

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

NOVEMBER 2, 2020

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held via teleconference¹ on Monday, November 2, 2020, at 3:03 p.m.

Trustee Donald J. Edwards, vice chair of the committee, convened the meeting, as Mr. Ramón Cepeda, chair of the committee, was unable to act as chair at this meeting. Mr. Edwards 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; Ms. Jocelyn Bravo, voting student trustee, Chicago. Mr. Kareem Dale; Mr. Ricardo Estrada; Ms. Naomi D. Jakobsson; Mr. Edward L. McMillan; Ms. Jill B. Smart; Mr. Ali Mirza, student trustee, Urbana; and Mr. Austin Verthein, student trustee, Springfield, attended as guests.

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. Karen M. Whitney, interim chancellor, University of

¹ Per Governor J. B. Pritzker's Executive Order 2020-59.

Illinois at Springfield, and vice president, University of Illinois; Dr. Avijit Ghosh, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; Dr. Joseph T. Walsh Jr., interim vice president for economic development and innovation; and Mr. Gregory J. Knott, secretary of the Board of Trustees and of the University. Mr. Knott introduced Dr. Roy H. Campbell, Sohaib and Sara Abbasi Professor Emeritus of Computer Science, Urbana, and chair of the Finance, Budget and Benefits Committee of the University Senates Conference. Attached is a listing of other staff members and some members of the media in attendance at this meeting.

Mr. Edwards asked if there were any comments or corrections to the minutes from the meeting held August 31, 2020. On motion of Mr. McKeever, seconded by Dr. King, the minutes were approved by the following vote:² Aye, Ms. Bravo, Mr. Cepeda, Mr. Edwards, Dr. King, Mr. McKeever; No, none.

PRESENTATIONS AND BOARD ITEMS

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

² Per 5 ILCS 120/7(e), all votes are conducted by roll call.

Fiscal Year 2021 Operating Budget

Mr. Edwards asked Dr. Ghosh to report on the proposed Fiscal Year 2021 operating budget (materials on file with the secretary). Dr. Ghosh stated that despite the financial challenges faced by the University this year, the year ended positively, and he noted that a surplus fund will help offset revenue loss and costs in Fiscal Year 2021. He described the budget development process for Fiscal Year 2021 and described contributing factors of uncertainty that stem from the coronavirus pandemic. Dr. Ghosh listed costs associated with the pandemic and said that combined with revenue loss, the impact of the pandemic is \$270.0 million. He compared revenue from Fiscal Year 2020 to Fiscal Year 2021 and showed the changes to major revenue categories. Dr. Ghosh told the committee that the budget is comprised of four types of funds and reported on a possible one-time contingency transfer of \$121.3 million from institutional reserves to cover pandemic-related expenses.

Dr. Ghosh discussed the general operating fund and restricted fund and said the University's financial strength is derived from its diversified sources of revenue. He reviewed the proposed budget by unit and reported on tuition by university, and he showed that salaries and benefits are the largest component of expenses. Dr. Ghosh listed budget expense by category and expenditures by function. He concluded his presentation and thanked all who contributed to the creation of the budget. Mr. McKeever remarked on these extraordinary times and commended Dr. Ghosh and his team on the University's financial position.

Fiscal Year 2022 State Budget Request

Mr. Edwards then asked Dr. Wilson to discuss the Fiscal Year 2022 Budget Request. Dr. Wilson began her presentation (materials on file with the secretary) by providing some context to the budget request, referring to the five-year undergraduate tuition freeze from Fiscal Year 2016 through 2020; a 138 percent increase in financial aid over a 10-year period; increased enrollment of Illinois resident undergraduates; and the need to grow faculty to meet student demand. She provided information about undergraduate financial aid and reported on the percent of Illinois resident undergraduates who pay less than full tuition and fees at each university. Dr. Wilson showed charts reflecting increases in student enrollment since 2009 that have not been matched by a growth in tenure system faculty, noting that this has a negative impact on faculty-student ratios.

Dr. Wilson stated that the proposed Fiscal Year 2022 state operating appropriation request is \$673.4 million, which is an increase of 8.3 percent over Fiscal Year 2021. She described the components of the request, which include initiatives to maintain competitiveness and quality and to support facility and technology infrastructure. Dr. Wilson showed the history of State appropriations to the University from 2010 to the present and noted that the appropriation request is below 2017 funding levels when adjusted for inflation. She provided details regarding the Fiscal Year 2022 capital request, the funds of which would be used for repair and renovation, facilities for innovation and workforce development, and academic libraries. Dr. Wilson listed the

projects in each category and said the total capital request for Fiscal Year 2021 is \$602.3 million. Mr. Edwards thanked Dr. Wilson for the presentation.

Capital and Real Estate Items

Mr. Edwards asked Dr. Ghosh to report on recommended capital and real estate items. Dr. Ghosh first discussed the recommendation to approve the project budget to replace mechanical equipment at the Biologic Resources Laboratory at Chicago. Dr. Ghosh explained that the purpose of this project is to upgrade the mechanical and plumbing equipment in the facility to correct deficiencies and meet energy performance requirements. He said this project will also create greater capacity, accommodate growth, and provide support for research programs, some of which require specific levels of humidity. Dr. Ghosh discussed advantages and benefits of the project and discussed funding, stating that the university applied for a National Institutes of Health grant which, if awarded, would provide funding for a portion of the project.

Dr. Ghosh then provided information on the recommendation to amend the professional services consultant and construction manager contract for the Ubben Basketball Complex Expansion in the Division of Intercollegiate Athletics at Urbana. He gave a brief history of the project and said that a professional services contract with HNTB Corporation to continue services through the construction documents phase was previously approved by the Board in July 2020. He said this item recommends amending the contract for the professional services required for the bidding and construction phases of the project. He provided details regarding the contract and associated fees. Dr. Ghosh

said that it is also necessary to amend the construction manager contract with Turner-Clayco Memorial Stadium JV for the bidding and construction phases of the project. He discussed aspects of the contract and reviewed the diverse business utilization for both the professional services consultant and the construction manager. Dr. King asked if consideration is given to companies in Illinois, and Dr. Ghosh discussed procurement processes in Illinois that sometimes make it difficult for vendors to compete on certain projects.

Purchase Recommendations

Dr. Ghosh then reported on purchase recommendations, beginning with the proposed purchase of high performance CubeSat Buses from Blue Canyon Technologies for the Coordinated Science Laboratory at Urbana. He described the need for the equipment and its use in small satellite technology research and said this acquisition will enable the university to maintain its edge over peer institutions in this field. Dr. Ghosh said this is a sole-source purchase because the items are required for research and no other source is able to meet the researcher's documented need.

Dr. Ghosh then discussed the purchase of the Academic Bridge Program for visiting Illinois undergraduate students from Zhejiang University International Campus for the Illinois Abroad and Global Exchange. He said that students from China may not be able to travel from China or have the option for on-campus study, and the Academic Bridge Program would allow for flexibility of attending the university virtually. He

described other aspects of the program and said it is exempt from the usual selection processes of the Illinois Procurement Code.

Next, Dr. Ghosh reported on the recommended purchase from Aramark Healthcare Support Services, LLC for a comprehensive hospital dining services, management, and operations program for the University of Illinois Hospital and Clinics. He listed the type of services and products offered and said that Aramark was the only vendor to fully respond to the Request for Proposal (RFP). He told the committee this purchase is expected to improve quality and patient satisfaction by providing patients, students, staff, and visitors a high-quality food service experience.

Dr. Ghosh provided information on the recommended purchase of prescription Tecfidera and Vumerity for the UI Health Ambulatory Care Pharmacy. He explained these are exempt from competitive selection procedures in accordance with the Illinois Procurement Code and said Tecfidera and Vumerity are used to treat relapsing forms of multiple sclerosis.

Mr. Edwards inquired about the recommended purchase from Aramark and whether the purchase would result in savings compared to keeping this service in-house. Dr. Ghosh responded that it will not but will provide additional services not currently offered. Mr. Michael B. Zenn, chief executive officer, University of Illinois Hospital and Clinics, stated that this is the best approach and noted that this is a critical area of patient satisfaction impacting scores on the hospital's patient survey. He listed the many additional features that would be available with Aramark that would not be possible with the current model. Mr. Edwards clarified that the goal of this purchase is to improve

quality, and Mr. Zenn confirmed this. Mr. Zenn referred to the low scores regarding dietary services and said that many hospitals outsource this function, adding that this was recommended by the hospital's outside consultant. Discussion followed regarding the low response to the Request for Proposal (RFP), and Mr. Lawrence S. Appel, chief financial officer, University of Illinois Hospital and Clinics, stated that the RFP included specific metrics and requirements that may have been a deterrent. He said it also included the continued employment of 70 current hospital staff. Mr. McKeever and Mr. Zenn discussed the potential purchases made by family members and visitors at the hospital, and Mr. Zenn said this was included in the estimate. Mr. Zenn suggested that he could create an estimate of the cost for providing this level of services in-house, as the services that would be provided by Aramark are not the same as those currently provided by the hospital. Mr. Zenn reiterated the importance of the patient experience and need to invest in order to improve, and Mr. Edwards suggested that Mr. Zenn report back to the committee in one or two years to determine whether the anticipated benefits of this purchase were achieved. Dr. King and Mr. Zenn discussed additional aspects of the services that would be provided and restrictions that may have made it difficult for vendors in Illinois to respond to the RFP. Mr. Zenn confirmed that current employees would be retained. Brief discussion followed, and Mr. Zenn stated this would also be discussed at the University Healthcare System Committee meeting the following week.

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

Ms. Bravo left the meeting at 3:59 p.m.

Internal Audit Activity through First Quarter Ended September 30, 2020

Mr. Edwards then asked Ms. Julie A. Zemaitis, executive director of University Audits, to give a report on internal audit activity through the first quarter ended September 30, 2020 (materials on file with the secretary). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2021 through September 30, 2020, and highlighted the addition of co-sourced construction audits, of which 12 are in progress. She showed planned and actual hours, noting ongoing monitoring of risk. Ms. Zemaitis reported on the co-sourced construction audits and said 31 projects have been selected, and she discussed the distribution of these audits and planned audit hours across the three universities. Ms. Zemaitis showed the implementation of audit recommendations, and she reported on year-to-date audit report findings from July 1, 2020, through September 30, 2020. She said there are no high risk findings and that the majority of moderate risk findings are in the area of information technology. Ms. Zemaitis showed the aging of outstanding recommendations by management's original implementation date and said most are not yet due or are in process. She reported on the aging of open recommendations with management's original expected implementation date of Fiscal Year 2020 and prior and said that since September 30, two have been implemented, and the oldest is now closed. She showed the distribution of the recommendations by location throughout the University system. Ms. Zemaitis concluded her presentation, and Mr. Edwards thanked her for the information.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Edwards asked if committee members had any new business to report. Dr. Ghosh relayed to the committee news from the Capital Development Board that funding will be released, which includes funds for the Computer Design Lab at Chicago.

Mr. Edwards announced that the next meeting of this committee is scheduled for Monday, January 11, 2021, at 3:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 4:14 p.m., Mr. Edwards requested a motion for an executive session to consider discussion of minutes of meetings lawfully closed under the Open Meetings Act. On motion of Dr. King, seconded by Mr. Cepeda, this motion was approved by the following vote: Aye, Mr. Cepeda, Mr. Edwards, Dr. King, Mr. McKeever; No, none; Absent, Ms. Bravo.

EXECUTIVE SESSION

Mr. Edwards convened the executive session at 4:15 p.m. All of the committee members were present except Ms. Bravo. Mr. Dale, Mr. Estrada, Ms. Jakobsson, Mr. Mirza, and Mr. Verthein attended as guests. The following were also in attendance: President Timothy L. Killeen; Dr. Barbara J. Wilson, executive vice president and vice president

for academic affairs; Dr. Avijit Ghosh, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; and Mr. Gregory J. Knott, secretary of the Board of Trustees and of the University.

Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act

Mr. Edwards asked Mr. Knott to discuss the recommendation regarding the disclosure of minutes of executive sessions of the Audit, Budget, Finance, and Facilities Committee held May 2012 through November 2019. Mr. Knott outlined the requirement within the Open Meetings Act for public bodies to review minutes, at least twice annually, for purposes of protection of public interest and in the interest of protection of any individual, and to consider whether a need for these materials to be held from release continues. He stated that he has undertaken this review in conjunction with Mr. Bearrows and recommend the release of minutes from November 4, 2019, which state the discussion of review at that time. Mr. Bearrows commented briefly on considerations used in performing the review and the types of topic discussed during executive sessions of this committee. No other minutes were proposed for release at this time.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 4:18 p.m.

AGENDA

At 4:18 p.m., the open session resumed. Mr. Edwards stated that there was one agenda item requiring action by the committee, and Mr. Knott 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. Pursuant to the Act, “[m]inutes of meetings closed to the public shall be available only after the public body determines that it is no longer necessary to protect the public interest or the privacy of an individual by keeping them confidential...” [5 ILCS 120/2.06(f)].

An item from May 2012 through November 2019 that has been heretofore unreleased is 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 matter considered in executive session for the time period above be made available to the public at this time.

The committee action recommended in this item complies 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

November 4, 2019, Audit, Budget, Finance, and Facilities Committee

Mr. Cepeda convened the executive session at 4:53 p.m. All of the committee members were present. The following were also in attendance: President Timothy L. Killeen; Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University.

Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act

Mr. Cepeda asked Ms. Williams to discuss the recommendation regarding the disclosure of minutes of executive sessions of the Audit, Budget, Finance, and Facilities Committee held May 2012 through July 2019. Ms. Williams outlined the requirement within the Open Meetings Act for public bodies to review minutes, at least twice annually, for purposes of protection of public interest and in the interest of protection of any individual, and to consider whether a need for these materials to be held from release continues. She stated that she has undertaken this review in conjunction with Mr.

Bearrows and recommend the release of minutes from May 6, 2019, which state the discussion of review at that time. Mr. Bearrows commented briefly on considerations and the Open Meetings Act. No other minutes were proposed for release at this time.

Mr. Cepeda then asked for the doors to be opened.

On motion of Mr. McKeever, seconded by Dr. King, this recommendation was approved by the following vote: Aye, Mr. Cepeda, Mr. Edwards, Dr. King, Mr. McKeever; No, none; Absent, Ms. Bravo.

COMMENTS FROM THE PRESIDENT AND CHAIR

President Killeen expressed gratitude that capital funds would soon be released and listed the projects benefitting from this funding. He thanked the Board for their support. Mr. Edwards thanked the chancellors and many others for their hard work and expressed appreciation for those attending this meeting.

MEETING ADJOURNED

On motion of Mr. Cepeda, seconded by Dr. King, the meeting adjourned at 4:20 p.m. by the following vote: Aye, Mr. Cepeda, Mr. Edwards, Dr. King, Mr. McKeever; No, none; Absent, Ms. Bravo.

Respectfully submitted,

GREGORY J. KNOTT
Secretary

DONALD J. EDWARDS
Vice Chair

EILEEN B. CABLE
Special Assistant to the Secretary