

NOV 06 2017

Alecia 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
AUGUST 28, 2017

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, August 28, 2017, 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 James D. Montgomery, serving as chair *pro tem* of the committee, convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Donald J. Edwards;¹ Dr. Stuart C. King; Mr. Lester H. McKeever Jr., treasurer; Mr. James D. Montgomery. Mr. Ramón Cepeda, committee chair; Mr. Trayshawn M. W. Mitchell, student trustee, Urbana; and Mr. Edwin Robles, student trustee, Springfield, were absent. President Timothy L. Killeen was in attendance.

Also present were: Dr. Barbara J. Wilson, executive vice president and vice president for academic affairs; Dr. Robert J. Jones, chancellor, University of Illinois at

¹ Mr. Edwards arrived at 1:02 p.m.

Urbana-Champaign, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, University of Illinois at Springfield, and vice president, University of Illinois; Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; and Ms. Dedra M. Williams, 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. Montgomery welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting held July 10, 2017. 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 SEPTEMBER 7, 2017

Mr. Montgomery 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 September 7, 2017. All proposed agenda items discussed at the meeting are on file with the clerk.

Approve Academic and Administrative Appointments for Contract Year 2017-2018

Mr. Montgomery asked Dr. Wilson to report on the recommendation to approve academic and administrative appointments for contract year 2017-2018. Dr. Wilson said

that 78 percent of academic and administrative employees received a salary increase of 1 percent, and that these increases are reflected in this recommendation. She said that 22 percent did not receive an increase because those individuals were recently hired, had performance issues, or recently received promotions.

Capital and Real Estate Items

Mr. Montgomery asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to report on capital and real estate items. Mr. Bass first discussed the recommendation to increase the project budget and approve the design for renovation and addition of the Mechanical Engineering Building at Urbana. Mr. Bass then introduced Mr. Gene McDonald from Harley Ellis Devereaux to provide a design presentation for the building.

Mr. McDonald gave an overview of the project and its budget, described the history of the building, and showed the project statement. He discussed the scope of the work and showed the site plan and landscape plan, and he presented a series of renderings of the interior, elevations, and exterior façade, noting that the building may be used as both a learning and recruiting tool for the department. Mr. Bass then reported on the recommendation to increase the project budget and discussed the rationale for the proposed increase. He also reviewed the sources of funding for the project. There were no comments or questions about the proposed design or recommendation to increase the project budget.

Next, Mr. Bass introduced the recommendation to approve the design for renovation and expansion at the Civil Engineering Hydrosystems Laboratory at Urbana and asked Mr. Rodney Reid with Reifsteck Reid to make a design presentation. Mr. Reid showed the location of the building and its position within the campus master plan and showed plans for the landscape, basement, and first through third floors. Several views and elevations were presented, and Mr. Reid showed how revisions made to the initial plan for the exterior better match existing campus architecture. He also showed renderings of the interior.

Mr. Bass then discussed the recommendation to employ a professional services consultant for the renovation of the Carle Illinois College of Medicine in the Medical Sciences Building at Urbana. He briefly described the project and said it is being recommended that Cannon Design of Chicago, Illinois, be employed for the professional services required for the construction documents, bidding, and construction administration phases of the project. Mr. Bass also reported on Minority and Female Business Enterprise (MAFBE) participation rates and source of funds for the project.

Integrated Information Infrastructure (3i) Project Analysis

Next, Mr. Montgomery asked Dr. Avijit Ghosh, chief executive officer, UI Hospital, to present the 3i project analysis (materials on file with the clerk). Dr. Ghosh described the hospital's information technology infrastructure as outdated, inefficient, and inadequate and in need of substantial upgrade. He stated that integrated information technology platforms are essential for health-care organizations, and he described the benefits of a

single integrated system. Dr. Ghosh pointed to this joint effort by the hospital, physician group, and College of Medicine, and he described activities that took place throughout the past year to prepare. He reviewed the request for proposal evaluation process and gave a summary of the demonstration evaluation that led to the recommended procurement of Epic software. Dr. Ghosh listed the price of \$62,033,679 over seven years includes software licenses, remote hosting, and support, and described considerations supporting the purchase. Dr. Ghosh gave a summary of vendor pricing and timeline for the project, and reviewed the financial analysis for the project, reporting on cost and benefits. Mr. Michael B. Zenn, chief financial officer, University of Illinois Hospital, presented implementation costs, financial benefits, and project financial analysis, including a summary of the five-year capital plan and sources of capital funding. Dr. Ghosh reviewed the 3i project-specific five-year and capital funding plan and asked members of the committee if they had any comments or questions.

Mr. Edwards inquired about the estimated increase in net income and cautioned that these types of projects are often over budget. He remarked on the risks, particularly those associated with the projected increase in financial performance and revenue. Mr. Edwards, Dr. Ghosh, and Mr. Zenn discussed implementation costs, risks, and benefits of this purchase and its implementation. Dr. Ghosh stated that the comments are appreciated, and he told the committee that the risks are well understood.

Purchase Recommendations

Next, Mr. Montgomery asked Ms. Gloria Keeley, assistant vice president for administrative services, to report on purchase recommendations. Ms. Keeley first discussed the recommendation to purchase a maintenance and support agreement for three Solar-branded gas turbines installed at the West Steam Plant at Chicago. She said this is a sole-source purchase and complies with the Illinois Procurement Code.

Next, Ms. Keeley reported on the recommendation to purchase an enterprise solution for integrated clinical and financial electronic medical records system for UI Health from Epic Systems Corporation. She said this proposed purchase was subject to rigorous review and that great detail was paid to ensure compliance with the Illinois Procurement Code, and she said that negotiations resulted in a savings of about \$4.0 million.

Lastly, Ms. Keely provided information on the renewal option for the purchase of Medtronic patented medical products for the University of Illinois Hospital and Health Sciences System. She reviewed aspects of the renewal and said it is the last renewal option available.

Auxiliary Facilities System Revenue Bonds (Additional Projects), Series 2014A

Mr. Montgomery then asked Mr. Robert L. Plankenhorn, assistant vice president for treasury operations, to report on the recommendation to approve new projects to be financed by auxiliary facilities system revenue bonds, series 2014A. Mr. Plankenhorn

gave an overview of the various projects that have been financed by these bonds and said that the excess proceeds of the bonds resulting from reduced project costs must be used for an Auxiliary Facilities System purpose. He listed the projects that are being recommended that would be paid for by these excess proceeds, and there were no questions or comments about this recommendation.

The committee agreed that the items listed above would be forwarded to the Board for consideration.

Fourth Quarter and Annual Report for the Year Ended June 30, 2017

Next, Mr. Montgomery asked Ms. Julie A. Zemaitis, executive director of University audits, to present a fourth quarter and annual report for year ended June 30, 2017 (materials on file with the clerk). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2017 and said that the number of projects was lower than usual because of a staff position that remained open throughout the year. She showed direct audit hours by type of project and by area in Fiscal Year 2016 and Fiscal Year 2017, and she presented the Fiscal Year 2017 productivity rate and compared this to peer groups. Next, Ms. Zemaitis showed the implementation of audit recommendations for Fiscal Years 2015, 2016, and 2017. She presented the open audit recommendations by management's original expected implementation date and showed that the average number of days to implement audit recommendations has decreased. Mr. McKeever complimented Ms. Zemaitis and the staff in the Office of University Audits on their work.

Legislative, Budget, and Financial Updates

Mr. Montgomery then asked Mr. Knorr to provide legislative, budget, and financial updates. Mr. Knorr commented on the State appropriation billings and receipts and said that Monetary Award Program funding increased for Fiscal Year 2018. He remarked on cash flow and discussed aspects of the procurement reform legislation that was recently signed by the governor. Mr. Knorr stated that the University's credit rating had been reaffirmed as an A- and described an issue with the reporting of funding for Fiscal Year 2017 that was received in Fiscal Year 2018. He noted the high costs for pensions and payments on behalf and referred to the creation of a pension task force.

Mr. Knorr then commented on his upcoming retirement. He said it has been a challenging 10 years and was an honor and privilege to serve the University. Mr. Montgomery thanked Mr. Knorr and said he truly appreciates his service. This was followed by a round of applause.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Montgomery announced that the next meeting of this committee is scheduled for Monday, November 6, 2017, at a time to be determined.²

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Mr. King, the meeting adjourned at 3:00 p.m.

There were no "nay" votes.

Respectfully submitted,


DEDRA M. WILLIAMS
Clerk


JAMES D. MONTGOMERY
Chair pro tem


EILEEN B. CABLE
Assistant Clerk

² The November 6, 2017, meeting of the Audit, Budget, Finance, and Facilities Committee will be held at 3:00 p.m.