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

September 16, 2026

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in the Alice Campbell Alumni Center Ballroom, 601 South Lincoln Avenue, Urbana, Illinois, on Wednesday, September 16, 2026, beginning at 2:11 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. Howard S. Engle, treasurer; Mr. Wilbur C. Milhouse III; Ms. Sarah C. Phalen;[1] Mr. Jesse H. Ruiz. Ms. J. Carolyn Blackwell; Ms. Tami Craig Schilling; Mr. Joseph Gutman; Dr. Bryan S. Traubert; Ms. Gabrielle Stewart, student trustee, Urbana; Ms. Wazeera Shekoni, voting student trustee, Chicago; and Ms. Minnah Saleh, 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

[1] Ms. Phalen participated via remote video conference and did not have functioning audio during roll call.

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.

Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held on July 15, 2026. On motion of Mr. Milhouse, seconded by Mr. Engle, 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 17, 2026

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 17, 2026. All proposed agenda items discussed at the meeting are on file with the secretary.

Approve Operating Budget for Fiscal Year 2027

Mr. Cepeda asked Dr. Ellinger to present the proposed Fiscal Year 2027 operating budget. Dr. Ellinger noted that a preliminary budget was approved by the Board at its May 21, 2026, meeting. He stated that the *Budget Summary for Operations FY2027* (BSO) was provided to members of the Board. 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. He thanked Ms. Street for her contributions. Dr. Ellinger reported that the total proposed total University budget was approximately $9.6 billion, including state-paid fringe benefits, representing a 7.4 percent increase over the prior year. He said that excluding those benefits, the proposed operating budget totaled approximately $7.6 billion, an increase of 4.3 percent.

Dr. Ellinger highlighted key revenue drivers, including a 1.2 percent increase in State appropriations, a projected 7.7 percent increase in tuition revenue, and miscellaneous income, primarily consisting of investment earnings. He emphasized that not all revenue growth represented recurring or flexible funding and noted the importance of distinguishing between restricted, one-time, and recurring resources. Dr. Ellinger also discussed ongoing financial pressures, including salary and benefit growth, federal funding uncertainty, inflation, insurance costs, and rising housing and dining expenses. He said the University's strategy to address these pressures includes long-range planning, efficiency initiatives, automation, artificial intelligence (AI) applications, and revenue diversification. There were no questions raised by committee members, and he said he would provide an in-depth presentation on the operating budget at the full meeting of the Board the following day.

Approve Project Budget and Construction Contract, Armory Arch Stucco and Curtainwall Replacement, Urbana

Next, Dr. Ellinger discussed the recommendation to approve the project budget and construction contract for the Armory Arch Stucco and Curtainwall Replacement project

at Urbana. He explained that the Board of Trustees had previously approved the project in 2023, but construction bids exceeded the original budget. Dr. Ellinger said that as a result, the work was divided into phases. He said the first phase focuses on the west portion of the facility and includes replacement of exterior components and installation of energy-efficient windows with a proposed budget of $10.29 million. Dr. Ellinger said funding would be provided through the Academic Facilities Maintenance Fund Assessment Fund and the institutional funds operating budget of the University of Illinois Urbana-Champaign.

Approve Project and Design for Carl R. Woese Institute for Genomic Biology Advanced Microscopy & Diagnostics Facility, Urbana

Dr. Ellinger reported on the recommendation to approve the project and design for the Carl R. Woese Institute for Genomic Biology (IGB) Advanced Microscopy & Diagnostics Facility at Urbana. He said the $8.1 million project would create an advanced microscopy and diagnostics facility to support research in super resolution imaging, spatial omics, and volumetric electron microscopy coupled with enhancements in image segmentation using AI. Dr. Ellinger said the planned addition includes approximately 4,000 square feet of specialized laboratory space and that funding would come from federal grant funds and the institutional funds operating budget of the University of Illinois Urbana-Champaign.

Dr. Gene Robinson, director and chief executive officer of the Discovery Partners Institute and former IGB director, provided additional context, noting that the

microscopy facility has experienced substantial growth and now serves more than 400 researchers supported by over 245 grants across 38 departments. He explained that the expansion would support disease detection research, point-of-care diagnostics, and development of new microscopy methods. Dr. Robinson also highlighted industry partnerships and discussions regarding a future center of excellence. He reported that the supporting federal grant received a perfect review score.

Mr. Greg Sloniger, project manager/architect of record, HDR Architecture, Inc., and Mr. Steve Lekan, landscape architect of record, Terra Engineering, Ltd., gave a design presentation (materials on file with the secretary), beginning with an overview of the project, a below-grade laboratory addition chosen to minimize vibration and light interference for sensitive microscopy equipment. They reported on the budget, sustainability goals, and schedule, and they showed the integration to the master plan, the existing and proposed site plan, and the lab floor plan. They presented renderings of the proposed exterior, which included a discussion on site integration, accessibility improvements, landscaping strategy, and plans to preserve surrounding campus assets, including the Morrow Plots and Observatory. They stated that the facility would restore pedestrian circulation and improve accessibility around the site. Mr. Cepeda thanked Mr. Sloniger and Mr. Lekan for the presentation.

Approve Construction Contract for Swine Research Center Relocation and Modernization, Urbana

Mr. Cepeda asked Dr. Ellinger to report on the recommendation to approve the construction contract for the Swine Research Center Relocation and Modernization at Urbana. Dr. Ellinger explained that the Board approved the project to improve agricultural housing systems and support research and teaching in the College of Agricultural, Consumer and Environmental Sciences and throughout the university in 2021, and that the project has since been divided into phases due to funding and costs. He said phase one includes renovation of key processing facilities, electrical infrastructure improvements, and backup power enhancements, with future phases supporting advanced research capabilities involving gene-edited and biomedical swine. Dr. Ellinger said funding would be provided through State of Illinois grant funds and the institutional funds operating budget of the University of Illinois Urbana-Champaign.

Approve Design for Demirjian Indoor Golf Facility Expansion and Renovation, Urbana

Next, Dr. Ellinger presented a recommendation to approve the design for the expansion and renovation of the Demirjian Indoor Golf Facility at Urbana. He said the project includes approximately 4,550 square feet of new space containing separate men's and women's locker rooms, recovery and rehabilitation areas, coach offices, meeting space, and reconfigured storage areas. He told the committee the project is funded entirely through private gifts.

Mr. Brant Muncaster, senior team leader, and Mr. Sean Bott, project manager, both of Reifsteck Reid & Company Architects, d/b/a Reifsteck Wakefield Fanning & Company, gave a design presentation and shared project goals, budget,

sustainability goals, and the schedule. They showed the master plan and project site, location of the addition, site plan, first floor plan, and renderings of the addition's exterior. Mr. Cepeda thanked Mr. Muncaster and Mr. Bott for the presentation and remarked on the interesting design.

Approve Change to Construction Contract for Japan House Addition – Ogura-Sato Annex, Urbana

Dr. Ellinger then discussed a recommendation to approve a change to the construction contract for the Japan House Ogura-Sato Annex. He explained that cumulative change orders totaling approximately $207,000 had increased the contract value above the threshold requiring Board approval. Dr. Ellinger said the project includes the addition of new teaching and cultural spaces, including a tearoom and multipurpose room, as well as limited renovations to the existing facility. He said funding would be provided through gift funds and the institutional funds operating budget.

Approve Project Budget for Drug Discovery and Cancer Research Pavilion, Chicago (Capital Development Board Project)

Next, Dr. Ellinger presented a recommendation to approve a preliminary project budget of $232.0 million for the new Drug Discovery and Cancer Research Pavilion at the University of Illinois Chicago. He said the facility would be a new 188,055-gross-square-foot building connected by a two-story bridge to the College of Pharmacy Building and would support the Herbert M. and Carol H. Retzky College of Pharmacy, the UI Cancer Center, and the Department of Chemistry. He told the committee that the project would

be funded by State of Illinois capital appropriations, the institutional funds operating budget of the University of Illinois Chicago, and gift funds.

President Killeen remarked on the significance of the project and described it as a milestone in the deployment of the Illinois Innovation Network, realizing the vision of the System and its partners to bring together talented people to create opportunities and solve challenges through collaboration. He expressed appreciation for the support of Governor J. B. Pritzker and the General Assembly.

Dr. Miranda commented on the interdisciplinary nature of the facility and said that the project reflects the university's commitment to access and excellence. She remarked on the focus on drug discovery work that attacks problems that are characterized by significant health disparities and clear druggable targets in those disease endpoints. Dr. Miranda recognized the foundational work of Dr. Robert A. Barish, vice chancellor for health affairs, in advancing the project. Mr. Cepeda thanked Governor Pritzker for support for this project.

Approve Project Budget for Replace West Side Backup Generators, Chicago

Dr. Ellinger then reported on a recommendation to approve the project budget for replacement of backup generators serving the University of Illinois Hospital and adjacent buildings. He told the committee that the generators were installed in 1978, 1988, and 2003 and have reached the end of their useful lifespans. Dr. Ellinger described the scope of work and gave a history of the project, stating that additional funding is now needed to perform interior demolition to finish the project design. He said the proposed action

would increase the interim budget by approximately $4.9 million, bringing the interim budget to $8.8 million. Dr. Ellinger noted the overall project is currently estimated at approximately $57.0 million. He said funds for this project are available from the operating budget of the University of Illinois Hospital and Health Sciences System and from the institutional funds operating budget of the University of Illinois Chicago.

Approve Removal of Sunflower Court Student Apartments from the Auxiliary Facilities System, Springfield; and Approve Master Plan Variance for Building Demolition, Sunflower Court Apartments, Springfield

Dr. Ellinger presented two related recommendations concerning the Sunflower Court Apartments at the University of Illinois Springfield. He said the first recommendation would approve removal of the Sunflower Court Student Apartments from the Auxiliary Facilities System, while the second recommended approval of a master plan variance for building demolition. He explained that the buildings, constructed in 1980, are no longer economically viable, suffer from significant water damage, and have deteriorated beyond cost-effective repair. Dr. Ellinger said one building can no longer be used for student housing. He told the committee that the buildings are located on the perimeter of the campus and are neither listed on nor eligible for the National Registry of Historic Places and that demolition would be completed in compliance with applicable local, State, and federal environmental requirements.

Purchase Recommendations

Mr. Cepeda then asked Dr. Ellinger to present purchase recommendations, beginning with a Nike sponsorship agreement for the Division of Intercollegiate Athletics at the University of Illinois Urbana-Champaign for exclusive teamwear and uniforms. Dr. Ellinger reported on a proposed seven-year sponsorship agreement with Nike, extending the university's relationship with its apparel provider through June 30, 2033. He said Nike has been the exclusive apparel partner of the Division of Intercollegiate Athletics since 1995 and would continue to provide teamwear, uniforms, footwear, and related products for all 21 varsity athletic programs. Dr. Ellinger noted the coaches and student-athletes have been satisfied with the quality and performance of Nike products.

Dr. Ellinger referred to changing industry practices in collegiate apparel agreements and described the financial structure of the new arrangement, which combines complementary products with products purchased at substantially discounted or wholesale pricing. He said that under the new agreement, the university expects to receive approximately one-third of its product on a complementary basis with the remainder purchased at wholesale pricing. Dr. Ellinger said the university's estimated purchase commitment over the seven years is approximately $17.0 million, and he reported that Nike will pay a $2.5 million signing bonus and an additional $1.0 million in cash payments over the term. He added that the proposed agreement includes performance-based incentives.

Dr. Ellinger said the practical costs and disruption associated with changing apparel partners were considered, and he said the transition would require replacing uniforms and apparel across all 21 sports, addressing branding throughout the athletics

program, and managing a significant operational transition for coaches and student-athletes.

Dr. Ellinger then reported on a recommended change order for medical lockbox services from PNC Bank for treasury operations for the University of Illinois System. He said the contract supports centralized processing and reconciliation of payments received from patients and insurance providers. Dr. Ellinger said this change order corrects the last three years of the initial six-year term to be July 1, 2026, through June 30, 2029, with future renewals subject to increases of no more than 3 percent. He said the estimated cost of the three-year period is approximately $4.0 million.

There were no additional questions, and 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). Dr. Ellinger introduced the presentation by recognizing Ms. Melchiorre and her team for distributing approximately $600.0 million in earnings over the past three fiscal years and noted her recognition as *Chief Investment Officer Magazine's* 2025 CIO of the Year.

Ms. Melchiorre began her presentation by showing a chart depicting the University System financial assets, which totaled $5.46 billion as of June 30, 2026. Ms. Melchiorre stated that the $1.25 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 shared Fiscal Year 2026 program highlights, including long-term investment pool returns of 14.6 percent and the operating pool returns of 3.8 percent. She said the long-term investment pool exceeded its benchmarks across all reported periods. Ms. Melchiorre also highlighted allocation implementation, portfolio resilience, and continued refinement.

Ms. Melchiorre showed the long-term investment pool allocation and presented the long-term investment pool performance over one-, three-, five-, and 10-year periods. She presented long-term investment pool endowment fund activity for Fiscal Years 2017-2026. Ms. Melchiorre reported on operating pool positioning, liquidity management, and operating pool performance and discussed investment strategy, investment performance, and financial impact, resulting in a net distribution to the University System of $218.0 million in Fiscal Year 2026. Mr. Cepeda congratulated Ms. Melchiorre on her national recognition and thanked her team for their hard work.

Office of University Audits Fourth Quarter and Annual Report for Fiscal Year Ended June 30, 2026

Lastly, Mr. Cepeda asked Ms. Julie Zemaitis, executive director of University audits, University of Illinois System, to present the Office of University Audits fourth-quarter

and annual report for Fiscal Year 2026 (materials on file with the secretary). Ms. Zemaitis showed the audit plan completion status for Fiscal Year 2026 and noted that 10 audits and projects were withdrawn due to low risk. She presented the number of planned, actual, and remaining hours and shared a comparison of audit hours by type of project in 2025 and 2026. Ms. Zemaitis also showed the same data by university or area. She stated that the audit plan was aligned with enterprise risk management strategic risks. Ms. Zemaitis reported on staff utilization and audit professional benchmarking.

Ms. Zemaitis then presented on the implementation of audit recommendations in Fiscal Year 2024 through Fiscal Year 2026 and highlighted the 234 recommendations issued in Fiscal Year 2026. She noted that the number of recommendations not implemented because the risks were accepted by management were below historical levels. Ms. Zemaitis reported on high and moderate risk findings from July 1, 2025, through June 30, 2026, 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. She concluded her presentation by highlighting positive stakeholder feedback in management survey responses during Fiscal Years 2025 and 2026 regarding audit communication, collaboration, and value. Mr. Cepeda thanked Ms. Zemaitis for the presentation and referred to audit meetings he attends with Mr. Engle and Ms. Zemaitis. Mr. Engle commended Ms. Zemaitis and her staff for their work and the value they provide to the University.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda asked if there was new business to discuss, and there was none. Mr. Cepeda announced that the next meeting of this committee is scheduled for Wednesday, November 11, 2026, in Chicago.

MEETING ADJOURNED

On motion of Mr. Ruiz, seconded by Mr. Milhouse, the meeting adjourned at 3:28 p.m. There were no "nay" votes.

Respectfully submitted,

JEFFREY A. STEIN
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary