

JAN 09 2017

*Dedra M. Williams*  
SECRETARY OF THE BOARD

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE  
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS  
OCTOBER 31, 2016

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, October 31, 2016, at 1:00 p.m., in Room 270, College of Pharmacy, 833 South Wood Street, Chicago, Illinois. Attendance via videoconference was available in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana, Illinois; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, 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; Mr. James D. Montgomery. The following student trustees were present: Mr. Collin T. Schumock, voting student trustee, Urbana, and Mr. Nathan C. Hoffman, Springfield. President Timothy L. Killeen was present.

Also in attendance were: Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University; Mr. Thomas P. Hardy, executive director for University relations; and Dr. Barbara J. Wilson,

executive vice president and vice president for academic affairs-designate. 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 August 29, 2016. On motion of Mr. McKeever, 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 10, 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 November 10, 2016. All proposed agenda items discussed at the meeting are on file with the clerk.

Fiscal Year 2018 Budget Request

Mr. Cepeda asked Dr. Wilson to present the Fiscal Year 2018 budget request for operating and capital funds (materials on file with the clerk). Dr. Wilson referred to a simplified process and indicated that this request will be the same as the one submitted for Fiscal Year 2015. She told the committee that this foundational level of funding will allow the University to proceed with its goals and priorities, and she noted that this request includes \$25.0 million for Medicaid support of the University of Illinois Hospital and Health Sciences System. She reviewed the capital priorities budget request and said

that this list represents the highest priorities throughout the University and has been vetted at various levels. Mr. Knorr mentioned the useful information contained in the “Green Book,” which contains the University’s Fiscal Year 2018 budget request for operating and capital funds, and suggested that trustees may wish to review it.

### 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 discussed the recommendation to increase the project budget and employ a construction manager for the Modular Design Building in the College of Engineering at Chicago. Mr. Bass provided Minority and Female Business Enterprise (MAFBE) participation rates and described the scope of the work, stating that the space will be designed to maximize flexibility. He told the committee that the project will be designed to meet LEED Silver specifications at a minimum, with LEED Gold as an aspirational goal.

Next, Mr. Bass commented on the recommendation to increase the project budget and amend the professional services consultant contract for the renovation and addition at the dining facility at the Illinois Street Residence Hall, Urbana. Mr. Bass reported on the original budget and the proposed increase, and he said it is being recommended that Booth Hansen of Chicago, Illinois, continue to be employed and their contract amended for the professional services required for the schematic design, design development, construction documents, bidding, and construction administration phases of

the project. Mr. Bass reported on MAFBE participation rates and said the project should be complete in the spring of 2020.

Mr. Bass then discussed the recommendation to employ a construction manager for the renovation and addition of the Mechanical Engineering Building at Urbana. He reviewed the history and scope of the project and said it is being recommended that Gilbane Building Company of Chicago, Illinois, be employed for the construction management services required for the project. He discussed the firm's fee and MAFBE participation rates.

Mr. Montgomery inquired about the distinction between the reported MAFBE participation rates and female participation rates. Mr. Bass provided additional information about this and gave additional details about the demographics within the MAFBE participation rates. Mr. Bass said he would also provide additional information at a later date about whether there was participation of African American firms.

#### 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 purchase administrative and management services for the student health benefit program, CampusCare, and the managed care Blue Cross and Blue Shield Health Maintenance Organization at Chicago from Innovista, LLC. He outlined the services provided and said that negotiations resulted in an 18 percent reduction in cost. He told the committee that emergency procurement procedures were followed in

accordance with the Illinois Procurement Code, and that a request for proposal (RFP) will be issued to identify a longer-term contract management firm. Mr. Montgomery inquired about MAFBE participation rates, and Mr. Elmore explained that the RFP will require a participation rate of at least 20 percent.

Mr. Elmore then discussed the recommended renewal option for purchase of refuse transfer stations and disposal site services for regular refuse dumping at Chicago. He stated that this is the first of three renewals and that the vendor has demonstrated greater than satisfactory performance in the past.

#### Resolution Concerning University of Illinois Commitment to Supplier Diversity

Mr. Cepeda announced that this item was pulled from the agenda after the agenda was posted, and he indicated it will be discussed at a later date.

#### Fiscal Year 2017 Services and Management Agreement for the University of Illinois Foundation

Mr. Cepeda then asked Mr. Bass to discuss the recommendation to approve the Fiscal Year 2017 services and management agreement for the University of Illinois Foundation. Mr. Bass outlined aspects of the agreement and said that, contingent upon the University funding provided within the Fiscal Year 2017 State budget, the University will provide direct support for the Foundation at an estimated total amount of \$7,392,700 for Fiscal Year 2017. He told the committee that this funding includes \$1,943,000 for the Foundation's Road Map investment in support of increased development and fundraising

plans. Mr. Montgomery inquired about the funding and increased resources for fundraising, and President Killeen commented on the role of the Foundation and the launch of a new campaign.

#### Minutes of Prairieland Energy, Inc., Meeting

Mr. Bass stated that these minutes reflect the meeting of Prairieland Energy, Inc., that was held on November 12, 2015, and explained that they are being submitted to the Board, as the sole member of Prairieland Energy, Inc., for approval.

#### Director, Prairieland Energy, Inc.

Next, Mr. Bass discussed the recommendation to appoint Ms. Helen Coleman, interim executive director of facilities and services at the University of Illinois at Urbana-Champaign, to serve as the director of Prairieland Energy, Inc. He reported that the Board of Trustees is the sole member of Prairieland and as such is responsible for appointing directors to the Prairieland board.

Mr. Montgomery asked why the “Resolution Concerning University of Illinois Commitment to Supplier Diversity” was removed from the agenda, and he expressed concern that the University’s attempts to increase participation rates of minorities have failed. Mr. Cepeda indicated that he needed additional information about the item and said that it will be on the agenda at the committee’s January meeting.

## Summary of Internal Audit Activity for the Quarter Ended September 30, 2016

Next, Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to give a summary of internal audit activity for the quarter ended September 30, 2016. Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2017 and said they are slightly behind their typical pace. She showed audit report findings by risk or priority and said that the majority of the findings were information technology related because those were the types of audits being conducted during this time period. She showed the implementation of audit recommendations for Fiscal Years 2015, 2016, and 2017, and told the committee that this is an area that has shown much improvement in recent years. Ms. Zemaitis then presented the aging of outstanding recommendations by management's original implementation date and explained that most recommendations are not yet due to be implemented. She presented aging of audit recommendations with management's original implementation dates of Fiscal Year 2016 and prior and provided details on high risk audit recommendations with management's original implementation dates of Fiscal Year 2015 and prior. Brief discussion followed regarding limited resources, and Ms. Zemaitis gave examples of ways in which she and her staff are maximizing efficiency and doing more with less. Mr. McKeever expressed concern regarding adequate staffing to perform this important function, and Mr. Cepeda echoed these comments.

## Legislative, Budget, and Financial Updates

Next, Mr. Cepeda asked Mr. Knorr to give a legislative, budget, and financial update. Mr. Knorr reported that \$150.0 million has been received from the State and said he is hopeful additional funding will be received soon. He advised trustees that \$21.0 million of the original allocation is being distributed to the hospital, and another \$25.0 million is being billed by the State for health insurance costs. He reported that Monetary Award Program (MAP) funding has been received. Mr. Knorr referred to outstanding health-care bills owed by the State, and he discussed the savings achieved through the certificates of participation refunding. He said that the University received a good report from Moody's when they affirmed the University's Aa3 rating, and he commented on the Standard and Poor's downgrading of the University's credit rating because of their rule regarding a state university's rating relative to the state in which it is located. He said the University is embarking on a debt capacity study and referred to some funding possibilities being investigated in order to fund some necessary projects at the hospital. He stated that the Illinois Board of Higher Education affirmed that they will process the Fiscal Year 2018 budget request and approve the foundational level of funding, and he reminded committee members that submitting the budget request is a statutory requirement. Brief discussion followed regarding reviews by credit agencies.

## 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, January 9, 2017, at 1:00 p.m.

## MOTION FOR EXECUTIVE SESSION

At 1:46 p.m., Mr. Cepeda requested a motion for an executive session to consider 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. McMillan, seconded by Mr. Montgomery, 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)**

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

Mr. Cepeda asked Mr. Bearrows to discuss the recommendation regarding the disclosure of minutes of executive sessions of the Audit, Budget, Finance, and Facilities Committee held between May 2012 and May 2016. Mr. Bearrows noted that the Open Meetings Act provides that each public body subject to it shall periodically review minutes of closed meetings and evaluate whether the need for confidentiality still exists. He and Ms. Williams have performed this review and recommend one item to be released from the minutes of the May 9, 2016, meeting. This portion concerns the discussion of minutes

lawfully closed under the Open Meetings Act, and Ms. Williams and Mr. Bearrows recommend that all other matters continue to be sequestered.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 2:05 p.m.


MEETING ADJOURNED

On motion of Mr. Montgomery, seconded by Mr. McKeever, the meeting adjourned at 2:05 p.m. There were no “nay” votes.

Respectfully submitted,

  
DEDRA M. WILLIAMS  
*Clerk*

  
RAMÓN CEPEDA  
*Chair*

  
EILEEN B. CABLE  
*Assistant Clerk*