

APPROVED BY THE  
COMMITTEE

JAN 05 2015

  
SECRETARY OF THE BOARD

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

NOVEMBER 3, 2014

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, November 3, 2014, at 1:00 p.m. in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana campus, Urbana, Illinois. Attendance via videoconference was available in Room 270, College of Pharmacy Building, 833 South Wood Street, Chicago campus, Chicago, Illinois; the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield campus, Springfield, Illinois; and the Dean's Conference Room, 1601 Parkview Avenue, College of Medicine, Rockford, Illinois.

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. Lester H. McKeever, Jr.; Mr. Edward L. McMillan; Mr. James D. Montgomery; Ms. Pamela B. Strobel.

President Robert A. Easter; Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; and Dr. Christophe Pierre, vice president for academic affairs, attended the meeting via videoconference from remote locations. Also in attendance were Mr. Walter K. Knorr, comptroller (and vice

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president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; and Dr.

Susan M. Kies, secretary of the Board of Trustees and of the University. 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 September 3, 2014. On motion of Ms. Strobel, 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 NOVEMBER 13, 2014

Mr. McMillan asked certain individuals in attendance to provide presentations and report on the items that will appear on the Board’s agenda at its meeting on November 13, 2014. All proposed agenda items discussed at the meeting are on file with the clerk.

Context for Fiscal Year 2016 Tuition

Mr. McMillan asked Dr. Pierre to provide a presentation on context for Fiscal Year 2016 tuition (materials on file with the clerk). Dr. Pierre reviewed the considerations in setting tuition and presented a graph depicting the State appropriation versus tuition and fees from Fiscal Year 2006 through Fiscal Year 2015, noting the decrease in State support. He then showed net tuition revenue by student residency and level at each campus from Fiscal Year 2008 through Fiscal Year 2014. Next, Dr. Pierre reviewed Fiscal Year 2015 guaranteed base

tuition, fees, and room and board, and he told the committee that tuition differentials for some programs can be as high as \$5,000. He emphasized affordability and need to increase financial aid. Dr. Pierre showed a chart depicting undergraduate tuition and fees versus Pell and Monetary Award Program funding and said it is insufficient, noting that this gap can be as high as \$10,000 of unmet need. Dr. Pierre then presented undergraduate financial aid from Fiscal Year 2006 through Fiscal Year 2015 and showed a net cost to student analysis for full-time undergraduate students at each campus in Fall 2013. Next, he compared the tuition and fees at the University to a selection of peer institutions and others in the Big Ten and showed that some peer institutions have significantly lower tuition and fees. Dr. Pierre told the committee that some peer institutions have also frozen tuition rates. Ms. Strobel inquired if other universities offer a four-year guaranteed tuition rate and emphasized the impact this has in determining tuition rates. Dr. Pierre stated that the four-year tuition guarantee is unique to Illinois and agreed that this impacts decisions regarding tuition rates. Discussion followed regarding universities that have frozen tuition for multiple years. Dr. Pierre then presented the number of applications, admitted students, and first-time freshman enrollments for each campus and reported that quality increases each year, adding that yield has declined during the last 10 years to 33 percent. He discussed the impact of a potential tuition increase on revenue and summarized additional factors that may impact this decision.

Brief discussion followed, and Dr. Pierre explained that there is no tuition recommendation at this time and that the purpose of this presentation is to provide context for the Board to vote on a recommendation for tuition rates in January. Mr. Montgomery, Ms.



Strobel, and Dr. Koritz expressed concern regarding the high cost of tuition and decreasing yield and advocated that current tuition rates be maintained if possible.

Resolution in Support of the University of Illinois at Chicago's Response  
to the Barack Obama Foundation's 'Request for Proposal'

At 1:35 p.m., Mr. McMillan asked Ms. Mary Case, professor and University librarian, Chicago; Dr. Michael W. Redding, executive associate chancellor of public and government affairs, Chicago; and Mr. Mark Donovan, vice chancellor for administrative services, Chicago, to provide a presentation on a resolution in support of the University of Illinois at Chicago's response to the Barack Obama Foundation's "Request for Proposal" (materials on file with the clerk). Ms. Case stated that the Chicago campus, along with its North Lawndale partners, is one of four institutions that has been invited to submit proposals for selection as the future site of the Obama presidential library. She reviewed benefits and opportunities provided by presidential libraries and discussed typical funding and operations, as well as potential support provided by the host institution. She listed presidential libraries at public universities in the United States. Next, Ms. Case provided information regarding the Chicago campus and North Lawndale sites, and she explained that the Board agenda item requests approval for a resolution that supports a proposal submission by the Chicago campus in response to the request for proposal received from the Barack Obama Foundation.

Discussion followed regarding the process of leasing and selling land on the Chicago campus, as well as the impact of a presidential library on the campus's master plan. Ms. Strobel inquired about costs related to the response to the request for proposal, as well as

other costs if the campus is selected as the site for the library. Dr. Redding stated that the Barack Obama Foundation would be responsible for building and construction costs, and that the University would provide the land. He said that \$117,000 has been spent so far. Dr. Koritz expressed concern regarding the resolution, which he said includes the North Lawndale site and is outside the jurisdiction of the Board, and spoke against the use of resources and taxpayer funds for this project. Dr. Redding stated that gift funds, rather than tax or tuition dollars, have been used to date. Mr. Montgomery commented that this library would provide a tremendous advantage to the campus. Mr. McKeever, Ms. Case, and Mr. Donovan briefly discussed potential support that may be provided and costs that would be funded or reimbursed by the Barack Obama Foundation,.

Delegate Authority to the Vice President/CFO and Comptroller  
to Refund Outstanding Certificates of Participation

At 1:54 p.m., Mr. McMillan asked Mr. Robert Plankenhorn, director of capital financing, to provide information regarding the recommendation to delegate authority to the vice president/chief financial officer and comptroller to refund outstanding certificates of participation (materials on file with the clerk). Mr. Plankenhorn discussed the recommendation to refund some or all of outstanding certificates of participation Series 2005, 2006A, and 2007A for debt service savings and said that refunding a portion of tax-exempt Series 2009A with taxable certificates will permit potential future Private Business Use in the National Petascale Computing Facility. He provided information regarding security and anticipated credit ratings and reported on the aggregate estimated amount, interest rate, final

maturity, and savings. Mr. Plankenhorn then reviewed members of the financing team, and Mr. Knorr introduced members of the team in attendance at the meeting.

Mr. Montgomery inquired about the bonds used to finance a portion of the National Petascale Computing Facility, and Mr. Knorr and Mr. Plankenhorn provided additional information regarding these costs.

Delegate Authority to the Vice President/CFO and Comptroller  
to Refund Outstanding Auxiliary Facilities System Revenue Bonds

Mr. McMillan then asked Mr. Plankenhorn to provide information on the recommendation to delegate authority to the vice president/chief financial officer and comptroller to refund outstanding auxiliary facilities system revenue bonds (materials on file with the clerk). Mr. Plankenhorn discussed the recommendation to refund all or a portion of outstanding auxiliary facilities system revenue bonds Series 2005 for debt service savings. He provided information on security and credit ratings and presented the estimated amount, interest rate, final maturity, and savings. Mr. Plankenhorn also reviewed the composition of the financing team.

Mr. Montgomery inquired about the cost of refunding these bonds and whether these costs were included in the estimated savings. Mr. Plankenhorn discussed this, and he and Mr. Knorr confirmed that these costs are reflected in the reporting of estimated savings.



### Rename the Institute for Genomic Biology, Urbana

Next, Mr. McMillan asked Dr. Charles L. Tucker, vice provost for undergraduate education and innovation, Urbana, to provide information regarding the recommendation to rename the Institute for Genomic Biology at Urbana as the Carl R. Woese Institute for Genomic Biology. Dr. Tucker discussed the rationale for this and provided information on the Institute, the work of Dr. Woese, and potential advancement advantages resulting from the new name. Dr. Koritz commented in support of this recommendation.

### Capital and Real Estate

At 2:10 p.m., Mr. McMillan asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to provide background information on recommended capital and real estate items appearing on the Board's agenda at its November 13, 2014, meeting. Mr. Bass first commented on the recommendation to increase the project budget and award a contract for the addition and renovation of the Chemistry Annex Building at Urbana. He discussed the reasons for the proposed budget increase and the work to be completed, and he commented on Minority and Female Business Enterprise (MAFBE) participation.

Next, Mr. Bass discussed the recommendation to award contracts for renovation and addition at the State Farm Center at Urbana. He stated that this is the third bid package for the project, and he described the work to be completed. Mr. Bass also reported on MAFBE participation.

Mr. Bass then provided information regarding the recommendation to increase the project budget and award a contract for gas boiler replacement at the Abbott Power Plant at Urbana. He described the work to be completed and the reason for the requested budget increase, stating that anticipated costs did not align with the bids that were received. Mr. Bass also provided additional details regarding the bids that were received in response to a question from Mr. Montgomery.

Next, Mr. Bass discussed the recommendation to employ a construction manager for renovation at the Everitt Laboratory at Urbana. He provided some information about the firm, the anticipated cost, and the procurement process.

Mr. Bass then discussed the recommendation to approve the lease for the offices of Grants and Contracts, Government Costing, and Sponsored Programs at 1901 South First Street, Champaign. He commented on the proposed space and term of the lease.

Lastly, Mr. Bass provided information on the recommendation to increase the project budget for the first floor renovation and fire protection modernization at the Library of the Health Sciences at Chicago. He explained that infrastructure items identified as being essential to the successful completion of this project require an increase in the budget. Mr. Bass said that the budget established for the original project was below the threshold requiring Board approval, but that the increased scope and budget now requires approval by the Board.



### Purchase Recommendation

Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president, Office of Business and Finance, to report on purchase recommendations. Dr.

Haberaecker commented on the recommended purchase of online learning support services for biomedical and health information services in the College of Applied Health Sciences at Chicago. She discussed the services this would provide and also shared information about the competitive bidding process. Some discussion followed regarding the online graduate and undergraduate programs in the department of biomedical and health information sciences.

### Derivatives Use Policy

At 2:36 p.m., Mr. McMillan asked Mr. Bass to report on proposed changes to the derivatives use policy. Mr. Bass discussed the proposed revisions to the policy and the rationale for each. Mr. Plankenhorn provided additional information regarding exposure to counterparty risk. Mr. Knorr also commented on the proposed revisions to the policy.

### Agreements with Prairieland Energy, Inc.

Next, Mr. McMillan asked Mr. Bass to provide information regarding proposed agreements with Prairieland Energy, Inc. Mr. Bass stated that these agreements are related to a governance change that will respond to internal audit findings. He provided

additional information about the proposed governance structure and the related agreements.

#### Summary of Internal Audit Activity - Quarter Ended September 30, 2014

At 2:33 p.m., Mr. McMillan asked Ms. Julie A. Zemaitis, executive director of University audits, to provide a summary of internal audit activity for the quarter ended September 30, 2014 (materials on file with the clerk). Ms. Zemaitis presented the audit plan completion status and said that considering the status of both planned audits and projects added to date, audits are on track for the year. She then discussed audit report findings by high and moderate risk or priority, and she showed the implementation of audit recommendations, noting that this is the lowest number of new recommendations in the first quarter since Fiscal Year 2012. Next, Ms. Zemaitis presented the risk and priority rating of open audit recommendations and the aging of outstanding recommendations by management's original implementation date. She stated that a number of older recommendations have been addressed or will be in the near future. Ms. Zemaitis also presented aging audit recommendations with management's original implementation dates of Fiscal Year 2014 and prior. Ms. Zemaitis concluded the presentation and commented briefly on a management satisfaction survey, stating that she will provide an update on this with her next presentation to the committee.

Federal and State Legislative and Budget Updates and Investment in  
Illinois Emerging Technologies Fund (IETF) III

At 2:38 p.m., Mr. McMillan asked Mr. Knorr to provide federal and State legislative and budget updates and to comment on investment in the Illinois Emerging Technologies Fund (IETF) III. Mr. Knorr reported on the current unpaid State appropriation in the amount of \$304.0 million and said that the State is attempting to make payments according to the same schedule followed the previous year. He discussed the hospital's credit rating and concerns related to the Medicaid reimbursement rate. Mr. Knorr then referred to a November 19, 2014, meeting of the legislative audit commission, and he commented on pension legislation.

Mr. Knorr also disclosed that an investment in Illinois VENTURES, LLC, is being contemplated. He provided information about the investment and said that the University of Illinois Foundation would be the lead investor. Mr. Knorr also informed the committee of Wall Street reform laws related to disclosure requirements, and he discussed the impact of this on the University.

MOTION FOR EXECUTIVE SESSION

At 2:43 p.m., Mr. McMillan stated that a motion was in order to convene an executive session to consider the discussion of minutes of meetings lawfully closed under the Open Meetings Act and internal control weaknesses. On motion of Mr. Montgomery, seconded by Dr. Koritz, this motion was approved. There were no "nay" votes.



## EXECUTIVE SESSION

Mr. McMillan convened this executive session at 2:47 p.m. All committee members were present. Also present were President Robert A. Easter; Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; Mr. Thomas R. Bearrows, University counsel; Dr. Susan M. Kies, secretary of the Board of Trustees and of the University; and Ms. Julie A. Zemaitis, executive director of University audits.

### **Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act**

Dr. Kies stated that the Open Meetings Act requires that minutes from business conducted under exceptions specified in the act must, at least every six months, be reviewed to determine whether the need for confidentiality still exists with respect to each item considered under such exception. She reported that she and Mr. Bearrows reviewed all sequestered items and recommend that one matter discussed in executive session during the meeting on May 5, 2014, be made available to the public, and that all other matters continue to be sequestered. There were no questions or comments regarding this recommendation.

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EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 3:05 p.m.

AGENDA

At 3:06 p.m., the open session resumed. Mr. McMillan stated that there was one agenda item requiring action by the committee, and he asked Dr. Kies to read aloud the title of

the item, "Disclose Certain Minutes of Executive Sessions Pursuant to the Open Meetings Act." The committee agreed that one roll call vote would be taken and considered the vote on the agenda item as listed below.

Disclose Certain Minutes of Executive Sessions  
Pursuant to Open Meetings Act

(1) Under the Open Meetings Act passed by the General Assembly, public bodies subject to the Act that conduct business under exceptions specified in the Act must, at least every six months, determine whether the need for confidentiality still exists with respect to each item considered under such exception.

An item from May 2012 through May 2014 that has been heretofore unreleased is recommended for release at this time.

The University Counsel and the Secretary of the Board, having consulted with appropriate University officers, recommends that the following matter considered in executive session for the time period above be made available to the public at this time.

The committee action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.



**Executive Session Minutes Released to Public****May 5, 2014, Audit, Budget, Finance, and Facilities Committee**

Mr. McMillan convened this executive session at 2:05 p.m. All committee members were present. Also present were Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary of the Board of Trustees and of the University.

**Discussion of Minutes of Meetings Lawfully  
Closed Under the Open Meetings Act**

Dr. Kies stated that the Open Meetings Act requires that minutes from business conducted under exceptions specified in the Act must, at least every six months, be reviewed to determine whether the need for confidentiality still exists with respect to each item considered under such exception. She reported that she and Mr. Bearrows reviewed all sequestered items considered in executive session during meetings of the Audit, Budget, Finance, and Facilities Committee from May 2012 through January 2014, and recommend that one matter from the November 4, 2013, meeting be made available to the public. Dr. Kies said this portion concerns the discussion of the release of minutes, and they recommend that all other matters continue to be sequestered. Brief discussion regarding the release of sequestered minutes followed.

On motion of Ms. Strobel, seconded by Mr. Montgomery, this recommendation was approved by the following vote: Aye, Dr. Koritz, Mr. McKeever, Mr. McMillan, Mr. Montgomery, Ms. Strobel; No, none.

# NEW BUSINESS

Mr. McMillan announced that the next meeting is scheduled for Monday, January 5, 2015, at 1:00 p.m.

# MEETING ADJOURNED

On motion of Ms. Strobel, seconded by Mr. Montgomery, the meeting adjourned at 3:05 p.m. There were no "nay" votes.

Respectfully submitted,



SUSAN M. KIES  
*Clerk*



EDWARD L. McMILLAN  
*Chair*



EILEEN B. CABLE  
*Assistant Clerk*