

APPROVED BY THE
COMMITTEE

MAY 07 2018

Aleda McWilliams
SECRETARY OF THE BOARD

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

MARCH 5, 2018

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, March 5, 2018, at 3:04 p.m., in Room 414, Administrative Office Building, 1737 West Polk 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; Dr. Stuart C. King; Mr. Trayshawn M. W. Mitchell, student trustee, Urbana; Mr. Edwin Robles, student trustee, Springfield. Mr. Lester H. McKeever Jr., treasurer, and Mr. James D. Montgomery 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 Urbana-Champaign, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, University of Illinois at Springfield, and vice president, University of Illinois;

Dr. Avijit Ghosh, interim comptroller (and vice president/chief financial officer); Mr. Edward Seidel, vice president for economic development and innovation; 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 asked if there were any comments or corrections to the minutes from the meeting held November 6, 2017. On motion of Mr. Edwards, seconded by Mr. Robles, 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 MARCH 15, 2018

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 March 15, 2018. All proposed agenda items discussed at the meeting are on file with the clerk.

Capital and Real Estate Items

Next, Mr. Cepeda asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to report on capital and real estate items. Mr. Bass first commented on the recommendation to award a construction contract for classroom addition and renovation at the School of Labor and Employment Relations, Urbana. He gave a history of the

project, which was approved by the Board in July 2016, and provided information about the project and the scope of work included in the proposed contracts.

Next, Mr. Bass reported on the recommendation to increase the project budget and award construction contracts for renovation and addition of the dining facility at the Illinois Street Residence Hall, Urbana. Mr. Bass gave a history of the project, including a budget increase that was approved by the Board in November 2016. He said that additional needs were identified during the design phase that have led to the recommendation to increase the project budget by \$7,740,000. Mr. Bass also discussed the scope of work included in the proposed contracts and provided Minority and Female Business Enterprise (MAFBE) participation rates. He said the estimated completion date for the project is April 2020 and that the project is being funded by institutional funds and the proceeds of a future sale of auxiliary facilities system revenue bonds.

Mr. Edwards asked for additional information about the project and its location and inquired about the responsibility for planning, construction, and budget management. Mr. Bass responded, and he and Mr. Edwards discussed the University's approach to construction projects. Mr. Edwards recommended that the University consider hiring an outside consultant to review the construction planning process, and Dr. Ghosh stated that a request for proposal was being put together for this purpose.

Next, Mr. Bass provided information on the recommendation to increase the project budget and amend the professional services consultant contract for the small animal surgery renovation and addition project at the Veterinary Teaching Hospital at Urbana. Mr. Bass described the history of the project and said that a critical need for

larger facilities was identified during the program verification phase of the schematic design. He said a proposed budget increase of \$2,490,000 is necessary to amend design services and provide additional construction budget for the added scope of the project, which also includes an audio/visual system not originally considered.

Auxiliary Facilities System Revenue Bonds, Series 2018A

Mr. Cepeda then asked Mr. Robert L. Plankenhorn, assistant vice president for treasury operations, to give a presentation on the recommendation to approve the issuance of auxiliary facilities system revenue bonds, series 2018A (materials on file with the clerk). Mr. Plankenhorn discussed the purpose for issuing the bonds and showed security and credit ratings. He said the amount is estimated to be \$160.1 million with an estimated interest rate of 4.168 percent and final maturity on April 1, 2048. Mr. Plankenhorn also presented the financing team. Mr. Edwards inquired about the selection of the team, and Mr. Plankenhorn provided information about the selection process.

Fiscal Year 2017 Financial Audit

Next, Mr. Cepeda asked Mr. Patrick M. Patterson, controller and senior assistant vice president, to give a presentation on the results of the Fiscal Year 2017 Financial Audit (materials on file with the clerk). Mr. Patterson reported that the University received an unmodified audit opinion on financial statements with five University-wide findings. He provided details of each of the findings and described plans to address each, noting ongoing improvement efforts. Brief discussion followed, and Mr. Edwards requested

additional information regarding the finding related to P-Card procedures. Mr. Patterson provided details regarding the 17 errors identified during the audit, which were derived from transactions generated by approximately 4,000 P-Card holders. There were no additional questions regarding the results of the audit.

Approve Fiscal Year 2018 Services and Management Agreement
for the University of Illinois Alumni Alliance

Mr. Cepeda then asked Dr. Ghosh to discuss the recommendation to approve the Fiscal Year 2018 services and management agreement for the University of Illinois Alumni Alliance. Dr. Ghosh explained that approval for this agreement was delayed due to the change in business model of the University of Illinois Alumni Alliance, and he described the services provided by the Alumni Alliance and the recommended level of direct support. Mr. Edwards and Dr. Ghosh discussed revenue and the new Alumni Alliance model, which Dr. Ghosh said was a result of a process of restructuring. President Killeen also commented on the restructuring, as well as marketing materials related to the current fundraising campaign. Dr. King and Dr. Ghosh also discussed an evaluation of whether this use of funds is effective, and Dr. Ghosh indicated the support for the Alumni Alliance is an effective return on investment.

Closing of India Liaison Office and Related Bank Account

Next, Mr. Cepeda asked Dr. Jones to discuss the recommendation to authorize the closure of the India liaison office and related bank account. Dr. Jones gave a history of the

establishment of the India liaison office and explained that due to State budget uncertainty and shifting University priorities, the office never truly opened. He said it is being recommended that the office and associated bank account be closed. Dr. Jones indicated that this will not result in much savings, since there were very few, if any, expenditures associated with it.

Purchase Recommendations

Mr. Cepeda then asked Ms. Gloria Keeley, interim assistant vice president for administrative services, to report on purchase recommendations. Ms. Keeley first provided information on the purchase of reagents for DNA Analyzer Systems for the Roy J. Carver Biotechnology Center at Urbana. She said the purchase is a sole source because the items are patented, uniquely compatible with existing equipment, and the vendor is the only manufacturer and distributor, and she told the committee that these reagents will be used by multidisciplinary researchers in various campus departments for ongoing projects.

Ms. Keely also discussed the recommendation for the renewal for centralized customer access call center operations services from The Chicago Lighthouse for People Who Are Blind or Visually Impaired for the University of Illinois at Chicago Health Enterprise Customer Care Center and the University of Illinois Hospital and Health Sciences System. She described the services provided and said this contract qualifies for 100 percent Business Enterprise for Minorities, Females, and Persons with Disabilities participation.

There were no objections to the agenda items listed above going forward to the full Board for voting.

Summary of Internal Audit Activity through
Second Quarter Ended December 31, 2017

Mr. Cepeda then asked Ms. Julie A. Zemaitis, executive director of University audits, to give a summary of internal audit activity through second quarter ended December 31, 2017 (materials on file with the clerk). Ms. Zemaitis reviewed the Fiscal Year 2018 audit plan completion status and showed some details regarding the number of planned audits and added projects. She also discussed planned, actual, and remaining hours. Ms. Zemaitis presented the implementation of audit recommendations and year to date audit report findings through December 31, 2017. She then showed year to date audit findings according to location. Next, Ms. Zemaitis presented the aging of outstanding recommendations by management's original expected implementation date and showed the number of recommendations with management's original implementation dates of Fiscal Year 2017 and prior by risk and priority rating and by location.

Brief discussion followed, and Dr. King inquired about staffing of the Office of University Audits. Ms. Zemaitis said there is one open position at Urbana. Mr. Cepeda commended Ms. Zemaitis and the staff of the Office of University Audits for their work.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda asked members of the committee if there was any new business to discuss.

Dr. King inquired about the Carle Illinois College of Medicine and plans to meet financial goals if fundraising falls short. Dr. Jones described the excitement surrounding the Carle Illinois College of Medicine and said fundraising goals will be clarified. He also referred to positive discussions with Carle and redefining the relationship between the Carle health system and the University.

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, May 7, 2018, at 3:00 p.m.

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Dr. King, the meeting adjourned at 4:11 p.m.

There were no “nay” votes.

Respectfully submitted,

DEDRA M. WILLIAMS
Clerk

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Assistant Clerk

