MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE

OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

September 17, 2025

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in the I Hotel and Conference Center, Heritage Hall, 1901 South First Street, Champaign, Illinois, on Wednesday, September 17, 2025, beginning at 2:30 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. Lester H. McKeever Jr., treasurer; Mr. Wilbur C. Milhouse III; Ms. Sarah C. Phalen; Mr. Jesse H. Ruiz. Mr. Joseph Gutman; Ms. Ariana A. Mizan, voting student trustee, Urbana; Mr. Quinn S. Basta, student trustee, Chicago; and Mr. Joe Humphrey, 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. Charles L. Isbell Jr., 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.

Mr. Cepeda welcomed everyone to the meeting and acknowledged Mr. Howard S. Engle, who would be considered for election as treasurer of the Board at its meeting the following day. Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held on July 16, 2025. On motion of Mr. McKeever, seconded by Mr. Basta, 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 18, 2025

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 September 18, 2025. All proposed agenda items discussed at the meeting are on file with the secretary.

### Approve Operating Budget for Fiscal Year 2026

Mr. Cepeda asked Dr. Ellinger to discuss the recommendation to approve the operating budget for Fiscal Year 2026. Dr. Ellinger noted that a preliminary budget was approved by the Board at its May 22, 2025, meeting. He stated that the *Budget Summary for Operations FY2025* (BSO) was provided to members of the Board, and he said he would provide an in-depth presentation on the operating budget at the full meeting of the Board the following day. Dr. Ellinger introduced Ms. Sandy B. Street, senior assistant vice president of planning and budgeting, and said she plays a critical role in overseeing this process and collaborates with university units to ensure the accurate inclusion of all relevant information. He thanked Ms. Street for her contributions.

Dr. Ellinger stated that the recommended $8.9 billion Fiscal Year 2026 budget represents an increase of 7.8 percent, including the estimated cost of fringe benefits incurred by the State on behalf of the System, and an increase of 5.6 percent when excluding the estimated cost of fringe benefits incurred by the State on behalf of the System. He discussed revenue sources and budget drivers, and he gave an overview of general funds, restricted funds, and expenses, stating that salaries and benefits are the University System's largest expenditure. Dr. Ellinger referred to fiscal pressures, including changes at the federal level, inflation, rising energy costs, liability and risk insurance costs, and increasing dining and housing expenses. He described the University's response and referenced efforts to increase efficiencies. He said the University System bond rating remains at AA2 and AA-.

Dr. Ellinger said this item also seeks authorization for the president to accept resignations, make new appointments, reallocate funds across expenditure categories, make programmatic adjustments to the general fund budget, address budget shortfalls, manage tuition waivers, accept revenues exceeding the approved budget, and transfer funds between general and restricted budgets, all within specified policies.

Revise the University of Illinois System Investment Policy Statement

Dr. Ellinger then reviewed proposed amendments to the University of Illinois System's investment policy statement. He said the revisions focus on the long-term investment pool and asset allocation, incorporating findings from a comprehensive asset allocation study. Dr. Ellinger described the role of the investment policy statement and process of proposing revisions, and he said the primary focus of these amendments are the result of findings from a comprehensive asset allocation study of the long-term investment pool. He told the committee that while the System does not invest directly in individual securities, it selects and oversees external managers to implement the University's strategy. Dr. Ellinger said the asset allocation review is informed from input by the Investment Advisory Council, system offices, and global firms such as BlackRock and J.P. Morgan. He reported that the recommended asset allocation changes include rebalancing U.S. and international equities, reducing financial income exposure, increasing allocations to private equity, and removing farmland holdings from performance reporting. Dr. Ellinger said these adjustments are intended to enhance long-term returns, strengthen diversification, and preserve liquidity in alignment with University priorities.

Approve the Fiscal Year 2026 Services and Management Agreement
for the University of Illinois Foundation

Next, Dr. Ellinger discussed the annual services and management agreement with the University of Illinois Foundation. He said the Foundation plays a vital role in fundraising, donor engagement, and endowment management. Dr. Ellinger reported that the

Foundation assesses a 1.35 percent administrative fee to support its operations, and he stated that the University will provide $7.26 million in direct support for Fiscal Year 2026, consistent with the prior year. He noted that this is an estimate not to exceed $7.26 million, with the final amount reflecting costs incurred.

## Approve Development Agreement for the University of Illinois Research Park, Urbana

Dr. Ellinger then reviewed a proposed development agreement for the University of Illinois Research Park (UIRP). He gave background on UIRP and its prior development agreements and the benefits of development in this area. Dr. Ellinger referenced the Request for Proposal (RFP) process and said the proposed agreement with Woodbury Corporation, working with JLC Infrastructure and Greystar Real Estate Partners, would support the construction of nine multifamily residential buildings featuring amenities such as a fitness center, café, and meeting spaces. He reported that construction is scheduled to begin in spring 2026 with completion targeted for fall 2028. He discussed terms of the agreement and said the UIRP Board of Managers has approved the agreement.

## Approve Naming of Gies Memorial Stadium, Urbana

Mr. Cepeda then asked Mr. Joshua H. Whitman, director, Division of intercollegiate Athletics, Urbana, to discuss a proposal to rename Memorial Stadium. Mr. Whitman introduced Mr. Howard Milton, chief development officer, Division of Intercollegiate Athletics, Urbana, and recognized him for his work leading to a $100.0 million gift from

Mr. Larry Gies, alum of the University of Illinois Urbana-Champaign. Mr. Whitman said this recommendation would rename Memorial Stadium as Gies Memorial Stadium in recognition of the $100.0 million gift from Mr. Gies. Mr. Whitman emphasized the importance of Memorial Stadium and its role as home to the football program, a gathering place for the community, and a memorial to fallen soldiers. He referred to renovation needs and the importance of finding the right partner to assist with funding, and he referenced Mr. Gies' passion for the university and commitment to preserving the history and legacy of the building, noting that it would be named after Mr. Gies father, who was a U.S. Army veteran. Mr. Whitman said the gift will preserve and modernize the historic facility while honoring its role as a memorial to fallen soldiers.

Mr. Cepeda expressed appreciation for Mr. Gies' gift and congratulated Mr. Whitman and Mr. Milton for making it possible. Mr. Gutman also expressed appreciation for this gift and the work that led to it, and he asked how the funds will be used. Mr. Whitman said planned upgrades include new video boards, Wi-Fi, lighting, and sound systems, with further renovations to follow. He referred to the use of an architectural firm and said the goal is to create an experience that aligns with the expectations of modern fans while honoring the building's footprint and envelope. Ms. Phalen remarked on the work leading up to this gift and expressed appreciation for all involved.

Amend Professional Services Consultant Contract for
Integrated Bioprocessing Research Laboratory (IBRL 2.0), Urbana

Mr. Cepeda asked Dr. Ellinger to report on the recommendation to amend the professional services consultant contract for the Integrated Bioprocessing Research Laboratory (IBRL 2.0). Dr. Ellinger highlighted the success of IBRL 1.0, which opened in 2018 and has become a vital resource in the bioprocessing market. He said that in just five years, the facility has served more than 100 companies, trained over 350 individuals, and built a strong reputation through its flexible design, innovative business model, and highly skilled staff. Dr. Ellinger referenced the 64 employees and partnerships that have advanced cutting-edge technologies and said the facility is now at full capacity, with growing demand and lead times. Dr. Ellinger explained that IBRL 2.0 would meet this need. He said the new facility has been in the planning and early design phases since 2022 and that the proposed expansion would extend into the adjacent lot east of the current structure. Dr. Ellinger said the expansion would add 37,000 square feet, including 17,000 square feet of research laboratories; 13,000 square feet of office, conference, and classroom space; and additional infrastructure. He indicated the design would be consistent with the current facility while incorporating improvements based on lessons learned.

Dr. Ellinger reported that Ross Barney Architects of Chicago, already engaged for schematic design, would have their contract amended to include full design development, construction documents, bidding, and post-construction services. He said the amended contract will not exceed $2.49 million, funded through federal and State grants as well as the university’s operating budget. Dr. Ellinger emphasized that this expansion responds to strong industry demand, strengthens the University’s leadership in bioprocessing innovation, and supports Illinois' role as a national hub for biomanufacturing.

### Approve Construction Contract for Nick Holonyak, Jr. Micro and Nanotechnology Laboratory (HMNTL) Infrastructure and Safety Upgrade, Urbana

Dr. Ellinger then discussed the recommendation to approve the construction contract for the Nick Holonyak, Jr. Micro and Nanotechnology Laboratory (HMNTL) infrastructure and safety upgrade project and said HMNTL is a critical research facility supporting cutting-edge work in microelectronics, nanotechnology, and quantum information sciences. Dr. Ellinger noted that the project addresses aging infrastructure, specifically outdated exhaust and chilled water systems, which must be replaced to improve safety and provide a foundation for future capacity expansion alignment with the lab's 2030 strategic vision. The total project cost is estimated at $7.2 million, with the contract recommended for award to Grunloh Construction, Inc. of Effingham, Illinois. He said funding would come from the University of Illinois Urbana-Champaign operating budget. Dr. Ellinger stressed that these upgrades are essential to maintaining the lab's position as a world-class research facility and enabling growth in areas of strategic importance to the university and State of Illinois.

### Approve Project for Florida Avenue Residence Halls – Restroom Restoration, Urbana

Dr. Ellinger shared information regarding the recommendation to approve a project for Florida Avenue Residence Halls – Restroom Restoration, which he said would modernize existing restrooms into single-user facilities within the current footprint. He said that additionally, each floor would provide a new vanity and countertop area for residents who do not need a private restroom. Dr. Ellinger said renovations would occur in two phases, during the summers of 2026 and 2027, to align with occupancy schedules. He reported that the design strategy follows successful models from other residence halls, improving accessibility, privacy, and the overall student experience. Dr. Ellinger said the preliminary project budget is estimated at $23.08 million and would be funded by Auxiliary Facilities System Repair and Replacement Reserve Funds and the institutional funds operating budget of the University of Illinois Urbana-Champaign.

## Purchase Recommendations

Next, Mr. Cepeda asked Dr. Ellinger to report on purchase recommendations. Dr. Ellinger reported on a proposed change order for McKinsey and Company to provide consulting services for the Office of the Vice President for Economic Development and Innovation in support of federal broadband equity and digital equity programs. He stated that the additional cost was $1.0 million, bringing the total to $5.8 million. He said an extension of the original contract was needed to complete the work and ensure compliance with new federal requirements, as well as an accelerated submission deadline. Dr. Ellinger shared additional details regarding the original procurement of consulting services and the work to be completed. He said funding specific to this project would be appropriated through the National Telecommunications and Information

Administration that would be granted to the Illinois Department of Commerce and Economic Opportunity and then relayed to the U of I System.

Dr. Ellinger then reported on the proposed change order for online learning management support at the University of Illinois Springfield with Risepoint, formerly named Academic Partnerships. He said the cost was estimated to be $8.0 million, and that Risepoint is paid a portion of the tuition and fees collected by the university. Dr. Ellinger said this would extend the agreement to provide marketing, recruitment, and student services for online programs and that the annual cost is higher than initially projected because several classes and certificate programs have been added.

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

## PRESENTATION

### Investment Program Update

Mr. Cepeda asked Ms. Geri Melchiorre, senior director of investments, treasury operations, University of Illinois System, to give an investment program update (materials on file with the secretary). Ms. Melchiorre began her presentation by showing a chart depicting the University System financial assets, which totaled $5.12 billion as of June 30, 2025. Ms. Melchiorre stated that the $1.18 billion long-term investment pool is comprised of endowment funds and the permanent core. She then presented the investment office structure and discussed the market environment. Ms. Melchiorre showed the long-term investment pool allocation and presented the long-term investment pool performance with and without farm holdings. She showed long-term investment fund activity for Fiscal Years 2016-2025. She reported on operating pool positioning, liquidity management, and operating pool performance. Ms. Melchiorre reviewed the financial impact of the long-term investment pool, operating pool, and farms distributions in Fiscal Year 2025, resulting in a net distribution to the University System of $234.9 million.

Ms. Melchiorre then discussed the long-term investment pool asset allocation study, noting that asset allocation is the primary driver of investment outcome. She said an asset allocation study is conducted every six to eight years, and she described the process of conducting the study and ways in which the process was strengthened this year. Ms. Melchiorre discussed key findings related to liquidity and allocation adjustments and shared the supporting rationale and implications. She presented the proposed asset allocation targets and ranges and discussed risk and return metrics, as well as benchmark and implementation changes. She told the committee that these changes would be implemented over a 12-month period, pending Board approval.

Mr. Cepeda thanked Ms. Melchiorre for the presentation and expressed appreciation for the impact of the investment program on the University. He inquired about the Investment Advisory Council, which Ms. Melchiorre said meets twice per year. Dr. Ellinger stated that Mr. Donald J. Edwards, former Board of Trustees chair, encouraged the formation of the committee, and Ms. Melchiorre listed its members. Mr.

Ruiz asked about consultation with outside resources, and Ms. Melchiorre stated that the University has a consultant under retainer who assists in a variety of ways, including the verification of performance returns. She stated that Blackrock and J.P. Morgan also assisted with the long-term investment pool asset allocation study.

Fourth Quarter and Annual Report for Fiscal Year Ended June 30, 2025

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, 2025 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2025 and noted the number of hours spent on emerging issues and special projects was more than planned. She showed a comparison of audit hours by type of project in 2024 and 2025 and by university or area. She discussed staff utilization, which she said was in line with available peer data.

Ms. Zemaitis then reported on the implementation of audit recommendations in Fiscal Year 2023 through Fiscal Year 2025 and highlighted the 243 recommendations issued in Fiscal Year 2025. She showed that 175 recommendations were implemented by management during that time. Ms. Zemaitis reported on high and moderate risk findings from July 1, 2024, through June 30, 2025, and provided information on the aging of outstanding recommendations. She then showed a chart depicting the percentage of recommendations implemented within one and two years. Ms. Zemaitis also presented the implementation of recommendations within two years by fiscal year. Ms. Zemaitis and Mr. Ruiz discussed the fluctuations in the percentage of recommendations implemented from one year to the next, and Ms. Zemaitis said that there are often fluctuations in the percentage of recommendations implemented within one year. Mr. Cepeda thanked Ms. Zemaitis for the presentation.

## OLD BUSINESS

There was no business presented under this aegis.

## NEW BUSINESS

Mr. Cepeda again acknowledged Mr. Engle and stated that this would be the last meeting of the committee with Mr. McKeever serving as treasurer. Mr. Cepeda thanked Mr. McKeever for his service to the Board and University and expressed appreciation for his insight and friendship. The remarks were followed by a round of applause.

Mr. Cepeda announced that the next meeting of this committee is scheduled for Wednesday, November 12, 2025, at 2:15 p.m., in Chicago.

## MEETING ADJOURNED

On motion of Mr. Ruiz, seconded by Mr. Milhouse, the meeting adjourned at 3:40 p.m. There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN
*Secretary*

RAMÓN CEPEDA
*Chair*

EILEEN B. CABLE
*Special Assistant to the Secretary*