETING ADJOURNED

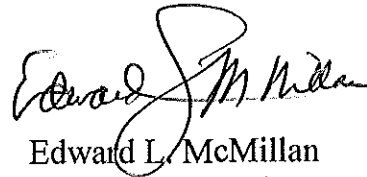
On motion of Mr. Oliver, seconded by Ms. Strobel, the meeting adjourned at 2:02 p.m.

There were no "nay" votes.

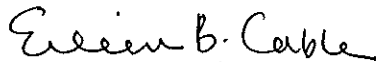
Respectfully submitted,



Susan M. Kies
Clerk



Edward L. McMillan
Chair



Eileen B. Cable
Assistant Clerk

AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
STAFF AND PUBLIC ATTENDANCE, MEETING OF SEPTEMBER 4, 2012

Urbana Campus Site

Virginia Hudak-David, Senior Associate Director, University Relations, University Administration

Sean Powers, Reporter, WILL

Michael Lyon, AITS

Mikel Storm, AITS

Maureen Parks, Associate Vice President and Executive Director, Office for Human Resources,
University Administration

Patrick Patterson, Controller and Senior Assistant Vice President, OBFS, University
Administration

William Adams, Visiting Senior Advisor to the President, University Administration

Menah Pratt-Clarke, Associate Chancellor, Urbana

Jill Odom, Administrative Assistant, Office of the Vice Present and Chief Financial
Officer, University Administration

Kevin Duff, Manager of Planning and Design, OBFS, University Administration

Joseph Vitosky, Assistant Vice President for Capital Programs and Real Estate Services, OBFS,
University Administration

Randall Kangas, Associate Vice President for Planning and Budgeting, University Administration

Michael Bass, Senior Associate Vice President and Deputy Comptroller, OBFS, University
Administration

Robert Easter, President, University Administration

Christophe Pierre, Vice President for Academic Affairs, University Administration

Julie Zemaitis, Executive Director of University Audits, University Administration

Maxine Sandretto, Assistant Vice President for Business and Finance, OBFS, University
Administration

Scott Rice, University Counsel, University Administration

Avijit Ghosh, Senior Advisor to the President, University Administration

Christine des Garennes, Reporter, News Gazette

Julia Kuehn, Staff, Board of Trustees Office

Jo Menacher, Associate Director, University Office for Planning and Budgeting, University
Administration

Chicago Campus Site

Walter Knorr, Vice President and Chief Financial Officer, University Administration

Mitra Dutta, Vice Chancellor for Research, Chicago

Brian Metzger, AITS

Heather Haberaecker, Executive Assistant Vice President for Business and Finance, Chicago

Thomas Bearrows, University Counsel, University Administration

Margaret O'Donoghue, Interim Special Assistant to the President, University Administration

Lawrence Schook, Vice President for Research, University Administration

Lester McKeever, Treasurer, Board of Trustees

Mark Donovan, Vice Chancellor for Administrative Services, Chicago

Michael Jonen, Associate Vice President for Health Affairs, Chicago

Frank Goldberg, Vice Provost for Resource Planning and Management, Chicago

Lon Kauffman, Vice Chancellor and Provost for Academic Affairs, Chicago

Springfield Campus Site

Susan Koch, Chancellor, Springfield

Donna McNeely,

Patricia Sanchez, Executive Assistant to the Chancellor, Springfield

Teleconference

Eileen Cable, staff, Board of Trustees Office

NOTE: Names appear in the order reflected on the signed attendance sheet.