

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
SEPTEMBER 12, 2022

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in Room 2850, University Hall, 601 South Morgan Street, Chicago, Illinois, on Monday, September 12, 2022, beginning at 3:08 p.m. Attendance via videoconference was available in the Graduate Boardroom, I Hotel and Conference Center, 1901 South First Street, Champaign, Illinois, and the Emmet and Mary Pearson Conference Room, Room 553, 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. Rafael Camacho Jr., voting student trustee, Urbana; Mr. Ramón Cepeda; Mr. Donald J. Edwards; Mr. Lester H. McKeever Jr., treasurer; Ms. Sarah C. Phalen.

Also present were President Timothy L. Killeen; Dr. Avijit Ghosh, interim executive vice president and vice president for academic affairs; Dr. Robert J. Jones, chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System; Dr. Janet L. Gooch, chancellor, University of Illinois Springfield, and vice president, University of Illinois System; Dr. Paul N. Ellinger, interim comptroller (and vice president/chief financial officer); Dr. Joseph T. Walsh Jr., vice president for

economic development and innovation; Ms. Adrienne Nazon, vice president for 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. Cepeda asked if there were any comments or corrections to the minutes from the meeting held on July 11, 2022. On motion of Mr. McKeever, seconded by Mr. Edwards, the minutes were approved. There were no nay votes.

PRESENTATIONS AND BOARD ITEMS

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 September 22, 2022. All proposed agenda items discussed at the meeting are on file with the secretary.

Operating Budget Summary

Mr. Cepeda asked Dr. Ellinger to present the Fiscal Year 2023 operating budget summary. Dr. Ellinger introduced Ms. Sandy Street, assistant vice president of planning and budgeting. He said he would provide a full presentation on the operating budget at the full meeting of the Board and that the financial results would be shared at the Board's November meeting. Dr. Ellinger provided background on the operating budget process and said it is built around three pillars: enhancing academic excellence and priorities; preserving affordability for students; and maintaining health and safety for students and staff. He said the total budget, including payments on behalf, reflects a 6.6 percent

increase over the previous year, and a 7.7 percent increase excluding payments on behalf. Dr. Ellinger provided information about payments on behalf and the four areas of the budget and told the committee that the largest expense is salary and benefits. He indicated that an evaluation of the impacts of cost and inflation are underway.

Approve Fiscal Year 2023 Services and Management Agreement for the University of Illinois Foundation

Dr. Ellinger then reported on the recommendation to approve the Fiscal Year 2023 Services and Management Agreement for the University of Illinois Foundation. He reviewed aspects of the agreement and described the responsibilities of the University of Illinois Foundation. He said the University will provide direct support for the Foundation at an estimated \$8,067,900 for the Fiscal Year 2023.

Capital and Real Estate Items

Mr. Cepeda then asked Dr. Ellinger to report on capital and real estate items. Dr. Ellinger first discussed the recommendation to approve actions for the development, construction, and financing of the South Campus Center for Interdisciplinary Learning (SCCIL) and E15 Parking Facility, Urbana, both of which are public-private partnership projects. He reported on the purpose and cost of the SCCIL and asked Dr. Jeffrey R. Brown, dean of the Gies College of Business, to provide additional information. Dr. Brown stated that this project fulfills critical needs at the university and described the exceptional growth in the Gies College of Business over the past six years. He said the SCCIL would provide

space for traditional instruction and would also support the growth of online courses with the addition of seven studios, noting that these studios would serve as a shared campus resource, in addition to their use by Gies College of Business faculty. Dr. Brown said the SCCIL would also include spaces for student teams working on client projects and would provide offices for faculty and staff, some of whom are currently using rented space off site. Discussion followed, and Dr. Brown referred to the growth in online enrollment. Mr. Edwards and Mr. Cepeda expressed concern regarding the project's high construction costs, and Mr. Bruce Walden, senior director of real estate planning and services, said he would provide a breakdown of costs, particularly those related to the expense of a LEED Platinum and Net Zero targets. Mr. Edwards remarked on the balance of sustainability and cost and the appropriate use of university resources. Dr. Brown referred to fundraising success and the interest in sustainability from some donors, and Mr. Edwards commented that while sustainability is an important goal, the university has other needs. He said that additional information is needed to make an informed decision. President Killeen thanked the trustees for their comments and said that detailed information regarding the costs for the project will be provided, noting that the University needs to move toward increased sustainability.

Dr. Ellinger then reported on the E15 Parking Facility project at Urbana and said this parking structure would replace the parking spaces eliminated by the SCCIL facility at the E12 parking lot. Dr. Jones said the parking facility would be pre-wired for charging stations that will likely be needed in the future. Brief discussion followed regarding revenue and use by faculty and staff.

Next, Dr. Ellinger provided information on the recommendation to approve the project and employ an architect/engineer for the College of Medicine East Tower Façade Repairs, Chicago. Dr. Ellinger stated that an architect performed a critical analysis of the building envelope of the College of Medicine East Tower and concluded the building envelope had exceeded its useful life, was severely deteriorated, and should be repaired through a capital project. He said the total project is estimated at \$20.7 million, of which the State released \$20.0 million. He said the University will fund the remaining \$700,000 of the total project budget.

Dr. Ellinger then discussed the recommendation to approve a professional services consultant contract for UI Hospital Clinical Decision Unit and Cancer Care Expansion, University of Illinois Hospital, Chicago. He gave a brief history of the project and said that for the next phase of the project to proceed, it is necessary to employ an architect/engineer to provide professional services.

Next, Dr. Ellinger reported on the recommendation regarding the determination of surplus real estate and the delegation of authority to the comptroller to sell surplus real estate at Urbana. He said two residential lots located at 2806 and 2808 Castlerock Drive, Urbana, were donated to the university by the Atkins Group in 2020, along with the Atkins Golf Course. He said the two lots were intended to be used for the potential construction of a chancellor's residence, but the size and location would not provide for the needs of such a proposed facility to host events and provide hospitality and parking. He said the Atkins family has given their approval for the sale of the lots, and he told the committee that this recommendation would deem the lots as surplus

property and would authorize the comptroller to conduct the business necessary to complete the sale.

Purchase Recommendations

Dr. Ellinger then reported on a recommendation to purchase ID NOW COVID-19 testing kits and supplies for the UI Hospital Laboratories from Fisher Scientific Company LLC. He said these are used for testing patients for COVID-19 and that the estimated cost is based on current use of 55 test kits per week. Mr. Cepeda remarked on the low number of purchase recommendations being forwarded to the Board for approval.

Investment Program Update

At 3:52 p.m., Mr. Cepeda asked Dr. Ellinger and Ms. Geri Melchiorre, director of investments, to give an investment program update. 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 endowment funds. She showed the structure of the Investment Office and commented on the market environment, which she said had the worst start in 50 years. Ms. Melchiorre reported on losses, reviewed investment priorities, and showed the endowment pool asset allocation. She presented endowment pool performance and a 10-year summary of endowment activity, and she reported on operating pool positioning and operating pool performance. Ms. Melchiorre described the financial impact of the endowment pool, operating pool, and endowment farms distributions and provided

information about the responsible investment program and endowment pool diversity metrics. Discussion followed regarding performance and the comparison to the benchmark. Mr. Edwards requested information to help him gain a greater understanding of the benchmark and fees, and Ms. Melchiorre said she would provide this. Additional discussion followed regarding benchmark choice, and Mr. Edwards indicated he would discuss fees, performance, and the benchmark with Ms. Melchiorre after the meeting.

Fourth Quarter and Annual Report for Fiscal Year ended June 30, 2022

Next, Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present the fourth quarter and annual report for Fiscal Year ended June 30, 2022 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2022 and said that three audits were withdrawn due to a conclusion of low risk. She said more hours were spent on emerging issues and follow-up than was planned. Next, Ms. Zemaitis presented the audit plan completion status for co-sourced construction audits and discussed the process for those audits. She showed direct audit hours by type of project and by university or area, noting that there are variations in area of focus from year to year, and presented the Fiscal Year 2022 allocation of audit staff productivity rate. Ms. Zemaitis reported on the implementation of audit recommendations in Fiscal Years 2020 through 2022 and discussed high and moderate risk findings from July 1, 2021, through June 30, 2022. She provided information on the aging of outstanding recommendations, noting that none are high risk, and presented a graph reflecting the percentage of recommendations implemented within one and two years.

Mr. McKeever asked if the construction audits are expected to impact cost, and Ms. Zemaitis indicated this is likely due to some streamlining.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda asked if there was any new business. He referred to the diversity report provided by Dr. Ellinger, noted the substantial increase in year-to-year diversity spend, and agreed with Dr. Ellinger that there is work to do to continue to enhance diversity procurement and spending. Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, November 7, 2022, at 3:00 p.m. in Room 2850, University Hall, 601 South Morgan Street, Chicago, with videoconference sites in the Graduate Boardroom, I Hotel and Conference Center, 1901 South First Street, Champaign; and the Emmet and Mary Pearson Conference Room, Room 553, Public Affairs Center, One University Plaza, Springfield.

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Mr. McKeever, the meeting adjourned at 4:28 p.m. There were no “nay” votes.

Respectfully submitted,

GREGORY J. KNOTT
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary