

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
SEPTEMBER 13, 2021

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, September 13, 2021, beginning at 3:01 p.m.

Trustee Donald J. Edwards, vice chair of the committee, convened the meeting, as Mr. Ramón Cepeda, who serves as chair of the committee, was absent. Mr. Edwards stated that he, as chair of the Board, determined that an in-person meeting would not be practical or prudent due to COVID-19 and that under Section 7(e)(2) of the Open Meetings Act, this meeting would be held virtually. He asked the secretary to call the roll. The following committee members were present: Mr. Donald J. Edwards; Mr. Lester H. McKeever Jr., treasurer;² Ms. Sarah C. Phalen; Mr. Austin Verthein, voting student trustee, Springfield. Mr. Ramón Cepeda was absent. Ms. Naomi D. Jakobsson attended as a guest.

Also present were President Timothy L. Killeen; Dr. Robert J. Jones, chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System; Dr. Michael D. Amiridis, chancellor, University of Illinois Chicago, and

¹ Per Governor J. B. Pritzker's Executive Order 2021-19 and 5 ILCS 120/7(e)(2).

² Mr. McKeever arrived at 3:15 p.m.

vice president, University of Illinois System; Dr. Karen M. Whitney, interim chancellor, University of Illinois Springfield, and vice president, University of Illinois System; Dr. Avijit Ghosh, interim executive vice president and vice president for academic affairs; Dr. Paul N. Ellinger, interim comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Ms. Adrienne Nazon, vice president of external relations and communications; and Mr. Gregory J. Knott, 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. Edwards asked if there were any comments or corrections to the minutes from the meeting held July 12, 2021. On motion of Ms. Phalen, seconded by Mr. Verthein, the minutes were approved by the following roll call vote:³ Aye, Mr. Edwards, Ms. Phalen, Mr. Verthein; No, none; Absent, Mr. Cepeda, Mr. McKeever.

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 September 23, 2021. All proposed agenda items discussed at the meeting are on file with the secretary.

Library, Learning, and Student Success Center, Springfield

³ Per 5 ILCS 120/7(e), all votes are conducted by roll call.

Dr. Ellinger gave some background on the Capital Development Board (CDB) project for the construction of the Library, Learning, and Student Success Center (LLSSC) at Springfield and said that a recommendation to approve the design for the facility would be on the Board's agenda at its September 23, 2021, meeting. He then introduced members of the design team to give a presentation on the proposed design for the facility (materials on file with the secretary). Ms. Ellen Bailey Dickson, managing principal from Bailey Edward, stated that Bailey Edward is the prime architect for this project, and she introduced Mr. Alberto Cavallero, design principal at Pfeiffer, who is also part of the project team. Ms. Dickson highlighted the diversity of the team, with 69 percent of the project awarded to Women Business Enterprise (WBE), Minority Business Enterprise (MBE), and Veteran Business Enterprise (VBE) firms. Mr. Cavallero presented the vision, design principles, and goals for the LLSSC and said that the new facility will provide high-impact services for students that will facilitate student retention and success. He listed the services that will be housed in the LLSSC and showed the space allocated to each. Ms. Dickson told the committee that this structure will complete the Quad, and Mr. Cavallero commented on the building's exterior appearance, which he said will complement the attractiveness of the campus. He discussed the materials to be used in its construction and showed several exterior and interior views of the LLSSC. Mr. Cavallero described the proposed plans for each floor and emphasized the mission-focused design that is intended to be welcoming and open to students. Ms. Dickson reported on sustainability features and said the project should receive a LEED Gold designation.

President Killeen reminded the committee that this facility is possible because of State funding, and he thanked the members of the Office of Governmental Relations for their work at the State level that made this possible. He said the LLSSC represents the completion of the full circle of the vision for the University of Illinois Springfield. President Killeen emphasized the building's student-centered design principles and thanked the team for the design. He highlighted the sustainability features of the building and expressed appreciation for the high rates of participation of underrepresented firms.

Ms. Phalen and Dr. Whitney discussed the reallocation of space as services housed elsewhere at the university are relocated to the LLSSC. Dr. Whitney briefly discussed plans for these spaces and indicated that rehabilitating these spaces will not require extensive funding. Dr. Ellinger expressed appreciation for the governor and legislature for the funding for this project.

Approve Acquisition of Property at 5525 South Pulaski Road, Chicago, Illinois

Next, Dr. Ellinger reported on the recommendation to approve the acquisition of property at 5525 South Pulaski Road, Chicago. He described the square footage and cost of the property to be purchased from Mercy Hospital and Medical Center and said the purchase price, upgrades, and other related expenses would be funded by a \$15.0 million award from the Illinois Department of Healthcare and Family Services (HFS). He told the committee that HFS is investing in improving health outcomes, reducing health disparities, and realigning resources in distressed communities throughout Illinois. He

reported on the allocation of these funds for this project. Dr. Ellinger described the vast number of health disparities in this underserved area. He said the pro forma indicates a positive cash flow, and he told the committee that Dr. Mark I. Rosenblatt, dean of the College of Medicine, Chicago, is available to answer questions. There were no comments or questions from the committee.

Approve Development Agreement for the University of Illinois Research Park

Next, Mr. Edwards asked Dr. Susan Martinis, vice chancellor for research and innovation, Urbana, to discuss the recommendation to approve the development agreement for the University of Illinois Research Park (UIRP). Dr. Martinis told the committee that the UIRP is seeking a developer for specific projects in the southern portion of the Research Park and published a Request for Information (RFI) and Request for Proposal (RFP). She said the RFP committee evaluated the submitted proposals and selected a consortium of developers to propose a new phase of development in the Research Park, which would include retail space, apartments, and rental townhomes. Mr. McKeever inquired about land lease costs, and Dr. Martinis indicated this information could be provided to him after the meeting.

FY 2022 Operations Budget Summary

At 3:33 p.m., Mr. Edwards asked Dr. Ellinger to present a summary of the Fiscal Year 2022 operations budget and discuss the recommendation to approve the operating budget for Fiscal Year 2022. Dr. Ellinger presented the budget development framework and

highlighted aspects of this process. He compared the operations budget from Fiscal Year 2021 to the proposed operations budget for Fiscal Year 2022 and discussed the rationale for the 6.6 percent increase in 2022, noting the impact of COVID-19. He listed the four types of funds that comprise the budget, showed the University System's diversified sources of revenue, and discussed the budget revenue increase, resulting primarily from the reopening of campuses. Dr. Ellinger reported on restricted funds and the increase in funds from sponsored programs. He showed the budget for each unit and tuition revenue by university. He presented expense categories and said that salaries and benefits comprise 50.1 percent of expenses. Dr. Ellinger asked if there were any questions regarding his presentation, and there were none.

Capital and Real Estate Items

Mr. Edwards then asked Dr. Ellinger to report on capital and real estate items. Dr. Ellinger discussed the recommendation to approve the project budget for the Doris Kelley Christopher Illinois Extension Center at Urbana. He provided information about the project, which is made possible through a generous gift of \$45.0 million from Ms. Doris Kelley Christopher, the largest gift ever received by the College of Agricultural, Consumer and Environmental Sciences. Dr. Ellinger said this will allow for the consolidation of Extension programs that are housed throughout the university. Mr. Edwards thanked Ms. Christopher on behalf of the Board.

Dr. Ellinger then discussed the recommendation to approve a construction contract for the soccer field renovation on the south campus in the Department of

Intercollegiate Athletics at Chicago. He described the project and reported on diverse vendor participation rates.

Next, Dr. Ellinger provided information on the recommendation to employ an architect/engineer for the Innovation Center Expansion at Chicago, noting this is a CDB project. He gave some background on the project and said the CDB commenced a professional services consultant selection process in April 2021, resulting in the recommendation to employ Moreno Architects, Ltd., for the required professional services.

Dr. Ellinger reported on the recommendation to annex land at Willard Airport into the Urbana and Champaign Sanitary District and explained that this will allow the Urbana and Champaign Sanitary District to provide sanitary sewer service for the addition of a car wash that is planned as part of the concession agreements with the car rental vendors serving Willard Airport.

Approve Fiscal Year 2022 Services and Management Agreement
for the University of Illinois Foundation

Dr. Ellinger then discussed the recommendation to approve the Fiscal Year 2022 Services and Management Agreement for the University of Illinois Foundation. He stated that the University would provide direct support to the Foundation at an estimated total amount of \$8,020,200 for Fiscal Year 2022. He noted the exact amount may vary depending on actual costs but cannot exceed \$8,020,200.00.

Purchase Recommendations

Dr. Ellinger then reported on purchase recommendations, beginning with the recommended purchase of transfusion medicine services and blood components for UI Hospital and Clinics. He said this purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code, and he described the need for these products at the hospital.

Next, Dr. Ellinger provided information on two recommended change orders. He discussed the recommendation to increase marketing and delivery services for large-scale, low-cost online degree programs from Coursera, Inc. at Urbana. He gave examples of the ways in which these services are used and said the increase is needed to accommodate the rapid growth in electronic course delivery. He noted that these programs are also drivers of tuition growth.

Dr. Ellinger then reported on the recommendation to increase the award amount to Innovista Health Solutions to include payment of out-of-network claims at Chicago. He explained that Innovista Health Solutions provides administrative and management services for CampusCare, a full risk, self-funded student health plan, and for the Managed Care Blue Cross and Blue Shield HMOs Risk Agreements. He said the initial term did not include sufficient payments to Innovista to process and pay out-of-network member claims because the number of such claims had increased due to COVID-19. Dr. Ellinger explained that students were sent home and unable to use in-network providers at UI Health, resulting in increased use of out-of-network providers. He added that Innovista is passing through these funds to the provider of service. Mr.

McKeever referred to an issue with an Innovista subcontractor who is not Business Enterprise Program (BEP) certified in Illinois and asked about the status of work to complete this vendor's BEP certification requirements in the state. Dr. Robert A. Barish, vice chancellor for health affairs, Chicago, and Dr. Rosenblatt told Mr. McKeever that they would get an update and report back to him.

Investment Program Update

At 3:59 p.m., Mr. Edwards asked Ms. Geri Melchiorre, director of investments, to give an investment program update and discuss the recommendation to revise the University of Illinois System Investment Policy Statement. Ms. Melchiorre began her presentation (materials on file with the secretary) by showing the System's financial assets and reporting on the endowment pool, which is comprised of the permanent core and gifts. She presented a chart depicting gift funds by purpose. Next, Ms. Melchiorre showed the asset allocation of the endowment pool and the over/under allocation to policy targets. She discussed the performance of the endowment pool, which outperformed the benchmark for the most recent one-year period. She gave a 10-year summary of gift activity and discussed the operating pool performance and investments strategy, which consists of investing funds across four liquidity layers. Ms. Melchiorre reported on the University System investment program's financial impact, and she gave an update on responsible investing, which focuses on investment strategies that promote diversity and climate-related concerns.

Ms. Melchiorre then discussed the annual investment policy statement review process and gave a brief history of policy changes dating back to 2012. She listed the investment policy statement recommendations and described the rationale for each, and she presented a summary of proposed changes with a chart comparing existing and proposed allocations.

A brief discussion followed regarding aspects of the presentation and the composition of the endowment pool. Mr. Edwards thanked Ms. Melchiorre for the presentation.

Fourth Quarter and Annual Report for Fiscal Year Ended June 30, 2021

At 4:17 p.m., Mr. Edwards asked Ms. Julie A. Zemaitis, executive director of University audits, to present the fourth quarter and annual report for Fiscal Year ended June 30, 2021 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2021, which reflected projects completed by in-house staff, as well as co-sourced construction audits. She noted that two positions in the Office of University Audits were open in Fiscal Year 2021. She presented direct audit hours by type of project and by university or area and said consulting and advisory services were higher in 2021 and 2020. Ms. Zemaitis then showed the Fiscal Year 2021 productivity rate and said more time was spent on training than was planned. Ms. Zemaitis reported on the implementation of audit recommendations in Fiscal Years 2019 through 2021 and discussed high and moderate risk findings from July 1, 2020, through June 30, 2021. She provided information on the aging of outstanding recommendations and presented a

graph reflecting the percentage of recommendations implemented within one and two years. Ms. Zemaitis said the implementation of some recommendations were delayed due to COVID-19. She concluded her presentation, and Mr. McKeever thanked Ms. Zemaitis for her excellent work.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Edwards announced that the next meeting of this committee is scheduled for Monday, November 8, 2021, at 3:00 p.m.

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Ms. Phalen, the meeting adjourned at 4:29 p.m. by the following vote: Aye, Mr. Edwards, Mr. McKeever, Ms. Phalen, Mr. Verthein; No, none; Absent, Mr. Cepeda.

Respectfully submitted,

GREGORY J. KNOTT
Secretary

DONALD J. EDWARDS
Vice Chair

EILEEN B. CABLE
Special Assistant to the Secretary