

APPROVED BY THE
COMMITTEE

JUL 10 2017

Sheldon 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

MAY 1, 2017

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, May 1, 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; Mr. Lester H. McKeever Jr., treasurer; Mr. James D. Montgomery. Mr. Collin T. Schumock, voting student trustee, Urbana, and Mr. Nathan C. Hoffman, student trustee, Springfield, were present. President Timothy L. Killeen was in attendance.

Also in attendance 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. 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 announced that this would be the last meeting of this committee for the current student trustees. He thanked them for their service. Mr. Cepeda also welcomed Mr. Edwards, a new trustee who was recently appointed to the Board. Mr. Cepeda then asked if there were any comments or corrections to the minutes from the meeting held March 6, 2017. On motion of Mr. Montgomery, seconded by Mr. Schumock, 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 11, 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 May 11, 2017. All proposed agenda items discussed at the meeting are on file with the clerk.

Preliminary Operating Budget for Fiscal Year 2018

Mr. Cepeda asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to discuss the recommendation to approve the preliminary operating budget for Fiscal Year 2018. Mr. Bass 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 process of approving a preliminary operating budget enables the University to continue to pay its bills and has been used for many years and fulfills a statutory requirement. He said this action authorizes expenditures at the levels reflected in the University's Fiscal Year 2015 operating budget, as adjusted for the final Fiscal Year 2015 State appropriation and continued cost reduction in anticipation of the Fiscal Year 2018 State budget.

Tuition Rate for Online Master of Science in Accountancy,
Academic Year 2017-2018, College of Business, Urbana

Next, Mr. Cepeda asked Dr. Wilson to comment on the recommendation to approve the tuition rate for the online Master of Science in Accountancy for Academic Year 2017-2018 in the College of Business at Urbana. Dr. Wilson explained that this recommendation reflects a proposed increase in the tuition rate that was approved by the Board in January for the online Master of Science in Accountancy, and she told the committee that an increase in the fee charged by Coursera and enrollment goals determined by the department resulted in the need for a different tuition rate in order for the program to be sustainable. Discussion followed regarding aspects of the program and its cost, and Dr. Wilson indicated that the tuition rate is competitive. Dr. Jeffrey R. Brown, dean of the College of Business, Urbana, stated that enrollment is growing in online master's degree programs in Accountancy and said this will enable the college to grow its reputation and revenue. He listed tuition rates at peer institutions offering online

degree programs in accountancy and said that this proposed tuition rate was set so that it would not impact enrollment in the on-campus program.

Capital and Real Estate Items

Mr. Cepeda then asked Mr. Bass to report on capital and real estate items. Mr. Bass first discussed the proposed design for renovation and addition, dining facility, Illinois Street Residence Hall, Urbana, and gave some background on the project. He then introduced Mr. Laurence Booth, from the architectural firm Booth Hansen, to give a design presentation for the facility (materials on file with the clerk). Mr. Booth said that they hope to achieve LEED Silver rating for the dining facility, and he reviewed its location and relation to other buildings within the master plan. He showed plans for the lower level and first floor and presented various views of building sections and elevations. Mr. Booth then displayed an image of the existing facility and showed rendered images of the building as it will be seen from Green Street and the courtyard. Mr. Cepeda thanked Mr. Booth for the presentation.

Mr. Bass then provided information on the proposed project for renovation and addition of Small Animal Surgery in the Veterinary Teaching Hospital at Urbana. He said this project would encompass a renovation of the existing facility, as well as an addition to the building. Mr. Bass described the location of the facility and said it was built in 1971 and is in need of upgrades, and he discussed funding for the project. He also responded to questions from committee members about the use of the facility.

Next, Mr. Bass discussed the proposed project for renovation at Carle Illinois College of Medicine, Medical Sciences Building, Urbana. He reported on the proposed

budget, scope, and purpose of the project, and said that the facility currently houses the UIC College of Medicine at Urbana and will later serve as the flagship building for the Carle Illinois College of Medicine. He also discussed funding for the project.

Mr. Bass then provided information on the proposed project for the Surgical Innovation and Training Laboratory, Chicago. He said this will be a state-of-the-art facility located in the basement of the Neuropsychiatric Institute at 912 South Wood Street, Chicago, and he provided additional details about the project and discussed funding.

Mr. Bass reported on the recommendation to increase the project budget and approve the design for the Bruce Nesbitt African American Cultural Center at Urbana. Mr. Bass provided the rationale for the increase, which he said is primarily due to the demolition of the current building. Next, he introduced Ms. Dina Griffin, president of Interactive Design Architects, to make a design presentation for the building (materials on file with the clerk). Ms. Griffin referred to the mission and goals of the project and showed the inspiration for the proposed design. She presented the site plan, floor plans, building elevations and perspectives and emphasized that this design is a result of a wonderful exchange of ideas that have been shared at numerous meetings with many faculty members, administrators, and members of the community. Ms. Griffin responded to questions about the location and current and anticipated use of the facility, and Mr. Bass provided some information about the timeline for the project. Mr. Montgomery expressed appreciation that an African American graduate of the University of Illinois is working on the project.

Next, Mr. Bass discussed the recommendation to increase the project budget for the School of Molecular and Cellular Biology Center for Undergraduate Advising and Instruction at Burrill Hall, Urbana. He described the scope and purpose of the project and said that the proposed increase would support the award of bids and bid alternates, noting an increased cost for construction in Urbana-Champaign.

Mr. Bass then provided information on the recommendation to increase the project budget and award a construction contract for the pool infill renovation at Freer Hall, Urbana. He reviewed the history and scope of the project and described the rationale for the proposed increase. He provided additional details about the project and reported on Minority and Female Business Enterprise (MAFBE) participation rates.

Mr. Bass then discussed the recommendation to increase the project budget for the Clinical Performance Center, College of Medicine, Chicago. He described the history and scope of the project provided the rationale for the proposed increase.

Next, Mr. Bass reported on the recommendation to increase the project budget and amend the professional services agreement for Research Laboratories, Medical Sciences Building, Chicago. He indicated that the scope of the project has changed and necessitates an increased project budget. He provided additional details about the project and said it is also necessary to amend the professional services consultant contract with Moody Nolan, Inc., of Chicago. Mr. Bass reported on MAFBE participation rates for the project.

Lastly, Mr. Bass discussed the recommendation to award contracts for the job order contract system and explained that these will be used for repairs, minor remodeling, new construction, and site work at Urbana for Fiscal Year 2018. He

indicated that competitive bidding procedures in accordance with the Illinois Procurement Code were followed and that the awards are to the lowest responsible bidders on the basis of the lowest combined adjustment factor.

Purchase Recommendations

Mr. Cepeda then asked Mr. Richard D. Elmore, assistant vice president for procurement services, to comment on purchase recommendations. Mr. Elmore commented on the recommended purchase of cornea tissue for corneal transplants and said this is a sole source purchase because Eversight is the only regional provider of harvested corneal tissue approved by the FDA. Mr. Elmore then discussed the recommendation to purchase administrative and management services for the student health benefit plan and physicians group risk contracts at the University of Illinois Hospital and Health Sciences System from Innovista Health Solutions. He provided additional details about the services to be provided and discussed some details of the contract. Committee members also discussed some aspects of the medical service plan.

At 2:25 p.m., Mr. Hoffman left the meeting.

Next, Mr. Elmore provided information regarding the recommendation for a renewal option for the purchase of reagents for DNA analyzer systems at Urbana. He indicated these reagents will be used by multiple departments and reported that negotiations resulted in a 10 percent discount. He then discussed the recommended renewal option for centralized customer access call center operations services for the University of Illinois Hospital and Health Sciences System from the Chicago Lighthouse,

and he described the services the Chicago Lighthouse provides. Next, Mr. Elmore reported on the recommended renewal option for managed copier and printer programs at Chicago from the Gordon Flesch Company, Inc. He described the managed copier and printer program service and reviewed services provided by the vendor. Mr. Elmore then reported on the renewal option for transfusion medicine and blood bank services for the University of Illinois Hospital and Health Sciences System for an amount not to exceed \$30.0 million. He said the Institute of Transfusion medicine will provide transfusion medicine testing and management expertise, as well as implement and manage information technology applications and interfaces. Lastly, Mr. Elmore discussed the recommended renewal option for janitorial supplies and products for the Office of Business and Financial Services/University Strategic Procurement and explained these will be provided on an as-needed basis at an amount not to exceed \$5,825,000. He commented on the cost savings achieved through the arrangement with this vendor. Brief discussion followed regarding the procurement process, contracts, and change orders.

Minutes of Prairieland Energy, Inc., Meeting and
Appoint President and Director, Prairieland Energy, Inc.

Mr. Bass told the committee that the Board will be meeting on May 11, 2017, as the sole member of Prairieland Energy, Inc., and will vote on the recommendation to appoint Mr. Michael Landek, interim vice chancellor for administrative services at Chicago, to serve as a Prairieland Energy, Inc., director. Mr. Bass explained that he will replace Mr. Mark Donovan, who resigned from the board on April 1, 2017, in connection with his

retirement from the University. Mr. Bass stated that the Board is also recommending the appointment of Mr. Sean Reeder as Prairieland president. Mr. Bass said that the Board will also vote on the recommendation to approve the minutes of the last meeting of Prairieland Energy, Inc., which was held November 10, 2016.

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.

Fiscal Year 2016 Compliance Audit

Mr. Cepeda then asked Ms. Ginger Velazquez, executive director of business and finance, to provide a presentation on the Fiscal Year 2016 compliance audit (materials on file with the clerk). Ms. Velazquez stated 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 each year. She gave a summary of the Fiscal Year 2016 compliance audit, reviewed the findings, and said that the total number of findings decreased since last year. She told the committee that the University received an unmodified opinion for all major programs, and she indicated that corrective action plans were submitted for all federal

findings. Ms. Velazquez then reviewed State compliance findings and listed the causes for these findings. There were no questions or comments about this report.

Third Quarter Fiscal Year 2017 Internal Audit Report

Next, Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to provide a summary of internal audit activity for the third quarter ended March 31, 2017 (materials on file with the clerk). Ms. Zemaitis referred to the mission of the office and reviewed the Fiscal Year 2017 audit plan completion status. She discussed the implementation of audit recommendations and year to date audit report findings through March 31, 2017. Next, Ms. Zemaitis presented the aging of outstanding recommendations by management's original implementation date and showed the number of recommendations with management's original implementation dates of Fiscal Year 2016 and prior. She also gave an update on high risk audit recommendations by functional area with management's original implementation dates of Fiscal Year 2015 and prior, and she provided additional details about some high risk audit recommendations. Mr. Cepeda thanked Ms. Zemaitis for the presentation.

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 10, 2017, at 1:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 2:51 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. On motion of Mr. Montgomery, seconded by Mr. McKeever, this motion was approved. There were no "nay" votes.

EXECUTIVE SESSION

Mr. Cepeda convened this executive session at 2:52 p.m. All committee members, with the exception of Mr. Hoffman, were present. Also present were Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University. President Killeen joined the session at 2:53 p.m.

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 two matters

discussed in executive sessions during the May 9, 2016, and October 21, 2016, meetings 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. She provided information to the committee members that the Audit, Budget, Finance, and Facilities committee has sequestered materials covering three areas: employment, audits, and internal controls. Mr. Bearrows advised the committee of the guidelines applied during this review for certain types of discussions based on the exception invoked.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 2:54 p.m.

AGENDA

At 2:55 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.

Two items from May 2012 through October 2016 that have been heretofore unreleased are 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 matters considered in executive session for the time period above be made available to the public at this time.

The committee action recommended in these items comply 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

May 9, 2016, Audit, Budget, Finance, and Facilities Committee

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.

October 31, 2016, Audit, Budget, Finance, and Facilities Committee

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.

On motion of Mr. Cepeda, seconded by Mr. Edwards, this recommendation was approved by the following vote: Aye, Mr. Cepeda, Mr. Edwards, Mr. McKeever, Mr. Montgomery, Mr. Schumock; No, none; Absent, Mr. Hoffman.

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Mr. Schumock, the meeting adjourned at 2:57 p.m. There were no "nay" votes.

Respectfully submitted,


DEDRA M. WILLIAMS
Clerk


RAMÓN CEPEDA
Chair


EILEEN B. CABLE
Assistant Clerk

