

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

MAY 17, 2023

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in Heritage Hall, I Hotel and Conference Center, 1901 South First Street, Champaign, Illinois, on Wednesday, May 17, 2023, beginning at 2:15 p.m.

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; Mr. Lester H. McKeever Jr., treasurer; and Mr. Wilbur C. Milhouse III. Ms. Sarah C. Phalen was absent. Ms. Tami Craig Schilling; Mr. Joseph Gutman; Mr. Rafael Camacho Jr., voting student trustee, Urbana; and Mr. Mohammed A. Haq, student trustee, Chicago, attended as guests.

Also present were President Timothy L. Killeen; Dr. Nicholas P. Jones, 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, comptroller (and vice president/chief financial officer); Ms. Adrienne Nazon, vice president of external relations and communications; Mr. Thomas R. Bearrows, University counsel; and Dr.

Jeffrey A. Stein, secretary of the Board of Trustees and of the University. Attached is a listing of others in attendance at this meeting.

OPENING REMARKS

Mr. Cepeda welcomed everyone to the meeting and invited Dr. Ellinger to make some remarks. Dr. Ellinger highlighted the graduation of the first cohort of the inaugural diverse supplier development program. He stated that 25 individuals graduated and said an expansion of the program is underway. President Killeen acknowledged the efforts of Mr. Aaron Carter, assistant vice president of procurement services, and said that Mr. Carter was responsible for the idea of involving students to help solve business challenges. Dr. Ellinger then reported on the bond rating increase from Moody's and discussed the rationale for the change. He also announced that the Campus Instructional Facility at Urbana was presented with the 2022 Capitol Award from the American Institute of Architects Illinois and said this is the highest award given by that body. He said the project was a team effort and recognized Mr. Michael J. Devocelle, associate dean for finance and administration, The Grainger College of Engineering, Urbana, for his leadership on the project. Mr. Devocelle presented the 2022 Capitol Award plaque to Dr. Robert Jones. Dr. Ellinger then recognized Mr. Qu Kim, director of facilities, The Grainger College of Engineering, Urbana; Mr. Bruce Walden, senior director of real estate services; Ms. Sarah Crane, senior director of capital financing; and Mr. Douglas Reddington, associate director for capital delivery, real estate services. Dr. Ellinger noted that some alums were critical to the project's success, and he thanked all involved for

their contributions.

Mr. Cepeda thanked Dr. Ellinger for the remarks and said that the facility is an excellent example of a student-facing building that encompasses the human experience while working toward transformation. He said photos with the plaque would be taken at the end of the meeting.

Mr. Cepeda then asked if there were any comments or corrections to the minutes from the meeting held on March 29, 2023. On motion of Mr. McKeever, seconded by Mr. Edwards, the minutes were approved. There were no “nay” votes.

REVIEW OF RECOMMENDED BOARD ITEMS
FOR THE MEETING OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF ILLINOIS ON MAY 18, 2023

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 May 18, 2023. All proposed agenda items discussed at the meeting are on file with the secretary.

Rename the Undergraduate Library, Urbana

Mr. Cepeda asked Dr. Ellinger to discuss the recommendation to rename the Undergraduate Library as Archives and Special Collections. Dr. Ellinger referred to plans to transform the Undergraduate Library into an archives and special collections facility and said that the Board approved the project budget and design in 2022. He said the proposed renaming will better reflect the building’s new purpose.

Approve Preliminary Operating Budget for Fiscal Year 2024

Dr. Ellinger then reported on the recommendation to approve a preliminary operating budget for Fiscal Year 2024 and explained that the actions of the State, including a determination of the State appropriation, will conclude after the last Board meeting of this fiscal year. He said this process of approving a preliminary operating budget is required by State statute and enables the University to continue operations and pay its bills. Dr. Ellinger told the committee that the final budget based on the State appropriation will be brought to the Board in September. He said this recommendation authorizes expenditures at levels reflected in the current Fiscal Year 2023 budget.

Delegate Authority to the Vice President/Chief Financial Officer and Comptroller to Refund Outstanding Health Services Facilities System Revenue Bonds

Mr. Cepeda asked Ms. Crane to discuss the recommendation to delegate authority to the vice president/chief financial officer and comptroller to refund outstanding health services facilities system revenue bonds. Ms. Crane stated that a stand-alone refinancing is pursued when the transaction will produce at least a 3 percent present value savings. She reported on Health Services Facility System Revenue Bond Series 2013 and said that in the current market, the estimated amount of the loan is approximately \$71.0 million. Ms. Crane said refunding these bonds will result in a minimum present value savings of \$2.1 million. She noted that the transaction will only proceed at the discretion of the chief financial officer and if it is in the best interest of the System. She said the results of the

sale will be shared with the Board following a successful closing, and she listed the members of the financing group.

Capital and Real Estate Items

Mr. Cepeda then asked for a discussion of recommended capital and real estate items. Dr. Ellinger first shared information regarding the recommendation to approve the project budget for the Small Animal Clinic Oncology Center Addition, Veterinary Teaching Hospital, Urbana. He gave a history of the project and said it will add 20,373 gross square feet to the existing building to support the increasing demand for oncology services. He described the rationale for the proposed budget increase, which he said includes an increase in project costs. Dr. Ellinger told the committee that the proposed location on the south side of the Small Animal Clinic constitutes a deviation from the 2017 Campus Master Plan and said it has been reviewed and recommended by the site selection committee. He referred to growth in the field of oncology and said the project will be funded by institutional funds operating budget of the University of Illinois Urbana-Champaign and gift funds.

Next, Dr. Ellinger reported on the recommendation to approve the design for the Doris Kelley Christopher Illinois Extension Center, Urbana. He described the project and said a design presentation would be given later in the meeting.

Dr. Ellinger then discussed the recommendation to approve the project budget and award a construction contract for the project to replace air handling units and booster coils at Student Center East, Chicago. He gave a history of the project and

described the scope of the work to be completed. He reported on the rationale for the proposed budget increase and said that the diversity vendor participation rate for the proposed contract is 45 percent.

Next, Dr. Ellinger discussed the recommendation to approve the professional services consultant contract for the project to renovate Taft Hall, Chicago. Dr. Ellinger provided information about the scope of the project and its history and said a professional services consultant selection process was initiated in October 2022. He told the committee that the interim chancellor, University of Illinois Chicago, and vice president, University of Illinois System, with the concurrence of the appropriate administrative officers, recommends that Gensler Architecture, Design & Planning, P.C. of Chicago, IL, be employed for the professional services required for this project. Dr. Ellinger discussed the firm's fee and said funds for this project are available from the Auxiliary Facility System Repair and Replacement Reserve Funds and the Activity, Storeroom, and Service Funds of the University of Illinois Chicago. He reported on the diverse vendor participation rate of 37 percent.

Next, Dr. Ellinger reported on the recommendation to award a construction contract for the Harrison Street Parking Structure, Phase 2 Structural Repairs, Chicago. He described the objective of the project and scope of work to be completed. He said that due to the age of this structure, these repairs are necessary to keep the parking structure safe and operational. Dr. Ellinger said the interim chancellor, University of Illinois Chicago, and vice president, University of Illinois System, with the concurrence of the appropriate administrative officers, recommends that a contract be awarded to Golf

Acquisition Group, LLC, and he reported that the diverse vendor participation rate is 38 percent.

Lastly, Dr. Ellinger discussed the recommendation to award a construction contract for the School of Public Health and Psychiatric Institute Building envelope repair project at Chicago. He said the building envelope had exceeded its useful life, is severely deteriorated, and in need of repair. He gave a history of the project and said the interim chancellor, University of Illinois Chicago, and vice president, University of Illinois System, with the concurrence of the appropriate administrative officers, recommends that a contract be awarded to AGAE Contractors, Inc. He reported that the diverse vendor participation rate is 33 percent.

Mr. Cepeda asked if there were any questions about the capital items that Dr. Ellinger presented, and there were none. Mr. Cepeda noted that the Board takes these projects and their costs seriously and gives thorough considerations to each.

Purchase Recommendations

Mr. Cepeda then asked Dr. Ellinger to report on purchase recommendations. Dr. Ellinger reported on the recommendation to purchase five-year extended service for maintenance, repair services, replacement parts, and unlimited overhaul for two solar turbine generators from Solar Turbines, Inc. for facilities and services at Urbana. He said this purchase is a sole-source purchase in accordance with the Illinois Procurement Code and, as such, does not have established Business Enterprise Program (BEP) goals.

Dr. Ellinger then provided information on the recommended purchase of

respiratory panel test kits for the University of Illinois Hospital and Clinics. He said this purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code and, as such, does not have established BEP goals, and he referred to the increased demand for these disposable test kits.

Next, Dr. Ellinger reported on the recommended purchase of a facility condition assessment, which would involve a System-wide, full-scale assessment of the condition of the buildings on each campus. He said this has not been done since 2003. He reported that the BEP goal for this solicitation is 30 percent with a Veteran-Owned Small Business (VSB) goal of 3 percent. He said the vendor identified a BEP-certified subcontractor with a participation rate of 35 percent, and he told the committee that the vendor submitted executed Letters of Intent for the proposed subcontracts.

Dr. Ellinger then reported on recommended change orders, beginning with the recommended purchase of computerized ticketing and marketing services for athletic events, concerts, and other community and campus-based events produced, promoted, scheduled, or sponsored by the Division of Intercollegiate Athletics at Urbana. He said this purchase is exempt from the usual Illinois Procurement Code selection process and, as such, does not have established BEP goals.

Dr. Ellinger discussed the recommended change order of an existing agreement with Monterrey Security Consultants, Inc. for unarmed security guard services for crime prevention throughout the University of Illinois Chicago campus. He said competitive selection procedures were followed in accordance with the Illinois Procurement Code. He told the committee that a request for proposal was issued in 2018,

and that a contract was successfully negotiated with United Security Services, Inc., and Monterrey Security Consultants, Inc., for the period beginning September 10, 2018, through September 9, 2022, with the option to renew for three two-year periods. He said the award did not require Board approval at that time because the estimated spend was below the threshold for Board review and approval. Dr. Ellinger stated that the UIC Police Department has increased the use of unarmed security guards through Monterrey Security Consultants, Inc. to provide additional indoor fixed post positions, outdoor roving patrols, and vehicle patrols of the parking garages, and he said the level of use is not expected to decrease. He reported that the vendor also requested an increase in bill rates. He informed the committee that Monterrey Security Consultants, Inc. is now Minority Business Enterprise (MBE) certified with the City of Chicago and can self-fulfill the BEP goal.

Mr. Edwards and Mr. John Coronado, vice chancellor for administrative services, Chicago, discussed the contract and renewal terms, and Mr. Coronado stated that the cost for this renewal period compared to prior years is estimated to increase 20 percent due to wages. Mr. Edwards verified that this is an hourly contract for an estimated \$4.62 million.

Dr. Ellinger then reported on a related change order of an existing agreement with United Security Services, Inc. for unarmed security guard services at various UI Health hospital and clinic locations throughout the University of Illinois Chicago campus. He noted that this is the same request for proposal (RFP) and contract that was discussed for the recommended change order with Monterrey Security

Consultants, Inc. He described the need for increased contracted security staff at health-care locations and said that United Security Services, Inc. has provided these services since the implementation of security protocols beginning in 2020. He stated that the ability to provide critical health care is directly related to the ability to provide a safe environment. Mr. Coronado told the committee that an RFP for security services was recently released with the intent to enter a larger bidding pool and achieve better pricing. Dr. Ellinger noted that United Security Services, Inc. has experience providing security services in a health-care environment. Mr. Edwards clarified that while the contract is with the Office of the Vice Chancellor for Administrative Services, UI Health pays for these services. He then asked about an analysis of unarmed security services, including the value, need, and the best way to balance it with armed security. He noted that the cost of unarmed security services is large and has grown over time. Mr. Coronado referred to a layered approach and said the hospital articulates its security needs.

Mr. Edwards and Mr. Coronado discussed the use of unarmed security throughout the Chicago campus, and Mr. Coronado said that decisions are made based on the expertise and knowledge of the UIC Police. He said hiring additional in-house security staff has been difficult. Mr. Gutman asked if data reflecting the number of incidents has been used to influence these decisions, and Mr. Coronado stated that the crime logs are monitored. He referred to crime beyond the perimeter of the campus and said that some of the increased use of unarmed security guard services at the hospital is intended to help employees feel safer. President Killeen added that the increased use of unarmed security services is also in response to events elsewhere. Mr. Edwards stated

that he would like to understand the best way to optimize the mix of campus security, police, armed outsourced security, and unarmed outsourced security. President Killeen thanked the Board for approving the emergency purchase of weapon detection systems for the hospital, and he and Mr. Coronado commented on the impact of those systems. Mr. Gutman expressed interest in learning more about the topic of security and said he would appreciate a short presentation on this matter.

There were no objections to these items being forwarded to the full Board for approval.

PRESENTATIONS

Design for Doris Kelley Christopher Extension Center

Next, Mr. Cepeda asked Ms. Ellen Bailey Dickson, principal and lead programmer, and Mr. Robert Benson, lead designer, Bailey Edward Design, Inc., to give a presentation on the design for the Doris Kelley Christopher Extension Center (materials on file with the secretary). Ms. Bailey Dickson provided information about the project, its goals, and the ways in which the building will be used. She said they are aiming for Zero Net Carbon, LEED Platinum, and WELL Platinum certifications. She provided information about the project team and said the firm is a Woman Business Enterprise (WBE). Mr. Benson showed the campus master plan, presented the site and roof design, and shared the first floor plan. He showed renderings of various views and perspectives, concluding with the rooftop garden. Mr. Milhouse asked if any African American firms were being used, and Ms. Bailey Dickson stated that while no African American firms are being used, two

MBE and one Veteran Business Enterprise firm are part of the project. She added that Bailey Edwards is also a WBE firm. Mr. Cepeda thanked Ms. Bailey Dickson and Mr. Benson for the presentation.

Fiscal Year 2022 External Audit Compliance Update

Mr. Cepeda asked Mr. William A. Patterson, assistant vice president of business services, University Bursar, to give a Fiscal Year 2022 external audit compliance update (materials on file with the secretary). Mr. Patterson stated that this is the second year with audit firm RSM, who the State Auditor General has appointed. He discussed the audit findings for Fiscal Year 2022 and said that there was a total of 19 findings, noting that the average number of findings is 27. Mr. Patterson provided details about the six federal compliance audit findings and said corrective actions have been implemented to address each. He told the committee that there were six repeat and three new State compliance audit findings, and he provided details about each. He referred to a commitment toward continuous improvement and said that the 12 audit findings that were resolved between Fiscal Year 2021 and 2022 are no longer included in the report, a demonstration of that commitment. Mr. Patterson concluded the presentation, and Mr. Cepeda asked if there were any questions. Mr. McKeever inquired about repeat findings and whether these will appear again next year. Mr. Patterson referred to incremental improvements and the possibility of regulatory relief and said he expects the downward trend to continue. Mr. McKeever commended Mr. Patterson for the progress in this area and said he sees improvements with each audit. He added that he knows administration takes these findings very

seriously.

Mr. Edwards referred to the repeat findings and said he would expect that these could be resolved from one year to the next. As an example, he highlighted the finding dealing with untimely vehicle accident reporting and said this would not appear to be difficult to address. Mr. Patterson indicated that in some instances, new systems are being implemented, and the development cycle causes a delay. He said that in this example, new systems are being developed to make it easier for employees to report vehicle accidents. Discussion followed regarding repeat findings and long- and short-term solutions to address these findings. President Killeen indicated that all findings are taken seriously and said that the overall trend is decreasing each year. Mr. Cepeda echoed Mr. Edwards's remarks about the finding on untimely vehicle accident reporting and expressed concern regarding repeat offenders. Mr. Edwards and Mr. Patterson briefly discussed the role of education, and Mr. Edwards asked if there is a time line and plan for addressing repeat findings. Mr. Patterson and Dr. Ellinger stated they would prepare a document outlining a remediation plan for repeat findings, along with a time line and accountability chain. Mr. Cepeda expressed appreciation for the discussion.

Summary of Internal Audit Activity through Third Quarter Ended March 31, 2023

Next, Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present a summary of audit activity for the third quarter ended March 31, 2023 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2023 noted that there had been two open positions in the Office of University

Audits during the first half of the year, both of which have been filled. She presented the audit plan completion status for co-sourced construction audits. Next, she reported on the implementation of audit recommendations in Fiscal Years 2021 through 2023 and showed the year-to-date audit report findings from July 1, 2022, through March 31, 2023, by functional area and level of risk. She provided information on the aging of outstanding recommendations by management's original expected implementation date, stating that 18 were due in the prior fiscal year. Ms. Zemaitis showed the aging of outstanding recommendations by risk and priority rating and said that the three oldest recommendations have been implemented. Lastly, she showed the aging of outstanding recommendations by location. Mr. Cepeda thanked Ms. Zemaitis for the report. Dr. Ellinger noted that it is Internal Audit Awareness Month, and Ms. Zemaitis credited the staff in the Office of University Audits on their hard work. Mr. McKeever stated that the positive trends shown in the presentation reflect the dedication of the Office of University Audits and said he hopes to see the same progress with external audits. President Killeen commented on the healthy working relationship between administration and the Office of University Audits and remarked on the culture of continuous improvement.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

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

MOTION FOR EXECUTIVE SESSION

At 3:35 p.m., Mr. Cepeda stated: “A motion is now in order to hold an executive session to consider discussion of minutes of meetings lawfully closed under the Open Meetings Act.” On motion of Mr. Gutman, seconded by Mr. Edwards, the motion was approved. There were no “nay” votes.

EXECUTIVE SESSION

Material redacted pursuant to the Illinois Open Meetings Act (5 ILCS 120/2.06d)

EXECUTIVE SESSION ADJOURNED

With no additional questions or comments, the executive session ended at 3:38 p.m.

REGULAR MEETING RESUMED

The meeting resumed at 3:38 p.m., with all committee members recorded as being present at the start of the meeting in attendance.

Mr. Cepeda stated that there was one agenda item requiring action by the committee, and Dr. Stein read aloud the title of the item, “Disclose Certain Minutes of Executive Sessions Pursuant to Open Meetings Act.” The committee agreed that one 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 September 2010 through November 2022 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 of Illinois System concurs.

Executive Session Minutes Released to Public

November 7, 2022, Audit, Budget, Finance, and Facilities Committee

Mr. Cepeda convened this executive session at 4:01 p.m. All committee members were present. The following were also in attendance: President Timothy L. Killeen; Dr. Avijit Ghosh, interim executive vice president and vice president for academic affairs; 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. Cepeda asked Mr. Knott and Mr. Bearrows to discuss the minutes that had been sequestered under the Open Meetings Act. Mr. Knott outlined the requirement within the Open Meetings Act for public bodies to review minutes, at least twice annually, for purposes of the public interest and in the interest of individual privacy, and to consider whether a need for these materials to be held from release still exists. Mr. Bearrows stated that he and Mr. Knott reviewed the minutes that are sequestered under the Open Meetings Act, and he referred to guidelines used to determine whether the need for confidentiality continues. Mr. Bearrows described the topics discussed in the sequestered minutes from this committee and stated that the only sequestered minutes recommended for release at this time relate to the discussion of sequestered minutes from May 9, 2022. No members of the committee disagreed with this recommendation.

On motion of Mr. Gutman, seconded by Mr. Milhouse, this recommendation was approved. There were no “nay” votes.

MEETING ADJOURNED

Mr. Cepeda announced that the next meeting of this committee is scheduled for Wednesday, July 19, 2023, at 2:15 p.m., at Chicago. On motion of Mr. Edwards, seconded by Mr. Gutman, the meeting adjourned at 3:39 p.m. There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary