

APPROVED BY THE
COMMITTEE

MAY 13 2013


SECRETARY OF THE BOARD

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

February 25, 2013

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, February 25, 2013, at 1:00 p.m. in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana. Attendance via videoconference was available in Room 414, Administrative Office Building, 1737 West Polk Street, Chicago; the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield; and Room S200A, 1601 Parkview Avenue, College of Medicine, Rockford. 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: Dr. Timothy N. Koritz, Mr. Edward L. McMillan, Mr. James D. Montgomery, Ms. Pamela B. Strobel¹, Mr. John W. Tienken¹, voting student trustee from the Springfield campus, and Mr. David Pileski, student trustee from the Urbana campus, were present.

Also present were Mr. Lester H. McKeever, Jr., treasurer; Dr. Robert A. Easter, President; Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, Springfield campus, and vice

¹ Ms. Strobel and Mr. Tienken participated in the meeting via telephone.

president, University of Illinois; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary. Dr. Avijit Ghosh, senior advisor to the president, and Ms. Margaret M. O'Donoghue, interim special assistant to the president, were also in attendance.

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

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 January 14, 2013. On motion of Mr. Montgomery, seconded by Ms. Strobel, 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 MARCH 7, 2013

Mr. McMillan asked the appropriate individuals in attendance to report on the items that will appear on the Board's agenda at its meeting on March 7, 2013. All proposed items discussed at the meeting are on file with the clerk.

Delegation of Authority to the Vice President, Chief Financial Officer and
Comptroller to Refund Outstanding Auxiliary Facilities System Revenue Bonds

Mr. Knorr discussed the agenda item requesting approval of the delegation of authority to the vice president/chief financial officer and comptroller to refund outstanding auxiliary facilities system revenue bonds. He explained that refunding outstanding auxiliary

facilities system revenue bonds would allow the University to take advantage of low interest rates and would result in a savings of about \$9.0 million. He outlined the process and the financial team and stated that this Board item seeks approval to delegate authority to allow him to execute the transaction. He said he would report back to the Board with the results of the refunding, which he hopes will be complete by May 29, 2013.

Discussion followed, and Mr. McMillan asked if the refunding would extend the timeline of the current bonds. Mr. Knorr stated that maturity will remain the same. Ms. Strobel inquired about timing and whether any similar opportunities exist, and Mr. Knorr stated that interest rates are not likely to decrease further. He indicated that this is a unique opportunity capable of achieving demonstrable savings. Additional discussion followed regarding interest rates and the University's credit rating, and Mr. Knorr stated that the refunding will take place after Moody's issues its decision regarding the University's credit rating. There were no additional questions or comments.

Student Health Insurance Rates for Urbana and Springfield Campuses, Academic Year 2013-14

Mr. Knorr reviewed the Board agenda item requesting approval of student health insurance rates at the Urbana and Springfield campuses for Academic Year 2013-14. He explained that the cost of health insurance is separate from the health fee and that providers were selected on a competitive bid basis. He discussed the proposed rates, which he said include a 21-percent increase in undergraduate insurance rates at Urbana, a 12-percent increase in graduate insurance rates at Urbana, and an 18-percent increase in

insurance rates at Springfield. He said these insurance programs are compliant with Affordable Care Act, which was followed by some discussion. Ms. Patricia J. Kale, executive director of risk management, stated that these plans comply with the second phase of Affordable Care Act implementation. Committee members also discussed the health fee at Urbana and variations in the proposed cost of health insurance between undergraduate students and graduate students at Urbana. Dr. Terri E. Weaver, dean, College of Nursing, Chicago, asked if care provided by nurse practitioners and midwives is covered under these plans, and Ms. Kale confirmed that it is covered.

Capital and Real Estate

Mr. McMillan asked Mr. Michael B. Bass, senior associate vice president for business and finance and deputy comptroller, to provide information regarding capital and real estate items that will be on the Board's agenda at its March 7, 2013, meeting.

Mr. Bass reported on the recommendation to designate the M. Christine Schwartz Experiential Learning Laboratory, the M. Christine Schwartz Lobby, and the M. Christine Schwartz Research Seminar Rooms at the College of Nursing at Chicago. He stated that this designation would recognize a \$2,212,000 gift from the M. Christine Schwartz and the T&C Schwartz Family Foundation, and he described the ways in which this gift will be utilized.

Next, Mr. Bass discussed the recommendation to amend the professional services consultant for renovation and addition at the Assembly Hall at Urbana. He

provided an overview of the project and stated that the Division of Intercollegiate Athletics is now ready to move into the design development phase, which requires an amendment of the professional services agreement with AECOM for professional services for the design development phase of the project. He discussed the firm's fee and the cost of the amended contract. Discussion regarding the student referendum to assist with funding of this project followed.

Purchase Recommendations

Next, Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president for business and finance, to discuss two recommended purchases. Dr. Haberaecker reported on the recommendation to purchase a transmission electron microscope for the Frederick Seitz Materials Research Laboratory at Urbana and stated that this is a sole source purchase due to the unique capabilities of the microscope, which will be paid for from National Science Foundation funding. She then discussed the purchase of radiation oncology services for the University of Illinois Hospital and Health Sciences System, and stated that these services are needed because the University of Illinois Hospital and Health Sciences System does not employ radiation oncology staff. Brief discussion regarding the pricing for these services followed.

PRESENTATIONS

Internal Audit Second Quarter Audit Report

Mr. McMillan asked Ms. Julie A. Zemaitis, executive director, University Audits, to provide a presentation on the Office of University Audits activities for the six-month period ended December 31, 2012 (materials on file with the clerk). Ms. Zemaitis presented the Fiscal Year 2013 audit plan completion status for the six-month period ended December 31, 2012, noting that nine audits have been completed since December 31. She then presented the number of reports issued and findings by high and moderate risk or priority. She discussed the implementation of audit recommendations and commented on good progress that has been made in this area. Next, she presented open audit recommendations by risk and priority rating and discussed the aging of outstanding recommendations with management's original implementation dates of Fiscal Year 2012 and prior. Mr. McMillan complemented management and those throughout the University on their hard work and for making great progress in implementing audit recommendations. Ms. Zemaitis then noted that the risk and priority rating criteria is being reviewed, and indicated that committee members would be contacted in the near future to provide an opportunity for their review and input into any recommended changes to the criteria. Mr. McMillan also commented that he and Mr. McKeever reviewed the first quarter audit report with Ms. Zemaitis outside of the committee meeting. He thanked Ms. Zemaitis for the report.

Summary Report on Fiscal Year 2012 Financial Audit

At 1:41 p.m., Mr. McMillan asked Mr. Patrick M. Patterson, controller and senior assistant vice president for business and finance, to provide a presentation on the Fiscal Year 2012 financial audit (materials on file with the clerk). Mr. Patterson stated that the University received a clean opinion on financial statements, and he thanked the staff at the University and University-Related Organizations, KPMG, and the Illinois Auditor General for their hard work. He discussed two University-wide findings related to P-card procedures and the year-end receivables and payables accrual process and stated that efforts are underway to address these issues. He also provided financial statement highlights.

Mr. Patterson then responded to questions from committee members and provided additional information regarding the year-end receivables and payables accrual process. Mr. Montgomery inquired about a recent news article that discussed an Illinois Health and Human Services audit conducted in 2004, regarding charity care provided by the University of Illinois Hospital from 1997 to 2000. President Easter provided additional information about the audit, and he and Mr. Knorr stated that the audit finding points to an issue between the State and the federal government. President Easter stated that representatives from the Illinois Department of Health and Human Services have indicated that the University acted appropriately.

Updates on Federal and State Legislative or Budget Issues

At 1:48 p.m., Mr. McMillan asked Mr. Knorr to provide an update on the State budget and federal and State legislative matters. Mr. Knorr discussed a meeting with Moody's regarding the University's credit rating and stated that Moody's will issue its credit rating decision around March 10, 2013. He then commented on the federal sequestration and its impact on the University, particularly regarding reduced funding of federal grants and contracts. He reported that there has been no concrete movement regarding pension legislation, and told the committee that a 5-percent reduction of State funding to higher education is possible. He stated that Dr. W. Randall Kangas, associate vice president for planning and budgeting, and Dr. Christophe Pierre, vice president for academic affairs, participated in a hearing on affordability that addressed the cost of textbooks, housing costs, and the truth in tuition policy, which dictates that college freshman are guaranteed the same tuition rate for four years. He reported that the State receivable is currently \$526.0 million, which is the highest receivable to date, and he commented briefly on outstanding bills that are due by the State.

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 May 13, 2013, at 1:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 1:54 p.m., Mr. McMillan stated: "A motion is now in order to hold an executive session to consider University employment or appointment-related matters."

On motion of Mr. Montgomery, seconded by Dr. Koritz, this motion was approved. There were no "nay" votes.

EXECUTIVE SESSION

Material redacted pursuant to the Illinois Open Meetings Act (5 ILCS 120/2.06d)

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 2:13 p.m.

MEETING ADJOURNED

On motion of Mr. Montgomery, seconded by Dr. Koritz, the meeting adjourned at 2:14 p.m. There were no "nay" votes.

Respectfully submitted,



Susan M. Kies
Clerk



Edward L. McMillan
Chair



Eileen B. Cable
Assistant Clerk