

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE  
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS  
SEPTEMBER 20, 2023

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in the Student Dining and Residential Programs Building, Multi-purpose Room 2025 B and C, 301 E. Gregory Drive, Champaign, Illinois, on Wednesday, September 20, 2023, beginning at 3:12 p.m.

Trustee Donald J. Edwards, vice chair of the committee, convened the meeting and asked the secretary to call the roll. The following committee members were present: Mr. Donald J. Edwards; Mr. Kyle Ingram, student trustee, Springfield; Mr. Lester H. McKeever Jr., treasurer; Mr. Wilbur C. Milhouse III; Ms. Sarah C. Phalen; Ms. Sanchita Teeka,<sup>1</sup> student trustee, Urbana. Mr. Ramón Cepeda was absent. Ms. Tami Craig Schilling; Mr. Joseph Gutman; Mr. Mohammed A. Haq, voting student trustee, Chicago; and Ms. Patricia Brown Holmes 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. Marie Lynn Miranda, chancellor, University of Illinois Chicago, and

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<sup>1</sup> Ms. Teeka arrived at 3:13 p.m.

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); Dr. Joseph T. Walsh Jr., vice president for economic development and innovation; 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.

#### OPENING REMARKS

Mr. Edwards welcomed everyone to the meeting and highlighted support from Governor J. B. Pritzker and the Illinois General Assembly. He referred to the 7 percent increase in State funding to the University and said it is an impactful investment in the University that will provide resources for programs that support student success, attract and retain faculty and staff of the highest caliber, and engage the University's public and private partners throughout the state.

Mr. Edwards then asked if there were any comments or corrections to the minutes from the meeting held on July 19, 2023. On motion of Ms. Phalen, seconded by Mr. Milhouse, 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 SEPTEMBER 21, 2023

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 21, 2023. All proposed agenda items discussed at the meeting are on file with the secretary.

#### Approve Operating Budget for Fiscal Year 2024

Mr. Edwards asked Dr. Ellinger to discuss the recommendation to approve the University of Illinois System's operating budget for Fiscal Year 2024. Dr. Ellinger noted that a preliminary budget was approved by the Board at its May 2023 meeting. He stated that the *Budget Summary for Operations FY2024* (BSO) is a 156-page document that summarizes the System-wide budget, budgets for each university, and detailed college-level budget schedules. He indicated the BSO was provided to members of the Board. Dr. Ellinger introduced Ms. Sandy Street, senior assistant vice president of planning and budgeting, who he said plays a crucial role in overseeing this critical process and collaborates with campus units to ensure the accurate inclusion of all relevant information. He thanked Ms. Street for her contributions. Dr. Ellinger described the process behind the development of the budget and said the recommended budget for Fiscal Year 2024 is \$7.8 billion. He listed the four major categories of funds that comprise the total operating budget and described the growth in each area. He discussed expenses and the impact of inflation and said he would provide an in-depth presentation on the operating budget at the full meeting of the Board the following day.

#### Approve Fiscal Year 2024 Services and Management Agreement for the University of Illinois Foundation

Dr. Ellinger then reported on the recommendation to approve the Fiscal Year 2024 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 \$8,261,000 for the Fiscal Year 2024.

Delegate Authority to the Comptroller to Initiate a Public-Private Partnership  
Pre-Development Process and to Enter into Related Agreements  
to Construct the Grenshaw Street Parking Structure, Chicago

Mr. Edwards asked Mr. John Coronado, vice chancellor for administrative services, Chicago, and Mr. Bruce Walden, senior director for real estate planning and services, University of Illinois System, to provide information about the recommendation to delegate authority to the comptroller to initiate a public-private partnership pre-development process and to enter into related agreements to construct the Grenshaw Street Parking Structure, Chicago. Mr. Walden provided information about the process and plan, and Mr. Coronado described the need for the parking structure, which he said is driven by a combination of growth in hospital and clinics, patient volume, the loss of parking associated with the construction of the UI Health Specialty Care Building, and future construction projects. He said a feasibility study has been conducted and that the project is consistent with the campus master plan. Mr. Edwards referred to the estimated cost of \$65.0 million for the project and said it has been appropriately scrutinized by the trustees.

### Approve Construction Manager Contract for Renovate Taft Hall, Chicago

Next, Dr. Ellinger discussed the recommendation to approve a construction manager contract for the Renovate Taft Hall project at Chicago. He gave a history of the project, described the scope of work, and reported on the firm's fee. He said the contract has a diverse vendor participation rate of 33 percent, comprised of Women Business Enterprise (WBE) and Veteran Business Enterprise (VBE) firms.

### Approve Design for Innovation Center Expansion, Chicago

Dr. Ellinger then shared information regarding the recommendation to approve the design for the Innovation Center Expansion project at Chicago. He gave a history of the project and described the location. He told the committee that a design presentation would be provided later at this meeting.

### Employ Architect/Engineer for Renovation of the UIS Innovation Center, Springfield

Dr. Ellinger reported on the recommendation to employ an architect/engineer for renovation of the UIS Innovation Center at Springfield. He described the scope of the project and its location and said it is a Capital Development Board project.

### Purchase Recommendations

Mr. Edwards then asked Dr. Ellinger to report on purchase recommendations. Dr. Ellinger shared information regarding the recommended purchase of a molecular beam

epitaxy system from Veeco Process Equipment, Inc. for the Nick Holonyak, Jr. Micro and Nanotechnology Laboratory at Urbana. He said this is considered a sole-source purchase because items are required for research, and no other source can meet the researcher's documented need.

Dr. Ellinger then discussed the recommendation to purchase individually ventilated housing systems for an upgrade to the Biologic Resources Laboratory (BRL), Chicago, for the period of October 6, 2023, through June 30, 2024, from Allentown, LLC. He told the committee that the Office of the Vice Chancellor for Research was awarded a five-year grant from the National Institutes of Health (NIH) to enhance the university's preclinical modeling capabilities and expand vivarium laboratory facilities to link research opportunities with the capability to generate and characterize models of human disease. Dr. Ellinger said the BRL plays a pivotal role in providing direct and indirect support to the university's biomedical research programs and is in need of renovation, including upgrades to essential elements of the heating, ventilation, air conditioning, and electrical systems. He described the benefits of the use of individually ventilated housing systems. Dr. Ellinger indicated the purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code Business Enterprise Program, and as such, Business Enterprise Program (BEP) goals are not established.

Dr. Ellinger reported on the recommended purchase of disposable supplies for the UI Hospital Electrophysiology Laboratory at Chicago for the period of September 28, 2023, through September 28, 2025, from Johnson & Johnson Health Care Systems.

He stated that the purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code, and as such, does not have established BEP goals. Dr. Ellinger said the Electrophysiology Laboratory diagnoses and treats irregular heart rhythms and evaluations of the electrical conduction pathways of the heart, and that these procedures require the purchase of vendor-specific disposable supplies. He referred to the increased volume in procedures necessitating this purchase.

Next, Dr. Ellinger discussed the recommended purchase of implants and accessories used in spinal fusion and fixation surgical cases for the period of October 1, 2023, through June 30, 2028, for UI Hospital and Clinics from ATEC Spine, Inc. He stated that UI Hospital surgeons began using spinal implants and fixation devices from ATEC Spine in 2022 and said there is a strong preference for these devices, resulting in better fusion rates and allowing surgeons to place implants and screws with improved alignment and less patient movement. Dr. Ellinger emphasized the importance of these programs and said the number of surgeries performed using ATEC implants is about 140 per year. He indicated the purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code Business Enterprise Program, and as such, BEP goals are not established.

Next, Dr. Ellinger provided information about the recommended contract for medical lockbox services for the period of August 26, 2023, through August 25, 2029, for treasury operations at the University of Illinois System Office from PNC Bank NA. He said medical lockbox services include receiving payments from individuals and from insurance companies, depositing the payments into university bank accounts, and

forwarding remittance information to the appropriate University unit, and he described the benefits of medical lockbox services.

Dr. Ellinger then reported on two change orders, beginning with the recommended change order to increase the award amount for the purchase of laboratory reagents used to process RNA tests for the UI Hospital and Clinics from Roche Diagnostics, Inc. He reported that the estimated cost is \$2.0 million and that these are used to conduct RNA testing on blood samples for hepatitis B, hepatitis C, and HIV. Dr. Ellinger referred to the importance of these tests and said there has been a significant increase in the volume of tests performed, which requires increased spending authority.

Lastly, Dr. Ellinger provided information about the recommended change order for a contract for consulting services for the growth of electric vehicle manufacturing in Illinois for the Office of the Vice President for Economic Development and Innovation at the University of Illinois System from McKinsey & Company, Inc. He said the University has an intergovernmental agreement with the State to assist in providing analysis and forecasting to develop an economic development strategy and implementation plan so that Illinois meets the vertical integration needs of the rapidly growing electric vehicle, electrification, and battery manufacturing space. He said this aligns with Governor Pritzker's goal of introducing one million electric vehicles by 2030. Dr. Ellinger stated that there are six tasks identified to complete the project, many of which involve the University. He said McKinsey was contracted for consulting for strategic and financial planning and related services, and that this change order reflects an increase in time, as well as additional cost. He told the committee that McKinsey &



Company, Inc. will use a certified Women Business Enterprise (WBE) for an estimated 25 percent of the services.

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

## PRESENTATIONS

### Investment Program Update

Mr. Edwards asked Dr. Ellinger to introduce the presentation on the Investment Program Update (materials on file with the secretary). Dr. Ellinger showed a chart depicting the University System financial assets. He stated that the endowment pool comprises \$1.03 billion and is comprised of endowment funds and the permanent core. He then introduced Ms. Geri Melchiorre, senior director of investments, who presented the investment office structure and discussed the market environment. She showed the endowment pool asset allocation, presented endowment pool performance, and discussed farmland impact on relative returns. She gave a 10-year summary of endowment activity, reported on operating pool positioning, and presented 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. Mr. Edwards indicated he would discuss aspects of the presentation with Ms. Melchiorre after the meeting.

### Innovation Center Expansion, University of Illinois Chicago

Mr. Edwards then asked Mr. Juan Gabriel Moreno, president and architect, Moreno Architects, Ltd. dba JGMA, and Mr. John Rausch, design principal and project manager, Moreno Architects, Ltd. dba, JGMA, to give a design presentation on the Innovation Center Expansion at the University of Illinois Chicago. Mr. Moreno provided information about the project team, noting that 75 percent of the team is minority- and women-owned. He referred to the campus master plan and described the project site, which is visible from the Eisenhower Expressway and associated rail line. He showed the plan for the site and materials that would be used in its construction, highlighting sustainable strategies. Mr. Moreno presented renderings of various spaces and perspectives and shared an animation of the proposed interior spaces.

Mr. Edwards thanked Mr. Moreno for the presentation and encouraged that the visibility of the campus from the highway should be maximized whenever possible. Dr. Miranda told the committee that this is currently being investigated.

### Fourth Quarter and Annual Report for Fiscal Year Ended June 30, 2023

At 4:14 p.m., Mr. Edwards asked Ms. Julie A. Zemaitis, executive director of University audits, University of Illinois System, to give a presentation on the Fourth Quarter and Annual Report for Fiscal Year Ended June 30, 2023. Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2023 and noted that the number of completed projects and hours was less than the recent average due to two open positions in the office during

the year. She told the committee that those positions have now been filled. Ms. Zemaitis showed the audit plan completion status for co-sourced construction audits and said this initiative has resulted in valuable feedback and areas for improvement. She stated the consulting firm will be completing its final two projects and said discussions with management are underway to establish an approach to validate these improvements. Ms. Zemaitis referred to the mission of the office as an innovative driver of positive change and 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. She discussed the allocation of audit staff productivity for the year and commented on the impact of open positions, onboarding new staff, and conference attendance. Ms. Zemaitis said planned allocations are in-line with available peer data.

Ms. Zemaitis then reported on the implementation of audit recommendations in Fiscal Years 2021 through 2023 and discussed high and moderate risk findings from July 1, 2022, through June 30, 2023. She provided information on the aging of outstanding recommendations, noting that for the first time, the older recommendations have been solely from the immediately preceding year. She then showed a chart depicting the percentage of recommendations implemented within one and two years. Ms. Zemaitis expressed appreciation for the efforts of everyone involved for their cooperation throughout the year. Mr. Edwards thanked Ms. Zemaitis for the presentation.

OLD BUSINESS

There was no business presented under this aegis.

### NEW BUSINESS

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

### MEETING ADJOURNED

Mr. Edwards announced that the next meeting of this committee is scheduled for Wednesday, November 15, 2023, at 2:15 p.m., at Chicago. On motion of Mr. Milhouse, seconded by Mr. McKeever, the meeting adjourned at 4:23 p.m. There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN  
*Secretary*

DONALD J. EDWARDS  
*Vice Chair*

EILEEN B. CABLE  
*Special Assistant to the Secretary*