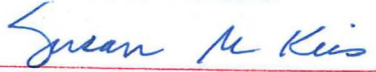


APPROVED BY THE
COMMITTEE

MAR 02 2015


SECRETARY OF THE BOARD

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

JANUARY 5, 2015

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, January 5, 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. Edward L. McMillan; Mr. James D. Montgomery; Ms. Pamela B. Strobel. Mr. Lester H. McKeever, Jr., treasurer, was absent.

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

comptroller (and vice 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 November 3, 2014. On motion of Mr. Montgomery, seconded by Dr. Koritz, 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 15, 2015

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 January 15, 2015. All proposed agenda items discussed at the meeting are on file with the clerk.

Tuition, Fees, and Room & Board Academic Year 2015-16

Mr. McMillan asked Dr. Pierre to provide a presentation on tuition rates, fees, and room and board rates for Academic Year 2015-16 (materials on file with the clerk). Dr. Pierre stated that the recommended tuition rates, fees, and room and board rates represents a consultative process with trustees, administrators, student groups, and others at the University. He reviewed the process for setting student fees and presented the proposed student fees for each campus, which reflect an increase of 1.1 percent at Urbana, 1.0

percent at Chicago, and 2.3 percent at Springfield, compared to the previous year. Dr. Pierre noted that most of these increases are based on inflation. He then presented the proposed room and board rates for undergraduate housing at each campus, which he said is also based mainly on inflation, and showed a 1.5 percent increase at Urbana, 2.0 percent increase at Chicago, and a 0.5 percent increase at Springfield, compared to the previous year. Dr. Pierre then reviewed the Board of Trustees tuition policy and discussed key considerations in setting the tuition rate for Academic Year 2015-16. He stated that the recommendation reflects no increase in the base tuition rate for new Illinois resident undergraduate students for Academic Year 2015-16, with inflation-related increases for non-Illinois undergraduate students and graduate and professional programs. He said a modest increase is being recommended in differential tuition in five undergraduate programs at Chicago. Dr. Pierre then showed the combined proposed guaranteed tuition, fees, and room and board rates for new undergraduate students that are residents of Illinois for Academic Year 2015-16.

Mr. Montgomery, Ms. Strobel, and Dr. Koritz stated that they were pleased that the proposed tuition rates did not reflect an increase for Academic Year 2015-16 and discussed the importance of communicating this to residents of Illinois, noting that the four-year tuition guarantee should also be emphasized. President Easter commented that he is happy to bring forward a recommendation for tuition rates without an increase, and discussion followed regarding mechanisms for communicating this with prospective students.

Prairieland Energy, Inc., Bylaws, Directors, and Officers

Mr. McMillan then asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to report on proposed bylaws, directors, and officers for Prairieland Energy, Inc. (materials on file with the clerk). Mr. Bass provided information regarding Prairieland Energy, Inc., which he said is a University Related Organization, and described its history. He stated that the Board of Trustees is the sole member for Prairieland Energy, Inc., and is responsible for establishing corporate bylaws and appointing an appropriate board of directors and senior officers, and he said that a comprehensive review of energy-related governance concluded that a restructuring of this governance is required. Mr. Bass reported that the amended and restated bylaws change the composition of the board of directors, and he reviewed the recommendation to nominate certain individuals to serve as chair and directors. Committee members briefly discussed the recommendation, and Ms. Strobel provided information regarding the background of one of the individuals being nominated.

Capital and Real Estate

Mr. McMillan then asked Mr. Bass to provide background information on recommended capital and real estate items appearing on the Board's agenda at its January 15, 2015, meeting. Mr. Bass first commented on the proposed master plan for Allerton Park and Retreat Center at Urbana and introduced Mr. Clif Carey and Mr. Matthew Edmonson

from Ratio Architects to provide a presentation (materials on file with the clerk). Mr. Carey and Mr. Edmonson discussed the location of Allerton Park and reviewed its history and basis of the master plan. They then described the process for creating the proposed master plan and discussed core areas throughout the park. Mr. Carey and Mr. Edmonson also presented components of the three-phase plan and areas of focus.

Mr. McMillan reminded committee members that this agenda item requires no new funding and that the recommendation pertains to only the master plan. Mr. Bass agreed. Discussion followed regarding the utilization of Allerton Park and Retreat Center and whether it is financially self-sustaining. Committee members also discussed the farmland that was gifted to the University to help support the park. President Easter reported that the current management team of the park and retreat center has helped reduce costs to the University and said that the vision presented today in the master plan may help increase revenue. Several committee members expressed interest in visiting the facility and agreed that it is an asset to the University.

Project for Pool Infill Renovation, Freer Hall, Urbana

Next, Mr. Bass provided information regarding the proposed project for pool infill renovation at Freer Hall, Urbana. He discussed components of the project and the source of funding.

Project for School of Molecular and Cellular Biology Center of
Undergraduate Advising and Instruction, Burrill Hall, Urbana

Mr. Bass then commented on the proposed project for the School of Molecular and Cellular Biology Center for Undergraduate Advising and Instruction at Burrill Hall, Urbana. He provided details regarding the scope of the \$5.76 million project and discussed the benefits of the proposed project's completion.

Project for Renovation and Expansion,
Civil Engineering Hydrosystems Laboratory, Urbana

Next, Mr. Bass provided information regarding the proposed project to renovate and expand civil and environmental engineering space in the Civil Engineering Hydrosystems Laboratory and Newmark Civil Engineering Laboratory at Urbana, to improve laboratory space for students and address a long-deferred maintenance condition that is not in compliance with the Americans with Disabilities Act. He described aspects of the approximately \$12.0 million project and reported on the source of funding. Discussion followed regarding the provost's Facilities Matching Fund Program and how this pool of funds is allocated and budgeted.

Project for Classroom Renovation, Turner Hall, Urbana

Mr. Bass then discussed the recommendation to approve the project for classroom renovation in Turner Hall, Urbana. He described the scope and schedule for the project, which he said has a budget of \$15.0 million.

Project for West Classroom Renovation, Noyes Laboratory, Urbana

Next, Mr. Bass reported on the proposed project to renovate the west classrooms in the Noyes Laboratory, Urbana. He stated that the Academic Facilities Maintenance Fund Assessment and the institutional funds operating budget will be used for funding, and he described the scope and schedule for the project.

Lease for Osher Lifelong Learning Institute, Urbana

Mr. Bass then provided information regarding the recommendation to lease office and classroom space for the Osher Lifelong Learning Institute, Urbana. He reported on the location and cost. Committee members asked for additional information regarding the Osher Lifelong Learning Institute, and Mr. Bass and Dr. Wise provided this.

Project Budget for Parking Access and Revenue Controls System Upgrade, Chicago

Lastly, Mr. Bass reported on the recommendation to increase the budget for the parking access and revenue controls system upgrade project at Chicago. He described the scope

of the project and the additional equipment requirements that have been identified, resulting in an increased project cost.

Purchase Recommendations

Mr. McMillan asked Dr. Heather J. Haberaecker, executive assistant vice president, Office of Business and Finance, to report on purchase and renewal option recommendations. Dr. Haberaecker provided information on renewal options for the purchase of HP network equipment for Campus Information Technologies and Educational Services (CITES) at Urbana, and she noted that this vendor is MAFBE certified. She then reported on a renewal option for the purchase of maintenance and repair work at the Utilities Production Plants at Urbana and explained that this recommendation includes a primary and secondary vendor. There were no comments or questions regarding the recommended renewal options.

Legislative, Audit, Budget, and Financial Updates

At 1:58 p.m., Mr. McMillan asked Mr. Knorr to provide legislative, audit, budget, and financial updates. Mr. Knorr stated that the current receivable from the State is \$342.0 million and told the committee this is consistent with the previous year. He discussed current financial challenges facing the University. Mr. Knorr then reported on the sale of certificates of participation, which he said resulted in an 8 percent savings, and he referred to financing of auxiliary facilities system revenue bonds. He reported on the meeting of the legislative audit commission and discussed pension reform, potential budget cuts, the veto session, and the

potential impact on the University of a reduction in State income tax. Mr. Knorr also referred to the federal omnibus bill, and he told the committee that the State should issue the University's Fiscal Year 2014 audit in the coming weeks.

Discussion followed regarding the loss of State income tax and the uncertainty that is facing the University, and Mr. Knorr said a recision is possible.

COMMENTS FROM THE CHAIR

Mr. McMillan thanked President Easter and President-elect Killeen for attending the meeting and asked if they would like to comment. President-elect Killeen stated that he is pleased with the tuition rate recommendation and agreed with committee members that a communications strategy is important.

Mr. McMillan recognized Ms. Strobel, who will be leaving the Board of Trustees in January, and thanked her for her contributions to the committee and the Board. Mr. Montgomery expressed appreciation for Ms. Strobel's integrity, wisdom, and experience, and Dr. Koritz thanked Ms. Strobel for her many contributions as a trustee. President Easter agreed and said Ms. Strobel has been a valuable member of the Board. Ms. Strobel thanked everyone for their comments and said she feels the University is in good hands.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. McMillan announced that the next meeting is scheduled for Monday, March 2, 2015,
at 1:00 p.m.

MEETING ADJOURNED

On motion of Mr. Montgomery, seconded by Dr. Koritz, the meeting adjourned at 2:11
p.m. There were no "nay" votes.

Respectfully submitted,



SUSAN M. KIES
Clerk



EDWARD L. MCMILLAN
Chair



EILEEN B. CABLE
Assistant Clerk