

AUG 28 2017

  
SECRETARY OF THE BOARD

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

JULY 10, 2017

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, July 10, 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 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. Donald J. Edwards;<sup>1</sup> Mr. Lester H. McKeever Jr., treasurer; Mr. James D. Montgomery. 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 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.

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<sup>1</sup> Mr. Edwards arrived at 1:02 p.m.

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. Cepeda welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting held May 1, 2017. On motion of Mr. Montgomery, seconded by Mr. Edwards, 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 JULY 13, 2017

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 July 13, 2017. All proposed agenda items discussed at the meeting are on file with the clerk.

Fiscal 2017 External Audit

Mr. Cepeda asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to provide a presentation on the Fiscal Year 2017 external audit (materials on file with the clerk). Mr. Bass introduced Mr. Jeff Bonick from CliftonLarsonAllen (CLA) and explained that CLA is serving as special assistant to the Illinois Office of the Auditor General, and he noted that this is a required communication. Mr. Bonick presented engagement scope and deliverables and showed the engagement timeline and

members of the engagement team. He then discussed the responsibilities of the Audit, Budget, Finance, and Facilities Committee. University support for the audit was also discussed. Mr. Cepeda thanked them for the presentation.

### Capital and Real Estate Items

Next, Mr. Cepeda asked Mr. Bass to report on capital and real estate items. Mr. Bass first discussed the recommendation to increase the project budget and approve the design for classroom addition and renovation at the School of Labor and Employment Relations, Urbana, and he invited Mr. Brian Kronewitter and Mr. Nathan Melotte from Cordogan, Clark & Associates to provide a design presentation (materials on file with the clerk). Mr. Kronewitter and Mr. Melotte showed the campus master plan, gave an overview of the project, and discussed the benefits of the renovation. They showed the site plan and a series of rendered interior and exterior images and elevations. Mr. McKeever inquired about enrollment trends in the school, and Dr. Jones said that it is trending upward. Mr. Cepeda asked about the timeline for the project, and Mr. Bass referred to the item on the Board's agenda, which estimates completion in June 2019. Mr. Bass reviewed additional aspects of the item and discussed the rationale for the proposed budget increase. Mr. Edwards and Mr. Bass discussed the planning process for capital projects, including methods by which specific projects are selected and the allocation of funding for these projects. President Killeen also commented, and Mr. Edwards expressed some concern regarding the establishment of capital priorities without input from the Board. He



requested a long-term project list and an assessment of funds available for capital projects each year.

Mr. Bass then provided information on the recommendation to increase the project budget, approve the design, and amend the construction manager contract for the southeast addition and renovation at Memorial Stadium, Urbana. He introduced Mr. Tim Cahill from HNTB Architects to give a design presentation (materials on file with the clerk). Mr. Cahill reviewed the mission of the project and showed how the project fits within the master plan at Urbana. He presented the overall plan for the project, which includes the North Performance Building and North Parking Lot. He discussed the location of the weight room and said it will be a recruiting tool. He showed several views and elevations for the project. When he concluded the presentation, Mr. Montgomery asked Mr. Bass to discuss funding. Mr. Bass explained that funds are available from the institutional funds operating budget with anticipated reimbursement from the proceeds of a future sale of auxiliary facilities system revenue bonds and some expectation of gift funds. Discussion followed, and Mr. Bass provided some history of the project, including the rationale for changes that were made and the reasons for the proposed budget increase. Mr. Edwards inquired about fundraising goals and mechanisms for monitoring these goals. He also asked about debt service, and Dr. Peter J. Newman, associate vice president of treasury operations, assured the committee that processes are in place to ensure the appropriate units are paying these debts. Mr. Bass then reviewed the related Board agenda item and discussed the proposed budget increase, aspects of the

amended construction manager contract, and Minority and Female Business Enterprise (MAFBE) participation rates.

Mr. Bass then reported on the recommendation to increase the project budget for the classroom revitalization and addition at the Law Building, Urbana. He said the project was originally approved by the Board in January 2016 and that a conceptualization report revealed that the budget could not support a building addition and classroom revitalization. He explained that the college would like to amend the scope of the project to address deferred maintenance issues and revitalize the classrooms, and noted that the project will be renamed as the Law Building Classroom Revitalization and Renovation. He said the proposed budget increase reflects these changes.

Next, Mr. Bass provided information on the recommendation to increase the project budget for the Electrical and Computer Engineering Building at Urbana. He provided some history of the project and said it is substantially complete, and that a subsequent project to install a photovoltaic array revealed an architectural design error in the building's roof structure. He said the project budget increase is due to intent to move the installation of the photovoltaic array to the original project so that the architect of record can integrate the roof mounted photovoltaic array system to a remedial design fix. He said the cost of the design error mitigation is the responsibility of the architect of record and/or their insurer.

Mr. Bass then discussed the recommendation to increase the project budget and employ a construction manager for renovation and expansion at the Civil Engineering Hydrosystems Laboratory, Urbana. He gave an overview of the history of

the project and discussed the rationale for the proposed increase, which he said is needed for renovation of existing restrooms. He also reported on the employment of a construction manager for the project.

Next, Mr. Bass reported on the recommendation to increase the project budget and award a construction contract for the pool infill renovation at Freer Hall, Urbana. Mr. Bass reviewed the history of the project and explained that the low bidder, who was awarded the contract for this project, has withdrawn their bid, and that the second-lowest bidder is being recommended for approval. He reported that the proposed budget increase would support this contract. Discussion followed, and Mr. Bass indicated that this is a rare occurrence and that legal counsel is being consulted. He told the committee that he will report back with an update.

Next, Mr. Bass provided information on the recommendation to award a construction contract for infrastructure and life safety repairs, Phase II, Smith Memorial Hall, Urbana. He gave a history of the project and described the scope of the work to be completed.

Mr. Bass then discussed the recommendation to approve a project for a lower level simulation laboratory at the College of Nursing, Chicago, and said that simulated settings give students additional clinical experience in an environment where actual patient health cannot be compromised. He reported that funds are available from the institutional funds operating budget and gift funds.

Lastly, Mr. Bass reported on the recommendation to name the POZEN Plaza at the College of Pharmacy, Chicago, in recognition of John and Clare Platcheka's



generous gift supporting renovation of the plaza. Dr. Jerry L. Bauman, dean of the College of Pharmacy at Chicago, also commented on this generous gift and said the plaza will feature the second-largest mortar and pestle in the world.

### Purchase Recommendations

Next, Mr. Cepeda asked Mr. Richard D. Elmore, assistant vice president for procurement services, to report on purchase recommendations. Mr. Elmore first discussed the recommendation to purchase stem cell acquisition services on an as-needed basis from the National Marrow Donor Program for the Transplant Unit at Chicago. He said this is a sole-source purchase because there is only one economically feasible source for the required services.

Mr. Elmore then provided information on the recommendation to purchase medical courier services for the University of Illinois Hospital and Health Sciences System Reference Laboratory from MedSpeed. He told the committee that competitive bidding procedures were followed and that a best and final process realized a cost savings of 1.5 percent. He also reported that MedSpeed submitted a Business Enterprise Program (BEP) Participation and Utilization Plan and has made a good faith effort to identify BEP-certified vendors to meet the 25 percent goal of subcontract awards to diverse vendors.

Next, Mr. Elmore reported on the recommendation to purchase coding, coding auditing, and charge capture services on an as-needed basis for various University of Illinois at Chicago medical agencies. He told the committee that this recommendation

includes several vendors who will be used on an as-needed basis. Mr. Montgomery inquired about past coding errors, and Mr. Elmore stated that their services include a quality assurance function.

Lastly, Mr. Elmore provided information on a renewal option to provide radiation oncology services from the University of Chicago for the University of Illinois Hospital and Health Sciences System Department of Radiation Oncology Services. He explained that the University of Illinois Hospital and Health Sciences System does not employ radiation oncologists, and he told the committee that the radiation oncologists from the University of Chicago come to the University to provide these services.

President Killeen noted that this will be Mr. Elmore's last time attending a meeting of this committee and said that he is leaving the University for a position at Pennsylvania State University.

#### Endowment Investment Performance and Program Update

Mr. Cepeda then asked Dr. Newman to present an endowment investment performance and program update (materials on file with the clerk). Dr. Newman presented a capital markets review and showed endowment assets by type. He discussed endowment pool performance and gave an update on the investment project. Discussion followed regarding the distribution of University endowment funds and University of Illinois Foundation funds, and Dr. Newman explained that some gifts were legally titled to the University and entered as University assets. Discussion continued, and Dr. Newman told the committee that the University of Illinois Foundation follows its own investment strategy. He also discussed the investment



strategy of the University and changes that have been made to move away from active management. President Killeen suggested that Mr. Edwards meet with some individuals from the University and the University of Illinois Foundation to share his expertise.

#### Two-Year Internal Audit Plan for Fiscal Year 2018-2019

Next, Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present a two-year audit plan for Fiscal Years 2018-2019 (materials on file with the clerk). Ms. Zemaitis reviewed statutory requirements and risk categories and described key elements of the audit plan development process. She showed a summary of planned hours, noting that the plan reflects new hires to her office. Ms. Zemaitis then showed a mapping of the audit plan to areas of risk and to the Strategic Framework. She concluded her presentation by noting that ongoing monitoring of risks and the plan take place throughout the year.

#### Legislative, Budget, and Financial Updates

Mr. Cepeda then asked Mr. Knorr to provide legislative, budget, and financial updates. Mr. Knorr commented on the State budget and the appropriation to the University, which includes \$300.0 million of additional funding for Fiscal Year 2017 and an appropriation of \$583.0 million for Fiscal Year 2018. He referred to the increase in income tax and commented on contributions to the Medicaid trust fund. He reported on Monetary Award Program funding for Fiscal Years 2017 and 2018 and expressed concern regarding the State's general revenue fund. He told the committee that the University will be

responsible for pension contributions for employees who have a salary higher than the governor's salary, and he discussed components of the budget and the budget request for Fiscal Year 2019. He commented briefly on University credit ratings and the impact of the State's credit rating. Mr. Knorr also provided some clarification on debt service payments by various departments at the University. Discussion followed regarding employee pensions and the State appropriation to the University, and Mr. Knorr confirmed that only \$180.0 million was received in Fiscal Year 2016.

#### OLD BUSINESS

Mr. Cepeda indicated that responses to questions from the May 1, 2017, meeting, were provided to trustees in advance of this meeting.

#### NEW BUSINESS

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, August 28, 2017, at 1:00 p.m.

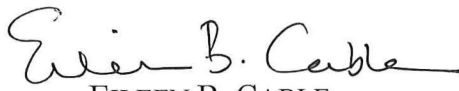
#### MEETING ADJOURNED

On motion of Mr. Montgomery, seconded by Mr. McKeever, the meeting adjourned at 3:04 p.m. There were no "nay" votes.

Respectfully submitted,

  
DEDRA M. WILLIAMS  
*Clerk*

  
RAMÓN CEPEDA  
*Chair*

  
EILEEN B. CABLE  
*Assistant Clerk*



