

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

MARCH 2, 2020

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, March 2, 2020, at 3:00 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 secretary to call the roll. The following committee members were present: Mr. Ramón Cepeda; Mr. Donald J. Edwards; Dr. Stuart C. King; Mr. Lester H. McKeever Jr., treasurer. Mr. Trayshawn M. W. Mitchell, voting student trustee, Urbana, was absent.

Also present were President Timothy L. Killeen; 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. Michael D. Amiridis, chancellor, University of Illinois at Chicago, 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, comptroller (and vice president/chief financial officer); Dr. Edward Seidel, vice president for economic

development and innovation; Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University; and Mr. Gregory J. Knott, secretary-designate of the Board of Trustees and of the University. President Killeen introduced Dr. Roy H. Campbell, Sohaib and Sara Abbasi Professor Emeritus of Computer Science, Urbana, and chair of the University Senates Conference's Finance, Budget and Benefits Committee. Attached is a listing of other staff members and some members of the media in attendance at this meeting.

Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held November 4, 2019. On motion of Mr. McKeever, 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 MARCH 12, 2020

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 12, 2020. All proposed agenda items discussed at the meeting are on file with the secretary.

Approve Actions for the Construction of
the University of Illinois Hospital and Clinics Outpatient Surgery Center
and Specialty Clinics Facility, Chicago

Mr. Cepeda asked Dr. Robert A. Barish, vice chancellor for health affairs, Chicago, to report on the recommendation to approve actions for the construction of the University of

Illinois Hospital and Clinics Outpatient Surgery Center and Specialty Clinics Facility, Chicago. Dr. Barish told the committee that this project is possible due to SB 2362, which granted a procurement exemption that allowed the university to enter into a 30-year lease. He listed the strategic values of the UI Health Hospital and the UI physician group and the guiding goals and principles for the project, and he told the committee the first patient is expected for Fall 2022. Dr. Barish then asked Mr. David H. Loffing, chief operating officer, UI Hospital, to provide additional information. Mr. Loffing said that a detailed presentation on financials for this project was given to the committee in November. He gave an overview of the project budget and showed the 10-year pro forma. Mr. Loffing listed pro forma assumptions and said the goal is to provide exceptional facilities for patients and faculty. He emphasized the Business Enterprise Program (BEP) requirements and said he is confident they will meet or exceed the goal.

Next, Mr. Thomas Longhi, practice leader at Shive-Hattery Architecture and Engineering, gave a design presentation (materials on file with the secretary). He showed the descriptions and square footages of each floor and presented the building and site section diagram, site location, and exterior diagrams, as well as renderings of the interior and exterior from a variety of perspectives. Mr. Longhi highlighted certain aspects of the design, including the use of high contrast coloring on the floor and walls to benefit those who are visually impaired. He presented plans for each floor and reported on sustainability goals, stating that the building should achieve LEED Gold status or higher.

Mr. McKeever noted that a management company had already been hired and asked for information on the fees and base rent. Mr. Loffing referred to a two-fold management fee and said they are included in the pro forma that is based on benchmarks from peer groups. Dr. Barish remarked that the high ranking of the Ophthalmology Department, noting its ranking is higher than the department at Harvard, and President Killeen expressed appreciation for the commitment to environmental sustainability on this project.

Authorize Application of Excess Funds in Health Services Facilities System Revenue Fund

Mr. Cepeda then asked Ms. Sarah Crane, director of capital finance, to discuss the recommendation to authorize the application of excess funds in the health services facilities system (HSFS) revenue fund. Ms. Crane referred to section 7.01 of the HSFS Bond resolution that provides that excess funds from the HSFS revenue fund may be used for hospital projects, and she explained that this item recommends the authorization of the use of surplus revenues and the establishment of funds or accounts to hold the surplus revenues. She said it also recommends the delegation of authority to the comptroller to transfer surplus revenues to the funds or accounts to make acquisition payments.

Determination of Surplus Real Estate and Delegation of Authority to Comptroller to Sell or Lease Surplus Real Estate

Next, Mr. Cepeda asked Mr. Michael B. Bass, special advisor to the president, to report on the recommendation regarding the determination of surplus real estate and the

delegation of authority to the comptroller to sell or lease surplus real estate. Mr. Bass stated that it is recommended that three properties at the University of Illinois at Urbana-Champaign and the University of Illinois at Chicago be deemed surplus real estate by the Board and indicated this is pursuant to Public Act 101-0213. He said this recommendation also recommends the authorization of the comptroller to execute and deliver required transaction documents to consummate the sale of the properties. Mr. Bass listed the address of each property and provided information about each. He outlined the process for these transactions and said that the legislative change that makes this possible is beneficial to the University. Mr. Bass and Dr. Ghosh discussed the decision to sell or lease these properties and commented on whether a broker would be used in this process. Dr. Amiridis commented on the properties in Chicago, and Mr. Bass indicated these decisions are made in consultation with the chancellors. President Killeen noted that this agenda item and the one discussed previously required the support of the State legislature to approve legislation making these transactions possible, and he emphasized the University's positive relationship with the State.

Approve the Master Plan Update, Springfield

Next, Mr. Cepeda asked Mr. Bass to discuss the recommendation to approve the master plan update for the University of Illinois at Springfield. Mr. Bass introduced Mr. Timothy Rowbottom, architect and chief operating officer with Lawrence Group, to give a presentation (materials on file with the secretary). Mr. Rowbottom also introduced Ms. Julie Steffens, principal at Lawrence Group, and he began his presentation by describing

the history of this process, which included the involvement of many stakeholders through meetings, interviews, and forums. Mr. Rowbottom provided some information about the university and listed the four themes used in this master plan update: cultivating a premier educational experience; supporting a vibrant campus life and culture; implementing growth strategies; and fostering partnerships. He showed recommendations to update the master plan that align with those key themes that include new capital projects and future facilities and briefly discussed costs. At 3:48 p.m., the presentation ended with no comments or questions.

Capital and Real Estate Items

Next, Mr. Cepeda asked Dr. Ghosh to report on capital and real estate items. Dr. Ghosh first discussed the recommendation to approve the project budget and project design for the Computer Design Research and Learning Center at Chicago. He said this new building will help meet growing demand for the Department of Computer Science and will address a lack of academic space. Dr. Ghosh reported on the estimated budget and funding and said the project should achieve LEED Gold certification. He introduced Mr. David Mann, principal of Booth Hansen Ltd., and Mr. Stephen Van Dyck, design partner of LMN Architects, to give a design presentation. Mr. Mann and Mr. Van Dyck introduced Mr. Scott Cyphers, design principal with Booth Hansen Ltd., who gave the presentation. Mr. Cyphers described the composition of the 134,735 square foot space, which is divided between teaching space, faculty and administrative offices, collaborative space, laboratories, and undergraduate study and social spaces. He remarked on trends in

the field of computer science that were considered in this building's design and highlighted the consideration of open green spaces adjacent to the building, especially the grove. Mr. Cyphers described the use of the five floors of the building and showed renderings of the exterior, noting the ways materials used throughout the campus influenced the material choices for this building. He showed interior and exterior renderings from several perspectives and reported on the use of environmentally sustainable practices. Mr. Cyphers said these goals are aggressive and will lead to LEED Gold designation. He finished the presentation, and Dr. Amiridis commented on the building's design. President Killeen congratulated the team on the environmental sustainability goals and commented on the importance of this building.

Next, Dr. Ghosh reported on the recommendation to approve the name of the Softball Training Center in the Division of Intercollegiate Athletics at Urbana as the Rex and Alice A. Martin Softball Training Center in recognition of their generous gift of \$3.0 million for the design and construction of the Softball Training Center. Dr. Ghosh then discussed the recommendation to approve the design for the Susan and Clint Atkins Baseball Training Center and the Softball Training Center in the Division of Intercollegiate Athletics at Urbana. He said the budget was approved at a previous meeting, and he invited Mr. Charles Reifsteck, architect and principal of Reifsteck Reid and Company Architects, to give a design presentation (materials on file with the secretary). Mr. Reifsteck reviewed priorities and goals associated with the project and showed the location of the two facilities. He presented the site plan and materials and showed renderings of several exterior views for each. Mr. Cepeda thanked him for the

presentation, and both he and Dr. King expressed appreciation for the generosity of Rex and Alice A. Martin.

Dr. Ghosh then provided information on the recommendation to rename the Engineering Instructional Facility at Urbana as the Campus Instructional Facility and explained the new name better reflects its use, which is broader than was originally anticipated.

Lastly, Dr. Ghosh reported on the recommendation to rename the William L. Everitt Laboratory of Electrical and Computer Engineering at Urbana. He gave a history of the laboratory and said that it underwent a major renovation between 2016 and 2018 and became the new home for the Department of Bioengineering. Dr. Ghosh said to better align the building name with its current academic purpose, it is recommended that the laboratory be renamed as the William L. Everitt Laboratory.

Purchase and Renewal Recommendations

Mr. Cepeda asked Mr. Bass to report on recommended purchase and renewal recommendations. Mr. Bass first discussed the recommended purchase of an electron beam lithography system from SEMTech Solutions, Inc. for the Nick Holonyak, Jr. Micro and Nanotechnology Laboratory in The Grainger College of Engineering at Urbana. He described the use of the equipment and told the committee there are only three companies in the world who can supply this item. Mr. Bass said two bids were received and that competitive bidding procedures were followed in accordance with the Illinois Procurement Code.

Next, Mr. Bass discussed the recommended change order for the UIC Police Department to increase security coverage from Monterrey Security Consultant Inc. for crime prevention throughout the Chicago campus. He stated the chief of police requested additional fixed post assignments due to increased need for security on campus, and Mr. Bass discussed the cost and Business Enterprise Program (BEP) participation rate.

Mr. Bass then reported on the recommended renewal for the purchase and delivery of coal, including by-product waste disposal services, for utilities at the Abbott Power Plant at Urbana. He said that the original procurement allowed for a renewal price increase of up to 10 percent per ton, but that the vendor agreed to keep pricing firm after negotiations. Mr. Bass told the committee that the Abbott Power Plant uses both natural gas and coal.

Next, Mr. Bass discussed the recommended renewal for reagents for DNA analyzer systems for the Roy J. Carver Biotechnology Center at Urbana. He said this is a sole-source purchase because the items are patented, uniquely compatible with existing equipment, and the vendor is the only manufacturer and distributor. He said negotiations resulted in discounts ranging from 3 to 30 percent.

Mr. Cepeda asked if there were any questions about these items, and Mr. McKeever inquired about verification of Minority and Female Business Enterprise (MAFBE) participation for the agreement with Monterrey Security Consultant Inc. President Killeen indicated that capital items will be audited to assure compliance. Dr. Amiridis stated that the subcontractor for this agreement is a minority-owned firm. Mr.

Edwards then remarked on the large cost of outsourcing security personnel and asked if this has been closely examined. Dr. Amiridis referred to the difficulty of filling positions for police officers and said some unarmed security personnel are being stationed where police officers would have been. Mr. Edwards asked for an evaluation of the value and quality for the cost on a yearly basis, and Dr. Ghosh indicated an analysis would be conducted. Dr. Amiridis added that many of these positions are not full time and are only used for events. Mr. Edwards and Mr. Cepeda stated that they are not opposed to the purchase but would like additional information and analysis.

Revise University of Illinois System Investment Policy Statement

Next, Mr. Cepeda asked Ms. Geri Melchiorre, director of investments, to report on the recommendation to revise the University of Illinois System Investment Policy Statement. Ms. Melchiorre explained that the revised Investment Policy Statement modifies the endowment pool's U.S. public equity performance benchmark from the Dow Jones Total Stock to the Russel 3000 index and the endowment pool's private equity benchmark from Dow Jones Total Stock plus 300 basis points to the Thompson One All Private Equity Index. She said that additional modifications include narrowing the primary liquidity layer range within the operating pool asset allocation to 30 percent to 75 percent from 5 percent to 75 percent and the incorporation of language related to sustainable investment practices following the enactment of the Illinois Sustainable Investing Act. Dr. Ghosh commented briefly on the change in liquidity to 30 percent to 75 percent.

There was no objection to the items listed above going forward to the full Board for voting.

Fiscal Year 2019 Financial Audit Summary

Mr. Cepeda asked Mr. Brent Rasmus, assistant vice president and controller, to give a presentation on the Fiscal Year 2019 financial audit (materials on file with the secretary). Mr. Rasmus reported that the University is audited by CliftonLarsonAllen LLP, and that the report is issued through the Illinois Auditor General's Office. He said the University received an unmodified "clean" audit opinion on financial statements, and there are no significant changes to the Fiscal Year 2019 financial results reported to the Board in November. Mr. Rasmus said there were two audit findings, and he described each of the findings and methods to address each, noting ongoing improvement efforts are underway.

Mr. McKeever emphasized that these are repeat findings and no new findings. Dr. Ghosh also noted that the number of errors decreased.

Summary of Internal Audit Activity through Second Quarter Ended December 31, 2019

Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to give a summary of internal audit activity through the second quarter ended December 31, 2019 (materials on file with the secretary). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2020 through December 31, 2019, and showed that 75 percent of the plan is complete or in progress. She showed the implementation of audit

recommendations, and she reported on year-to-date audit report findings from July 1, 2019, through December 31, 2020. Ms. Zemaitis showed the aging of outstanding recommendations by management's original implementation date and reported on the aging of open recommendations with management's original expected implementation date of Fiscal Year 2019 and prior. She told the committee that progress is being made on the three high priority recommendations and noted that some issues are difficult to address within one year. Ms. Zemaitis also showed the aging of open recommendations with management's original expected implementation date of Fiscal Year 2019 and prior by location. Ms. Zemaitis concluded her presentation, and Mr. Cepeda thanked her for the information.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda if there was any new business, and there was none.

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, May 11, 2020, at 3:00 p.m.

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Mr. Edwards, the meeting adjourned at 4:52 p.m. There were no “nay” votes.

Respectfully submitted,

DEDRA M. WILLIAMS
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary