

APPROVED BY THE  
COMMITTEE

FEB 24 2014

  
SECRETARY OF THE BOARD

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

January 13, 2014

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, January 13, 2014, 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. Strobel<sup>1</sup>. The following committee members were also present: Mr. Lester H. McKeever, Jr., treasurer; Mr. Michael A. Cunningham, voting student trustee from the Urbana campus; and Mr. Jamaal E. Hollins, student trustee from the Springfield campus. Ms. Danielle Leibowitz, student trustee from the Chicago campus, attended the meeting. President Easter was also present.

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<sup>1</sup> Ms. Strobel participated via telephone.

Also present were Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, Springfield campus, and vice president, University of Illinois; Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Dr. Christophe Pierre, vice president for academic affairs; Dr. Lawrence B. Schook, vice president for research; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary.

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 held November 4, 2013. On motion of Mr. Hollins, seconded by Mr. Montgomery, the minutes were approved. There were no "nay" votes.

PRESENTATIONS AND REVIEW OF RECOMMENDED BOARD ITEMS  
FOR THE MEETING OF THE BOARD OF TRUSTEES  
OF THE UNIVERSITY OF ILLINOIS ON JANUARY 23, 2014

Mr. McMillan asked the appropriate individuals in attendance to provide presentations and report on the items that will appear on the Board's agenda at its meeting on January 23, 2014. All proposed items discussed at the meeting are on file with the clerk.

Student Fees and Housing Rates for Academic Year 2014-15

Dr. Pierre made a presentation on the proposed student fees and housing rates for Academic Year 2014-15 (materials on file with the clerk) and explained that these costs

are not included in the guaranteed tuition program. He discussed the main categories and uses for the types of fees paid by the students and reviewed the student fee approval process. He reported that the most of the recommended fees for Academic Year 2014-15 reflect an increase comparable to the rate of inflation, and he discussed exceptions to this. Dr. Pierre stated that the general fee at Urbana is higher than the rate of inflation because of costs associated with the State Farm Center renovation, which he said was approved by the students. He told the committee that the overall increase in cost of proposed student fees is 2.3 percent. Dr. Pierre then reported on the proposed fees at Chicago, which he said reflect an increase of 1.7 percent. Next, Dr. Pierre discussed the proposed student fees at Springfield and said that the recommended increase in the health-service fee is due to the cost of expanding services on campus and providing competitive compensation to staff. Brief discussion followed, and Dr. Koch provided some additional details regarding the change in leadership in health services at Springfield. Dr. Pierre stated that the proposed health-service fee is lower at Springfield than the other two campuses and at most public universities in Illinois. He reported that the overall increase in the cost of fees at Springfield is 4.1 percent.

Dr. Pierre told the committee that the costs for student health insurance will not be available until March or May 2014. He then presented the proposed undergraduate housing rates for room and board at each campus, with increases of 2.0 percent at Urbana, 2.5 percent at Chicago, and 2.9 percent at Springfield.



### Tuition Rates for Academic Year 2014-15

Next, Dr. Pierre presented on the proposed tuition rates for Academic Year 2014-2015 (materials on file with the clerk). He reviewed the Board of Trustees tuition policy, the guaranteed tuition program, and advantages of early approval of the tuition rate, and he commented briefly on key considerations in setting tuition. Dr. Pierre then presented the proposed guaranteed general tuition for undergraduate Illinois residents for Academic Year 2014-2015, which reflected a 1.7 percent increase in tuition at each campus. He stated that this is the smallest rate increase in 19 years, for the second consecutive year. Dr. Pierre then presented the combined cost of tuition, fees, and room and board for Academic Year 2014-15 and showed the percent increase at each campus. He commented briefly on the proposed increase, the four-year tuition guarantee program, uncertain State support, and the need to contain costs.

Ms. Strobel commented that the proposed increases seem reasonable, and Dr. Koritz commended University administration for their diligent stewardship of resources. The three student trustees expressed support for the proposed tuition rates, and Mr. Hollins inquired about future increases. Dr. Pierre explained that it is hard to predict, particularly because of uncertainty surrounding State support. Mr. McMillan stated that the ongoing review process at the campuses and University administration is essential and applauded efforts to control costs.

Tuition and Fee Increases, Cost Recovery, and Aviation Programs,  
Academic Year 2014-15

Dr. Pierre then discussed the proposed tuition and fee increases for cost recovery and aviation programs for Academic Year 2014-15. He indicated that the proposed increases are minor, and that there is no recommended increase for the aviation program.

University of Illinois Auxiliary Facilities System Revenue Bonds, Series 2014

Mr. Robert L. Plankenhorn, director of capital financing, provided a presentation on the recommendation to approve the issuance of Auxiliary Facilities System Revenue Bonds, Series 2014 (materials on file with the clerk). Mr. Plankenhorn stated that the bonds will finance the construction of Ikenberry Commons Residence Hall No. 3, the demolition of the Taft and Van Doren residence halls, and the renovation and addition to the State Farm Center, and he provided some details about these projects. He reported on security and expected credit ratings and discussed the plan of finance and estimated project costs. Mr. Plankenhorn then reviewed the financing team. Mr. Knorr disclosed that he worked for Northern Trust, the winning bidder for variable rate bonds, 25 years ago. He stated that he still has some stock with the company and that he reported this to the University Ethics Office. He indicated that he was not involved with the bidding process. Mr. McMillan asked Mr. Plankenhorn if the credit rating may improve at the time of issuance, and Mr. Plankenhorn stated that this was unlikely. Mr. Montgomery and Mr. Plankenhorn briefly discussed potential private business use of the State Farm Center.

### Capital Projects and Real Estate Board Items

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.

#### Approve Project, Amend Professional Services Consultant Contract, and Approve Design for Student Union, Springfield

Mr. Bass introduced Mr. Jan van den Kieboom, from Workshop Architects, and Mr. Tom Seymour, from Dewberry Architects, to present the proposed design for the student union at Springfield. Mr. Seymour and Mr. van den Kieboom reviewed the professional services team, the project mission statement, and the campus master plan, and they discussed the potential uses for spaces within the union and strategy for its design. They presented the site plan and plans for the first and second floors. Mr. van den Kieboom and Mr. Seymour showed the aerial view and highlighted the roof, which will be covered with vegetation. They stated that they will be seeking LEED-gold certification for the building. Mr. van den Kieboom and Mr. Seymour then presented images of the west, north, east, and south elevations.

Mr. Hollins referred to student support for the project and spoke in favor of the work done so far. Brief discussion regarding the green roof followed. Mr. Bass stated that the agenda item includes the proposed design of the student union, as well as approval of the project and the amendment of the professional services consultant



contract. He reviewed these components of the item and discussed the proposed financing for the project. There were no comments or questions.

Renaming of Multiple Buildings,  
College of Fine and Applied Arts, Urbana

Mr. Bass then discussed the proposed renaming of multiple buildings within the College of Fine and Applied Arts at Urbana and stated that these are necessary to better reflect the functions and references to buildings and to provide accurate identification and minimize confusion.

Common Areas Improvements, Science and Engineering Laboratories, Chicago

Mr. Bass commented on the item recommending the approval of a project for common area improvements to the Science and Engineering Laboratories at Chicago and said these include interior renovations and deferred maintenance.

Budget Increase for Gas Boiler Replacement, Abbott Power Plant, Urbana

Next, Mr. Bass discussed the agenda item requesting approval for a budget increase for gas boiler replacement at the Abbott Power Plant at Urbana and indicated that replacing the boiler will increase efficiency and effectiveness at the plant.

Pension Legislation- Supplemental Plan Framework Presentation  
and Resolution to Direct the University to Explore Alternative  
Mechanisms to Address Changes in the State's Retirement Plans

At 2:09 p.m., Mr. Knorr provided a presentation on the framework for a supplemental plan in response to recent pension legislation (materials on file with the clerk) and the proposed resolution to direct the University to explore alternative mechanisms to address changes in the State's retirement plans. He provided an overview of the components of Public Act 98-0599, and discussed possible supplementary defined contribution options and considerations. Mr. Knorr stated that this would be brought to the Board for approval, possibly at its May 2014 meeting. He referred to two lawsuits that have been filed in response to this legislation, and said that it would be prudent to examine alternatives regardless of the outcome of the lawsuits.

Enterprise Risk Management Presentation

Next, Mr. McMillan asked Mr. Daniel L. Mortland, assistant vice president for enterprise services, to provide a presentation on enterprise risk management (materials on file with the clerk). Mr. Mortland stated that the focus of his presentation would be on risk culture at the University, and he provided some background. He discussed risk appetite and risk tolerance and showed a risk continuum consisting of opportunity, uncertainty, and hazard; compliance and prevention, operating performance, and strategic initiatives; and management responsibilities. Mr. Mortland referred to a survey to assess risk culture at the University and discussed the deliverables of the survey, which he said include the



development of risk appetite statements and a risk tolerance framework. He then presented a survey plan and timeline and urged the trustees to participate. Mr. McMillan also encouraged Board members to take the survey.

#### Resolution for James L. Foght

At 2:22 p.m., Dr. Schook commented on a proposed resolution for James L. Foght. Dr. Schook stated that Dr. Foght is a loyal alum, and that he is retiring and removing himself from the IllinoisVENTURES, LLC, board of managers. Dr. Schook expressed appreciation for Dr. Foght's leadership and shared vision, and said that this resolution recognizes his dedication and service. Mr. McMillan commented on the importance of IllinoisVENTURES and Dr. Foght's efforts.

#### Federal, State, and Local Budget and Financial Updates

Mr. Knorr stated that credit ratings for the University and State would be released the following week, and that the results of the Fiscal Year 2013 financial audit will be presented at the committee's February 24, 2014, meeting. He said that the annual visit to the legislative audit commission will take place on February 25, 2014, and he reported briefly on a visit from the National Science Foundation (NSF) auditors, noting that this is expected due to the size of the University's NSF research grants. Mr. Knorr told the committee that the Internal Revenue Service is reviewing 403(b) plans at several universities. Mr. Knorr then reported that the majority of the \$52.0 million Medicaid receivable from Fiscal Year 2013 was collected in December, and that the current State

receivable to the University is \$416.0 million. He stated that the University will have to include the \$6.5 billion unfunded pension liability State on its balance sheets, and he commented briefly on the current State income tax rates that are due to sunset January 1, 2015. Committee members discussed the potential impact of including the unfunded pension liability on the University's balance sheet and its impact on the University's credit rating.

### MEETING ADJOURNED

On motion of Mr. Hollins, seconded by Mr. Montgomery, the meeting adjourned at 2:36 p.m. There were no "nay" votes.

Respectfully submitted,



SUSAN M. KIES  
*Clerk*



EDWARD L. McMILLAN  
*Chair*



EILEEN B. CABLE  
*Assistant Clerk*