

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
MARCH 27, 2024

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held at the Student Union Ballroom, Room 224, 2251 Richard Wright Drive, Springfield, Illinois, on Wednesday, March 27, 2024, beginning at 2:16 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. Kyle Ingram, student trustee, Springfield; Mr. Lester H. McKeever Jr., treasurer; Mr. Wilbur C. Milhouse III; Ms. Sarah C. Phalen; and Ms. Sanchita Teeka, student trustee, Urbana. Ms. J. Carolyn Blackwell; Ms. Tami Craig Schilling; and Mr. Mohammed A. Haq, voting 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. Marie Lynn Miranda, chancellor, University of Illinois Chicago, 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); Dr. Joseph T. Walsh Jr., vice president for economic development and innovation; Ms. Adrienne Nazon, vice president of external relations and communications; Mr. Scott E. Rice, University counsel; and Dr. Jeffrey A. Stein, secretary of the Board of Trustees and of the University.

OPENING REMARKS

Mr. Cepeda welcomed everyone to the meeting and remarked on the recent passing of Mr. Michael B. Bass, who retired in May 2022 after an 18-year career with the University of Illinois System. He said he will be missed. Dr. Ellinger referred to Mr. Bass' 18 years of service to the University, stating that he was a friend and colleague. He listed the many roles Mr. Bass held at the University and referred to his accomplishments as a student athlete, noting that he is still tied for the single-game record by making five field goals in one game, including the field goal that won the game. He said Mr. Bass' leadership left an indelible mark on the University System and said he would be missed. President Killeen stated that Mr. Bass is irreplaceable, adding that he was a loyal member of the staff and community.

Mr. Cepeda then asked if there were any comments or corrections to the minutes from the meeting held on January 17, 2024. On motion of Mr. McKeever, seconded by Ms. Phalen, 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 MARCH 28, 2024

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 March 28, 2024. All proposed agenda items discussed at the meeting are on file with the secretary.

Rename the College of Veterinary Medicine South Clinic,
Veterinary Teaching Hospital, Urbana

Mr. Cepeda asked Dr. Ellinger to report on the recommendation to rename the College of Veterinary Medicine South Clinic as the Dr. John A. Coyne South Clinic. Dr. Ellinger said Dr. John Coyne is a 1974 graduate of the College of Veterinary Medicine and has contributed to the college both monetarily and through his mentorship to veterinary medicine students. Dr. Ellinger said Dr. Coyne has graciously donated \$2.0 million to support the needs of the veterinary hospital, and he said this recommendation would rename the South Clinic in Dr. Coyne's name in recognition of his generosity.

Appoint University of Illinois Banker in India for Its Liaison Office in New
Delhi, India and Its Branch Office in Bengaluru, India

Next, Mr. Cepeda asked Dr. Walsh to discuss the recommendation to appoint a University of Illinois banker in India for its liaison office in New Delhi, India, and its branch office in Bengaluru, India. Dr. Walsh gave some history on the establishment of a liaison office in India and said that it would be to the advantage of the University to

reappoint ICICI Bank as its banker in India to handle all financial transactions in India related to the operation of the University's liaison office in New Delhi and its branch office in Bengaluru, India.

Revise Dollar Limits on Purchases, Leases, Budget Approval, Contract Approval, and Other Actions Requiring Specific Board of Trustees Authorization

Mr. Cepeda then asked Mr. Mike Wilson, assistant vice president capital programs and utility services, University of Illinois System, to provide information about the recommendation to revise dollar limits on purchases, leases, budget approval, contract approval, and other actions requiring specific Board of Trustees authorization. Mr. Wilson gave a presentation (materials on file with the secretary) on capital approval thresholds and presented an overview of internally funded and State-funded processes that have been in place since 2010. He shared additional Board touchpoints. Mr. Wilson explained that the traditional delivery method is design-bid-build with multiple prime, and he described the changes associated with the approval of single-prime and design-build delivery methods. He then gave a history of Board approval levels, which were last approved in January 2010, and referred to cost escalations that have taken place since that time. He said that changing the approval levels would make it possible to execute contracts at greater speed, and he listed the proposed thresholds for projects and contracts requiring Board approval. He presented the number and cost of projects, budgets, and construction contracts the Board has approved since 2011, and he shared the impact of the proposed changes to internally funded and State-funded processes. He also gave an

overview of the proposed changes to the project, budget, and contract approval processes. He concluded his presentation, and Mr. Cepeda told the committee that these potential changes have been discussed and refined over some time, with extensive input from Mr. Edwards, Mr. Milhouse, and himself. He emphasized the advantage of having the ability to execute a contract more quickly, possibly resulting in cost savings.

Delegate Authority to Comptroller to Approve Lease Amendment for Space at
111 East Green Street, Champaign, Illinois

Mr. Cepeda then asked Dr. Ellinger to share information about the recommendation to delegate authority to the comptroller to approve a lease amendment for space at 111 East Green Street in Champaign, Illinois, to relocate the lease to a new building at 309 South First Street in Champaign and extend the term of the lease five years beyond the initial ten-year term. Dr. Ellinger gave some background on the space, which was occupied by the University System and the University of Illinois Urbana-Champaign since 2020. He said the building changed ownership in August 2023 and will be redeveloped, with no option for the University to continue leasing the space beyond the current lease expiration. He said the new owner offered a relocation solution in a purpose-built office suite in a new building at 309 South First Street in Champaign.

Dr. Ellinger reviewed the rent per square foot, described aspects of the current leased building, and proposed new space. He also reported on the terms of the lease, which would end on March 31, 2036. He said the new space would be higher quality and more efficient than the space at 111 East Green Street.

Award Construction Contract for Beckman Institute Café Renovation, Urbana

Dr. Ellinger then reported on the recommendation to award a single-prime construction contract for the Beckman Institute Café Renovation project at Urbana. He described the scope of work to be completed and shared the rates of diverse vendor participation. He said institutional funds and gift funds will be used for the renovation.

Purchase Recommendations

Next, Dr. Ellinger reported on purchase recommendations, beginning with the recommended purchase to furnish and deliver maintenance and repair work for equipment at the Utilities Production Plants at Urbana. He said it is vital to have contracts in place that allow the University to move quickly to address scheduled and emergency maintenance and repairs as specific needs are identified, and that this recommendation would approve the use of eight vendors that will be utilized on an as-needed basis. He gave examples of the maintenance and repair work that could be completed with these contracts.

Dr. Ellinger then discussed the recommendation to purchase trained, uniformed, unarmed security guard services licensed by the State of Illinois Department of Professional Regulation for the University of Illinois Chicago at multiple locations on the Chicago and Rockford campuses. He described aspects of the contracts and said that contracting with three vendors provides flexibility to ensure proper coverage for all university and university affiliated locations. He referred to increasing security needs

across the university, hospital, and clinics. He stated that the expected annual cost for security requirements would likely be in the range of \$12.2 and \$18.7 million dollars annually, and said it is unlikely that one vendor would be able to meet the demand. He described the hourly rates for various post types and said a Business Enterprise Program (BEP) goal of 25 percent and a Veterans Business Program (VBP) of 3 percent have been established.

Mr. Cepeda stated that he and Mr. Edwards have been involved in many discussions regarding the security needs at the university, and he said they would like an assessment of security needs to be conducted. He expressed support for adequate security at the university, emphasized the need for a security assessment, and inquired whether resources are being deployed in the best way possible. Mr. Edwards referred to the high cost of security staffing, and both he and Mr. Cepeda suggested that greater use of technology may be considered. Dr. Miranda agreed to initiate a security assessment that would consider the balance of technology and temporary staffing and evaluate whether funds are being utilized effectively.

Next, Dr. Ellinger reported on the recommendation to purchase spinal and neural implants and accessories used in spinal fusion, fixation, trauma, and discectomy surgical cases for UI Health Surgical Services at Chicago. He said the estimated cost is \$6.13 million, and he told the committee that UI Health began using spinal implants from this vendor in 2019. He said spending for this vendor has increased annually due to surgical volume and surgeon preference, noting that these products have been proven to

improve fusion rates. Dr. Ellinger remarked on the importance of spine surgeries at UI Health, and he said usage of these products has increased significantly since 2021.

Dr. Ellinger then discussed recommended renewal options, beginning with the recommended renewal option for the purchase and delivery of coal, including by-product and waste disposal services. He said the estimated cost is \$7.1 million, and he told the committee this would exercise the last of five renewal options. He said the average annual purchase for the last six years has been 9,864 tons of coal and that the estimated purchase for this year will be 6,000 tons of coal. He described the purpose and need for coal operations, which provide a reliable supply of steam to heat campus buildings. He also referred to a research project funded by the Department of Energy that involves carbon sequestration. He emphasized the need to maintain operability of coal assets to minimize risk to the universities.

Next, Dr. Ellinger provided information about the recommended renewals of existing agreements with Monterrey Security Consultants, Inc., and United Security Services, Inc., for unarmed security guard services for crime prevention at the University of Illinois Chicago. He stated that this recommendation is concurrent to the recommendation to purchase unarmed security guard services that was discussed previously, and he said this renewal is needed because the university will not be able to execute contracts and transition vendors prior to the expiration of the current contracts with Monterrey Security Consultants, Inc., and United Security Services, Inc. He said this renewal would avoid the loss of services.

Dr. Ellinger discussed recommended change orders, beginning with the recommendation for Troon Golf, LLC, to provide golf course, restaurant, and pro shop management at Atkins Golf Club. He provided some background on the golf club, which was part of a 300-acre donation of real estate by the Atkins family. He said the Atkins Golf Club is the home of the Illini Men's and Women's golf teams.

Dr. Ellinger then shared information about the recommended change order to add additional services to provide fact base and analysis to help finalize future program design and provide inputs for Managed Care Organization (MCO) review and analysis for the Office of Medicaid Innovation. He stated there are no State or tuition dollars associated with this change order.

Next, Dr. Ellinger reported on the last recommended change order for the Office of the Vice President for Economic Development and Innovation for a consultant to assist with duties in support of the federal Broadband, Equity, Adoption, and Deployment (BEAD) and Digital Equity programs. He said the University needs to add an additional \$3.9M for the work McKinsey and Company, Inc., would complete. He said that through the Illinois Broadband Lab collaboration, the Board of Trustees of the University of Illinois and its Illinois Innovation Network assists the Illinois Office of Broadband, housed within the Illinois Department of Commerce and Economic Opportunity (DCEO) with implementing and administering the Connect Illinois Broadband Grant. He said this collaborative work leverages funding and programs established through the American Rescue Plan Act or the Infrastructure Investment and Jobs Act

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

PRESENTATIONS

Summary of Internal Audit Activity Through Second Quarter Ended December 31, 2023

Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present a summary of audit activity for the second quarter ended December 31, 2023 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2024 and said fewer hours were spent on training during the first half of the year. She added that the audit plan for the year reflected an upcoming retirement, and she told the committee the position was able to be filled during the same quarter as the retirement. Ms. Zemaitis then shared year to date audit report findings by functional area and level of risk, and she presented information on the aging of outstanding recommendations by management's original expected implementation date, noting that 191 are not yet due. Ms. Zemaitis showed the aging of outstanding recommendations by risk and priority rating, and she provided the aging of outstanding recommendations by location.

Lastly, Ms. Zemaitis gave an update on the Quality Assurance Review, which is conducted every five years. She described components of the on-site visit, which took place February 5 through February 8, 2024, and she said the Office of University Audits received the 'generally conforms' opinion, which is the highest rating possible.

Mr. McKeever congratulated Ms. Zemaitis and the Office of University Audits staff, and Mr. Cepeda echoed these remarks, stating that Ms. Zemaitis is a great leader.

OLD BUSINESS

Mr. Cepeda asked if there was any old business to discuss, and Dr. Ellinger shared that work is underway to retire Health Services Facility System Bonds Series 1997B and Series 2008. He shared details regarding the process and said it will have minimal impact on the health care system workflow and will support its long-term strategy.

NEW BUSINESS

Mr. Cepeda asked if there was any new business, and there was none. He announced that the next meeting of this committee is scheduled for Wednesday, May 15, 2024, at 2:15 p.m., at Champaign.

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Ms. Phalen, the meeting adjourned at 3:09 p.m.

There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary