

APPROVED BY THE
COMMITTEE

JUL 11 2016



SECRETARY OF THE BOARD

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

MAY 9, 2016

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, May 9, 2016, at 1:00 p.m., in Room 270, College of Pharmacy, 833 South Wood Street, Chicago campus, Chicago, Illinois. Attendance via videoconference was available in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana campus, Urbana, Illinois; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield campus, Springfield, Illinois.

Trustee Ramón Cepeda, chair of the committee, convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Ramón Cepeda; Mr. Lester H. McKeever Jr., treasurer; Mr. Edward L. McMillan. The following student trustees were present: Mr. Jaylin D. McClinton,¹ Urbana campus; Mr. Jauwan Hall,² Chicago campus; and Mr. Dominique Wilson, voting student trustee from the Springfield campus. Mr. James D. Montgomery was absent. President Timothy L. Killeen was present.

¹ Mr. McClinton arrived at 1:13 p.m.

² Mr. Hall arrived at 1:28 p.m.

Also in attendance were: Dr. Barbara Wilson, interim chancellor, Urbana campus, and interim vice president, University of Illinois; Dr. Christophe Pierre, vice president for academic affairs; Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Dr. Lawrence B. Schook, vice president for research; Mr. Thomas R. Bearrows, University counsel; Dr. Susan M. Kies, secretary of the Board of Trustees and of the University; and Ms. Dedra M. Williams, secretary-designate 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. Cepeda welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting held March 7, 2016. On motion of Mr. McMillan, seconded by Mr. Wilson, 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 MAY 19, 2016**

Mr. Cepeda 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 May 19, 2016. All proposed agenda items discussed at the meeting are on file with the clerk.

Capital and Real Estate Items

Mr. Cepeda asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to discuss recommended capital and real estate items. Mr. Bass gave some

background information on the project for the Design Center at Urbana and introduced Mr. Allen Kachel, senior associate with the firm of Bohlin Cywinski Jackson, to give a design presentation (materials on file with the clerk). Mr. Kachel discussed the purpose of the Design Center and gave an overview of the project, noting that the firm is aiming for LEED Silver certification for the building. He discussed the proposed location of the building and its fit within the campus master plan, and he described the site constraints. Mr. Kachel reviewed landscape elements and showed plans and proposed use for each level of the building. He then presented various elevations and renderings of interior images of the building. Mr. Bass thanked him for the presentation.

Next, Mr. Bass provided information on the recommendation to approve a construction contract for the Façade Repair Project, University Hall, Chicago. He stated that the project was approved by the Board in July 2015, and he described the work to be completed. Mr. Bass reviewed Minority and Female Business Enterprise (MAFBE) participation rates and said the contract totals \$19,350,000. Mr. McKeever commended Mr. Bass on the improvement in MAFBE participation rates.

Mr. Bass then reported on the recommendation to name the brick paved outdoor space between Engineering Hall and Everitt Laboratory at Urbana, as Graziano Plaza, in memory and honor of Mr. Anthony Graziano, former and longtime associate dean of the College of Engineering, Urbana.

Next, Mr. Bass discussed the recommendation to rename the Irwin Center for Doctoral Study in Business to the Richard D. and Anne Marie Irwin Doctoral Study Hall. Mr. Bass indicated that this would reflect the intention of the conditions of the

donor agreement and would correct a previous error that excluded the interior space from the naming of the building.

Lastly, Mr. Bass provided information on the recommendation to approve the lease of space for biomedical and translational research at Urbana on the third floor of the Mills Breast Cancer Institute building at 509 West University Avenue, Urbana. Mr. Bass stated that the lease for a portion of this space was approved by the Board in 2011 for a five-year term and explained that this new proposed lease would give the University the exclusive right to expand. He reviewed details of the lease term and components of the lease, including current and potential future cost of rent. He stated that the space will be used to continue research activities that have occurred there over the past five years and said that the space may be expanded at a later date to accommodate biomedical and translational research in connection with the Carle Illinois College of Medicine at Urbana.

Energy Cost Management Policy

Next, Mr. Cepeda asked Mr. Bass to discuss the recommendation to amend the energy cost management policy. Mr. Bass told the committee that the energy cost management policy was approved by the Board in March 2009 and amended in December 2011 and September 2014 and that it provides a risk management strategy for minimizing the price risk associated with procuring energy commodities to facilitate reliable budget planning. He said that based upon the recommendations of the third-party market advisor, it is recommended that the current procurement timeframe in the policy be expanded from 36

rolling months to 10 years to take advantage of favorable pricing. Mr. Bass stated that the other proposed amendment would reduce the meeting frequency of the energy cost management committee, and he explained that quarterly meetings are no longer necessary given the annual planning cycle and the existing management of the operations. He then described the role and structure of Prairieland Energy, Inc., a University-Related Organization that is governed by a board of directors with campus representation that procures energy commodities and related energy services from the market with the assistance of a third party market advisor. Brief discussion followed regarding the proposed change in the procurement timeframe.

Purchase Recommendations

Mr. Cepeda then asked Mr. Richard D. Elmore, assistant vice president for procurement services, to report on purchase recommendations. Mr. Elmore provided information on the recommendation to provide Public Broadcasting Service (PBS) television programming to Illinois Public Media at Urbana, and he said that this is a sole-source purchase because PBS is the only vendor who can provide the specific television broadcasting rights to WILL at Illinois Public Media. He gave additional information about the purchase and responded to questions regarding promotion of the University, cost of the purchase, and source of funds.

Next, Mr. Elmore commented on the recommended purchase of spinal surgery supplies, including cervical plates, cages, screws, and other ancillary items, for the University of Illinois Hospital and Health Sciences System. He explained this is a

sole-source purchase because the items are patented and the vendor is the only manufacturer. He reported on the anticipated cost of this purchase, which he said reflects the expected increase in patient census, and he described the advantages of using these products.

Mr. Elmore then reported on the recommended purchase of da Vinci surgical robotics instruments and disposables for utilizing the da Vinci robots at the University of Illinois Hospital and Health Sciences System, and he stated that this is a sole-source purchase because the robotic instruments and disposables are patented and are compatible with existing robotic equipment from the same manufacturer.

Next, Mr. Elmore provided information on the recommended purchase of commercial credit card service for the University of Illinois and said that this is related to Purchasing Cards (P-Cards), Travel Cards (T-Cards), and single-use cards. He discussed the use and management of University credit cards. Mr. McMillan mentioned previous concerns regarding the use of University credit cards, and Mr. Elmore referred to the required training for those who utilize these credit cards. Mr. Elmore also told the committee that JP Morgan Chase is the current provider of commercial credit card services.

Mr. Elmore then relayed information regarding the recommended renewal option for the purchase of reagents for DNA analyzer systems for the Roy J. Carver Biotechnology Center at Urbana. He stated that these supplies are needed for use with the Roy J. Carver Biotechnology Center's six Illumina DNA sequencing instruments and that these will be used by multidisciplinary researchers in various campus departments.

He reported that this is a sole-source purchase because the items are patented, uniquely compatible with existing equipment, and the vendor is the only manufacturer and distributor. He told the committee that negotiations resulted in a 5 to 10 percent discount on this renewal.

Next, Mr. Elmore discussed the recommended renewal option for the purchase of temporary personnel services at the Chicago campus and the University of Illinois Hospital and Health Sciences System. He stated that three vendors were selected using competitive selection procedures to provide temporary staff in a variety of areas, and he noted that one of the primary vendors, Premier Staffing Source, is a certified Minority and Female Business Enterprise (MAFBE) firm, owned by an African American female.

Lastly, Mr. Elmore provided information on the recommended renewal for the purchase of human organs, including tissue and histocompatibility testing for accredited transplant programs on an as-needed basis for the University of Illinois Hospital and Health Sciences System. He indicated this is a sole-source purchase because Gift of Hope Organ and Tissue Donor Network, Inc., is the only organ and tissue transplantation program for the region appointed by the U.S. Department of Health and Human Services and is the only certified, federally-qualified organ procurement organization in the area. Dr. Robert A. Barish, vice chancellor for health affairs at Chicago, referred to an expected increase in transplant services and procedures.

Mr. Cepeda then asked Mr. Knorr to discuss the recommendation to approve the preliminary operating budget for Fiscal Year 2017. Mr. Knorr explained that the actions of the State, including a determination of the State appropriation, will conclude after the last Board meeting of this fiscal year. He said this is a continuation of the budget from Fiscal Year 2015, since there has not been an approved budget for Fiscal Year 2016, and he explained that this will enable the University to continue to pay its bills. Mr. Knorr said that this process of approving a preliminary operating budget has been used for many years and fulfills a statutory requirement.

Agreement between Champaign-Urbana Mass Transit District
and the Board of Trustees of the University of Illinois

Mr. Cepeda asked Dr. C. Renée Romano, vice chancellor for student affairs, Urbana, to provide information on the recommendation to approve the agreement between the Champaign-Urbana Mass Transit District and the Board. Dr. Romano explained that this agreement allows students, faculty, and staff at Urbana to use the Champaign-Urbana Mass Transit District buses upon presentation of a University identification card. She also reviewed the sources of funding for this service.

Line of Credit Agreement between the University of Illinois
and UI Singapore Research LLC (A University-Related Organization)

Mr. Cepeda then asked Mr. Knorr to discuss the recommendation to approve a line of credit agreement between the University of Illinois and UI Singapore Research, LLC. Mr. Knorr

gave some background information on UI Singapore Research, LLC, and explained that the slow processing of grant payments and reimbursements by the Singapore sponsors has led to a need for working capital. He said that this agenda item recommends approval of a \$2.0 million line of credit from the Urbana campus, noting that no State appropriated dollars would be used. Mr. Knorr told the committee that Mr. Montgomery is aware of this recommendation. Brief discussion followed regarding the time lag of the grant payments and reimbursements to UI Singapore Research, LLC, and the payment of interest on the line of credit.

Fiscal Year 2015 State and Federal Compliance Audit Summary Report

Next, Mr. Cepeda asked Ms. Ginger Velazquez, executive director of business and finance, to give a State and federal compliance audit summary report (materials on file with the clerk). Ms. Velazquez told the committee that the Illinois Office of the Auditor General contracts with an independent firm to conduct annual audits of the University, and she listed the audits that are conducted. She reported on the federal audit and said that the University received an unmodified opinion for all programs, and she reviewed the federal findings. Ms. Velazquez then discussed State compliance findings, which she said the University is committed to resolving. There were no comments or questions regarding her report.

Summary of Internal Audit Activity, Quarter Ended March 31, 2016

Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to give a summary of internal audit activity for the quarter ended March 31, 2016 (materials on file

with the clerk). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2016 and noted the increase in unplanned special projects. She showed audit report findings from January 1, 2016, through March 31, 2016, and she discussed the increase in the number of recommendations. Ms. Zemaitis then presented the implementation of audit recommendations through the third quarter of Fiscal Year 2016, the aging of outstanding recommendations by management's original implementation date, and the number of recommendations with management's original implementation dates of 2015 and prior. She provided additional information on high risk audit recommendations with management's original implementation dates of Fiscal Year 2014 and prior, and Mr. McMillan commended Ms. Zemaitis, her staff, and all involved for making progress in the implementation of these audit recommendations.

Discuss Recommendation to Disclose Certain Minutes of Executive Sessions Pursuant to Open Meetings Act

Next, Mr. Cepeda asked Ms. Williams to discuss the recommendation to disclose certain minutes of executive sessions pursuant to the Open Meetings Act. Ms. Williams stated that this pertains to the Open Meetings Act requirement that sequestered minutes be reviewed every six months to determine if the need for confidentiality still exists, and she said that this recommendation will be discussed in executive session later in the meeting.

Legislative Update

Mr. Cepeda then asked Ms. Lindsay K. Anderson, director for governmental relations, to give a legislative update. Ms. Anderson discussed the State budget issue and the stop gap measure that was passed to provide some funding to the University. She stated that advocacy efforts on behalf of the University and higher education are ongoing.

Budget and Financial Updates

Next, Mr. Cepeda asked Mr. Knorr to give a budget and financial update. Mr. Knorr referred to the sale of bonds for the student union at Springfield and said that the University was able to obtain a 3.5 percent rate. He stated that Senate Bill 2059 made it possible for the University to receive some of its State appropriation, and he also gave an update on Monetary Award Program (MAP) funds. Mr. Knorr stated that State payments are slow or nonexistent for health care, State grants, and Medicaid, and he referred to an upcoming meeting with the Illinois Office of the Auditor General regarding the Fiscal Year 2016 audit. Mr. Knorr, Mr. McMillan, and Mr. McKeever discussed funding for the University and the State receivable.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, July 11, 2016, at 1:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 2:06 p.m., Mr. Cepeda 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 discussion of internal control matters between internal audit and the committee. On motion of Mr. McKeever, seconded by Mr. Cepeda, this motion was approved. There were no “nay” votes.

EXECUTIVE SESSION

Mr. Cepeda convened this executive session at 2:07 p.m. All committee members, with the exception of Mr. Montgomery, were present. Also present were Ms. Julie A. Zemaitis, executive director of University audits; Mr. Thomas R. Bearrows, University counsel; Dr. Susan M. Kies, secretary of the Board of Trustees and of the University; and Ms. Dedra M. Williams, secretary-designate of the Board of Trustees and the University.

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

Ms. Williams 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. Ms. Williams reported that she and Mr. Bearrows reviewed all sequestered items considered in executive session during meetings of the Audit, Budget, Finance, and Facilities Committee and recommend that one matter

discussed in executive session during the November 2, 2015, meeting be made available to the public. She said this portion concerns the discussion of minutes lawfully closed under the Open Meetings Act, and she and Mr. Bearrows recommend that all other matters continue to be sequestered.

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 2:20 p.m.

AGENDA

At 2:21 p.m., the open session resumed. Mr. Cepeda stated that there was one agenda item requiring action by the committee, and Ms. Williams 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 November 2015 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

November 2, 2015, Audit, Budget, Finance, and Facilities Committee

Mr. McMillan convened this executive session at 1:35 p.m. All committee members were present. Also present were President Timothy L. Killeen; 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 April 27, 2015, be made available to the public, and that all other matters continue to be sequestered. There were no questions or comments regarding this recommendation.

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

(The student advisory vote was: Aye, Mr. McClinton, Mr. Hall; No, none.)

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Mr. Cepeda, the meeting adjourned at 2:22 p.m. There were no “nay” votes.

Respectfully submitted,



SUSAN M. KIES
Clerk



RAMÓN CEPEDA
Chair



EILEEN B. CABLE
Assistant Clerk