

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
NOVEMBER 13, 2024

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in the Isadore and Sadie Dorin Forum, Rooms D, E, and F, 725 West Roosevelt Road, Chicago, Illinois, on Wednesday, November 13, 2024, beginning at 12:39 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; Mr. Wilbur C. Milhouse III; Ms. Ariana A. Mizan, student trustee, Urbana; Ms. Sarah C. Phalen.¹ Ms. J. Carolyn Blackwell; Mr. Joseph Gutman;¹ Mr. Jesse H. Ruiz; Mr. Quinn S. Basta, student trustee, Chicago; and Mr. Christian Johnson, voting student trustee, Springfield, 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

¹ Ms. Phalen and Mr. Gutman attended via remote videoconference.

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. 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 asked if there were any comments or corrections to the minutes from the meeting held on September 18, 2024. On motion of Mr. Milhouse, seconded by Mr. Edwards, the minutes were approved. There were no “nay” votes.

PRESENTATION

Fiscal Year 2024 Preliminary Financial Results

Mr. Cepeda asked Dr. Ellinger to present the Fiscal Year 2024 Preliminary Financial Summary (materials on file with the secretary). Dr. Ellinger acknowledged the diligent efforts of Mr. Brent Rasmus, assistant vice president and controller, and said he was present and could assist with answering trustees’ questions throughout the presentation. Dr. Ellinger provided some introductory remarks and presented a chart depicting revenues used for operations, highlighting the diversity in revenue. Dr. Ellinger noted

that the presentation reflects a decrease in student financial aid resulting from an accounting change related to netting financial aid against tuition auxiliary charges, and told trustees that the amount of financial aid has actually increased. He then showed expenses, stating that approximately 50 percent is allocated to compensation and benefits. He presented cost and revenue trends from Fiscal Year 2020 through 2024 and said that expenses are outpacing tuition revenue and State funding. Dr. Ellinger presented the Fiscal Year 2024 statement of net position and discussed drivers of the increase in net position.

Dr. Ellinger then discussed bond ratings and metrics and showed a comparative rating history since 2013. He shared additional information about aspects of the ratings from Standard and Poor's and Moody's, and he showed a comparison of University System ratios to peer institution medians. Lastly, Dr. Ellinger presented peer comparisons of total cash and investments to operating expenses, total cash and investments to total adjusted debt, annual debt service coverage, and EBIDA (earnings before interest, depreciation, and amortization) margin.

Dr. Ellinger summarized his report by stating that the University has a strong balance sheet and improving debt service measures, with operating margins tightening in most areas. He said continued State support is critical to address rising costs. Dr. Ellinger emphasized the importance of financial planning and said that cost control and improving efficiencies will be essential. He said capital planning and investment will be critical, adding that planning for contingencies and aligning process will prepare the University to face challenges. Dr. Ellinger then remarked on Mr.

Edwards' tenure and said the University is in a better place because of Mr. Edwards' leadership. He expressed appreciation for the questions Mr. Edwards has asked and the ways in which he challenged University administration. Mr. Edwards thanked Dr. Ellinger and his team for their efforts over the past six years, and he said the report Dr. Ellinger gave reflects a strong balance sheet with a relatively low level of borrowing. He credited Dr. Ellinger, President Killeen, and the chancellors; remarked on the impacts of inflation; and thanked Dr. Ellinger for his financial stewardship and transparency. Mr. Edwards urged the University to remain vigilant on cost and efficiencies to keep tuition as low as possible.

Ms. Mizan inquired about cost increases due to increased enrollment, and Dr. Ellinger stated that costs are increasing due to inflation, as well as increases in the number of faculty and staff due to enrollment growth. Mr. Johnson asked about the use of artificial intelligence, and Dr. Ellinger stated that many ideas are being generated to use AI in business processes. Mr. Milhouse referred to efforts to optimize and save and asked how much more opportunity exists for these efforts. Dr. Ellinger stated that cost cutting is one component and that increasing revenue is also necessary. He gave examples of potential ways to optimize and reduce costs across the three universities.

REVIEW OF RECOMMENDED BOARD ITEMS
FOR THE MEETING OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF ILLINOIS ON NOVEMBER 14, 2024

Mr. Cepeda asked specific individuals in attendance to provide presentations and report on the items that will appear on the Board's agenda at its meeting on November 14, 2024. All proposed agenda items discussed at the meeting are on file with the secretary.

Approve Requests for Operating and Capital Appropriations, Fiscal Year 2026

Mr. Cepeda asked Dr. Nicholas Jones to discuss the recommendation to approve operating and capital appropriations requests for Fiscal Year 2026. Dr. Jones referred to the *Fiscal Year 2026 Budget Request for Operating and Capital Funds* document, which was made available to members of the Board, and said a full presentation with additional detail would be made at the Board meeting the following day. He said the request reflects a 13.2 percent increase to the current State appropriation, including \$78.3 million in support of academic operations. He listed the goals of incremental requests and outlined proposed increases. Dr. Jones also reported on the requested incremental funding for the Prairie Research Institute and the University of Illinois Hospital. He told the committee that the budget request includes additional funding for cost escalation on Fiscal Year 2020 approved capital projects and a request for funds for repair and renovation and new capital projects. Dr. Jones said the request is similar to requests made in prior years.

Approve Signature Authority Policy
for Illinois Quantum and Microelectronics Park, LLC

Mr. Cepeda then asked Dr. Ellinger to discuss two recommendations related to Illinois Quantum and Microelectronics Park, LLC (IQMP, LLC), beginning with the recommendation to approve the Signature Authority Policy for IQMP, LLC. Dr. Ellinger stated that the IQMP, LLC Board of Managers approved a Signature Authority Policy at its October 24, 2024, meeting, which now requires approval by the Board of Trustees, the sole member of IQMP, LLC. He said all purchases over \$3.0 million will require approval by the Board of Trustees.

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

Dr. Ellinger then discussed the recommendation to revise dollar limits on purchases, leases, budget approval, contract approval, and other actions requiring specific Board of Trustees authorization and said it is anticipated that IQMP, LLC will initially require significant purchases that exceed \$1.0 million. He said the Board of Trustees' current delegated authority for supplies, equipment, and non-professional services purchased in a single year is \$1.0 million, and he said this recommendation would enable IQMP, LLC to authorize purchases under \$3.0 million. Dr. Ellinger said purchases between \$1.0 million and \$3.0 million made by IQMP, LLC would be reported to the Board.

Mr. Cepeda noted that he, Mr. Milhouse, and Mr. Edwards have discussed these recommendations extensively with Dr. Ellinger. He encouraged committee members to contact them with any questions.

Delegate Authority to the Comptroller to Approve Lease Extension for
Illini Center in Chicago for the University of Illinois Urbana-Champaign and System

Next, Dr. Ellinger reported on the recommendation to delegate authority to the comptroller to approve a lease extension for the Illini Center in Chicago for the University of Illinois Urbana-Champaign. He stated that the University has leased 44,682 square feet of office and classroom space at 200 S. Wacker Drive in Chicago since 1997, and he gave an overview of the lease terms.

Approve Project Budget and Award Construction Contract for Housing Food Stores,
Renovate Refrigeration System, Urbana

Dr. Ellinger then discussed the recommendation to approve the project budget and award a construction contract to replace the ammonia refrigeration system with the associated electrical, mechanical, and plumbing systems at Housing Food Stores, located at 1321 S. Oak St., Champaign. He stated that this is an urgent need, and he described the scope of work to be completed for this project and anticipated cost. Dr. Ellinger said approval of the \$11.0 million budget is needed to proceed with the project, and he shared the rates of diverse vendor participation.

Approve Professional Services Award, College of ACES Buildings, Urbana

Dr. Ellinger provided information about the Public University Energy Conservation Act (110 ILCS 62/1 et seq.), which allows the University to undertake “energy conservation measures” (ECMs) by engaging energy service companies. He said that the guaranteed energy savings agreement shall include a written guarantee from the energy service company (ESCO) that either the energy or operational costs savings, or both, will meet or exceed within 20 years the costs of the energy conservation measures, and that the ESCO shall reimburse the public university for any shortfall of guaranteed energy savings projected in the contract. Dr. Ellinger reported that the University has identified six College of Agricultural, Consumer and Environmental Sciences (ACES) buildings at Urbana as candidates for this program and said energy audit will be performed on these buildings to identify ECMs and design these ECMs to be implemented in a subsequent Energy Services Agreement through energy savings, which will fund or repay design and construction costs in accordance with the Public University Energy Conservation Act. He listed the selected buildings and said that in order for the project to proceed, an ESCO must be employed for the required professional services. Dr. Ellinger indicated the ESCO’s fee will not exceed \$1.5 million, and he reported on the rates of diverse vendor participation.

Approve Project and Amend Professional Services Consultant Contract
for Clark, Barton, and Lundgren Halls – Heating Piping Replacement, Urbana

Dr. Ellinger discussed the recommendation to approve the project and amend the professional services consultant contract for heating piping replacement at Clark, Barton, and Lundgren Halls at Urbana and said funds for this project are available from the institutional funds operating budget of the University of Illinois Urbana-Champaign and Auxiliary Facility System Repair and Replacement Reserve Funds. He said this project is a high-priority need, and he described the scope of work to be completed. Dr. Ellinger said it is recommended that the heating piping and replacement project for Clark, Barton, and Lundgren halls be approved and that Clark Dietz, Inc. continue providing professional services for construction document, bidding, and construction administrative phases of the project. He stated that the firm's fees will not exceed \$1,180,000. He provided members of the committee with rates of diverse business utilization.

Award Construction Contract for Renovate Taft Hall, Chicago

Dr. Ellinger discussed the recommendation to award a construction contract for the renovation of Taft Hall at Chicago. He gave a history of the project and described its scope. He said it is recommended that a single-prime contract be awarded to Tyler Lane Construction, Inc. Dr. Ellinger told the committee that funds for this project are available from institutional funds operating budget of the University of Illinois Chicago and the Academic Facilities Maintenance Fund Assessment. That construction is expected to

begin in late 2024. He said it is scheduled to be completed by the summer of 2026, and he reported on rates of diverse vendor participation.

Mr. Cepeda noted that the recommendations discussed at the meeting were provided to committee members in advance of the meeting to provide an opportunity for review. Mr. Cepeda highlighted the rates of diverse vendor participation, and he, Mr. McKeever, and Dr. Ellinger acknowledged that while there are areas of success, there is a need for continued improvement in this area. Dr. Ellinger acknowledged Mr. Aaron Carter, assistant vice president of procurement services, and Mr. Mike Wilson, assistant vice president capital programs and utility services, for their efforts in this area.

Approve Design and Delegate Authority to the Comptroller to Execute the Development,
Construction, and Financing of the Grenshaw Street Parking Structure
and Taylor-Wood Street Improvements, Chicago

Dr. Ellinger then reported on the recommendation to approve the design and delegate authority to the comptroller to execute the development, construction, and financing of the Grenshaw Street Parking Structure and Taylor-Wood Street improvements at the University of Illinois Chicago. He stated that this project has been discussed with the Board on several occasions and said this public-private partnership (P3) project consists of the Grenshaw Street Parking Structure and adjacent traffic infrastructure improvements. Dr. Ellinger stated that additional parking is greatly needed for UIC West Campus faculty and staff due to growth in the University of Illinois Hospital and Clinics. He described the location of the parking structure and referred to traffic infrastructure improvements. Dr. Ellinger told the committee that due to cost concerns, the

development team's parking consultant was asked to provide a cost comparison for similar projects, and he said their analysis showed that the cost of the Grenshaw Parking Structure is below average. He said the parking structure will be comprised of 1,056 spaces, and he described the benefits of the project, as well as cost, capacity for debt, and timeline.

Dr. Ellinger then introduced Mr. Scott Hurst, design director and principal at Gensler, to give a design presentation (materials on file with the secretary). Mr. Hurst shared the vision statement, project scope, and timeline, and he showed the location of the parking structure on the campus. He presented images of materials used in surrounding buildings and gave examples of the architecture of buildings on the West Campus. Mr. Hurst then showed renderings of the building from several perspectives. He shared landscape plans, and he stated that the parking structure would be designed to minimize blind spots and prioritize safety and security. Mr. Hurst gave examples of the materials that would be used throughout the structure and presented details of the façade. He described the benefits of using color in the garage interior, which he said would increase visibility of stairs and elevators, as well as identification of floor number. Mr. Hurst stated that the materials used in the façade provide transparency while serving as a screen for headlights.

Mr. Hurst concluded his presentation, and Mr. Cepeda invited members of the committee to ask questions. Mr. Johnson inquired about risks to birds, and Mr. Hurst shared additional information about the materials that would be used, noting that the glass would be bird safe. Mr. Cepeda thanked Mr. Hurst for the presentation and expressed

appreciation for the efforts of Dr. Ellinger and his staff to address concerns regarding cost.

Purchase Recommendations

Next, Mr. Cepeda asked Dr. Ellinger to report on purchase recommendations. Dr. Ellinger first discussed a recommended contract with Commonwealth Edison Company (ComEd) for electric power necessary for the support IQMP, LLC facilities. He said the estimated cost is \$30.0 million. He stated ComEd is the sole source available for the required resources in Cook County. Dr. Ellinger said that the State of Illinois has requested that IQMP, LLC contract with ComEd, and that the State of Illinois has established a \$30.0 million grant agreement with the Board of Trustees and authorized a working capital advance to the University of Illinois, which will be sub-granted to IQMP, LLC, enabling payments for payments to ComEd for a new substation. He said it is recommended that the University of Illinois Board of Trustees authorize the payment to IQMP, LLC in the amount of the grant award from the State of Illinois for \$30.0 million to allow a transfer of grant funding pursuant to the terms of the award to IQMP, LLC.

Dr. Ellinger then reported on the recommendation to authorize payment to IQMP, LLC, to facilitate the impending contracts, including one with Linde Kryotechnik AG to supply cryoplant resources, equipment, and facilities necessary to support the quantum computing facilities to be built in the Illinois Quantum and Microelectronics Park. He said IQMP, LLC intends to enter into a contract with Linde Kryotechnik AG to

supply the cryoplant resources, which follows the conclusion of a Request for Proposal (RFP) process. He said the State of Illinois has established a grant agreement with the Board of Trustees, which will be sub-granted to IQMP, LLC, and stated that the State will supply IQMP, LLC with the necessary funding to contract with Linde for helium refrigeration systems, front-end engineering design, affiliated auxiliary systems required to operate the cryoplants. He said it is recommended that the Board of Trustees authorize a payment of \$99.0 million to IQMP LLC as funds become available.

Mr. Johnson inquired about the substation to be built by ComEd and referred to the high levels of energy consumption that will be required at the park. He asked if any considerations have been given to sustainability, and he noted that it is important to consider environmental sustainability when developing new technologies. Dr. Harley Johnson, director and chief executive officer of IQMP, stated that a large amount of power is needed for the park, and he stated that the plan calls for 100 percent carbon-free power to be purchased from ComEd. Mr. Cepeda thanked Dr. Johnson for the information.

Dr. Ellinger then provided information regarding the recommended renewal option to furnish a comprehensive media buying plan from Central State Media for the Gies College of Business at Urbana to promote the college's programs and centers of excellence. He said the estimated cost is \$12.0 million for the period of March 15, 2025, through March 14, 2027. Dr. Ellinger said competitive bidding procedures were followed in accordance with the Illinois Procurement Code, and he said Central State Media is a certified Business Enterprise Program (BEP) firm. He provided additional information

about the history of the purchase and its need, and he shared data about the college and its growth. Dr. Ellinger stated that nearly 70 percent of the media expenses are related to the promotion of the Gies online programs. Ms. Mizan asked if the portion allocated to online programs is expected to continue at 70 percent, and Dr. Jan Slater, chief marketing officer for Gies College of Business, said they anticipate it continuing at that current rate. She indicated this is because the breadth of the online programs is so large. Dr. Slater said that while the majority of students are Illinois residents, the programs have enrollees from all 50 states and approximately 130 countries.

Dr. Ellinger discussed a change order for a consultant to assist the Office of Medicaid and Innovation in its partnership with the Illinois Department of Healthcare and Family Services (HFS) in establishing a new framework for its Medicaid managed care delivery system. He said the change order amount would be \$3.955 million, and that the vendor was Boston Consulting Group, Inc. Dr. Ellinger referred to the RFP process, and he discussed the services to be provided. He said HFS fully reimburses expenses incurred by the University under this arrangement. Dr. Ellinger stated that a 25 percent aspirational BEP goal was established for this procurement.

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

PRESENTATIONS

Summary of Internal Audit Activity Through First Quarter Ended September 30, 2024

Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present a summary of audit activity through the first quarter ended September 30, 2024 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2025 and noted that the senior director of audits at Chicago retired after 24 years of service in that office. She said a search for a new director of audits is underway. Ms. Zemaitis reported on the implementation of internal audit recommendations by functional area and level of risk. She provided information on the aging of outstanding recommendations and showed the number of high and moderate recommendations, along with the location of each. Mr. McKeever commended Ms. Zemaitis on the quality of work done by the Office of University Audits and remarked on the small number of staff in the office. Ms. Zemaitis stated that there is a plan to increase staff. Mr. Johnson asked Ms. Zemaitis about the use of AI, and Ms. Zemaitis commented on the use of data analysis and continuous monitoring. Ms. Zemaitis concluded her presentation.

Dr. Ellinger followed up on his previous report on purchase recommendations. He described the process of utilizing grant money for purchases for IQMP, LLC, and he said the Board would meet the following day as the sole member of IQMP, LLC to consider a recommendation to purchase electricity from ComEd, which would authorize a \$15.5 million payment. Dr. Ellinger said additional costs would need

to be approved when costs are finalized. He said the Board, as the sole member of IQMP, LLC, would also consider a payment of \$77.0 million of the \$99.0 million cost for a cryoplant from Linde. He indicated these purchases require a two-step process, and Mr. Rice added that the IQMP, LLC is a University-Related Organization (URO) that the University is assisting with the grant money provided. He noted that there are some nuances to these purchases. Dr. Ellinger stated additional details regarding the purchases are available in the Board materials. He also responded to a previous question from Mr. McKeever regarding Central States Media and said it is a woman-owned business certified by the State of Illinois.

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. He announced that the next meeting of this committee is scheduled for Wednesday, January 22, 2025, at 2:15 p.m., in Chicago.

MOTION FOR EXECUTIVE SESSION

At 4:06, Mr. Cepeda stated: "A motion is now in order to convene an executive session to consider the following topic as permitted under Section 2(c) of the Illinois Open Meetings Act: discussion of minutes of meetings lawfully closed under the Open

Meetings Act (subsection 21).” On motion of Mr. Edwards, seconded by Ms. Mizan, 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 4:10 p.m.

REGULAR MEETING RESUMED

The meeting resumed at 4:10 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 the 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)].

A review of unreleased items from May 2012 to May 2024 has been conducted, and the previously withheld text noted below 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 indicated 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

May 15, 2024, Audit, Budget, Finance, and Facilities Committee Meeting

Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act

Mr. Cepeda then asked Dr. Stein and Mr. Rice to discuss minutes sequestered under the Open Meetings Act. Dr. Stein stated that each public body subject to the Open Meetings

Act shall, at least every six months, meet to review the minutes of all closed meetings. He said that he and Mr. Rice reviewed such minutes and recommend the release of minutes from November 15, 2023, which pertain to the semiannual review that took place at that time. Mr. Rice reiterated that this is a required semiannual review, and he listed the primary topics of sequestered minutes from Audit, Budget, Finance, and Facilities Committee meetings. There were no comments or questions regarding this process.

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

Mr. Edwards acknowledged that this would be his last meeting of the Audit, Budget, Finance, and Facilities Committee and expressed appreciation for the insight and work done throughout his tenure. He noted that this would also be Mr. McKeever’s last meeting of this committee, and he referred to Mr. McKeever’s kindness, professionalism, humility, and grace. He said he is an icon and a mentor, as well as a true gentleman.

MEETING ADJOURNED

On motion of Mr. Edwards, seconded by Mr. Milhouse, the meeting adjourned at 4:13 p.m. There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary