

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

July 15, 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 I Hotel and Conference Center, Illinois Ballroom, 1900 South First Street, Champaign, Illinois, on Wednesday, July 15, 2026, beginning at 2:12 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 arrived at 2:13 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); 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 Dr. Isbell to provide an update on the mechanical failure and subsequent flooding in the basement at Snyder Hall at the University of Illinois Urbana-Champaign. Mr. Cepeda noted that Dr. Isbell alerted trustees of the issue during the University Healthcare System Committee meeting in March as it happened in real time. Dr. Isbell reported that a water main break flooded the basement mechanical room of Snyder Hall with approximately eight feet of water, which damaged critical building systems. He described the scope of the damage, said that no student's personal belongings were damaged, and added that all residents were successfully relocated to alternate housing. Dr. Isbell referred to efforts to replace and restore the damaged systems and said the project has involved extensive reconstruction of electrical and mechanical infrastructure that evolved over more than 60 years. He told trustees that the project is on schedule, and all building systems are expected to be fully operational prior to resident move-in. Dr. Isbell said that everyone involved reacted quickly and catastrophic damage was avoided.

Discussion followed regarding insurance coverage and costs for repairs.

Ms. Amy Heeter, senior vice chancellor for finance and administration at the University of Illinois Urbana-Champaign, noted that additional safeguards have been added to prevent this type of damage from occurring again.

Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held on May 20, 2026. On motion of Mr. Milhouse, seconded by Mr. Ruiz, 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 JULY 16, 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 July 16, 2026. All proposed agenda items discussed at the meeting are on file with the secretary.

Approve the Fiscal Year 2027 Services and Management Agreement
for the University of Illinois Foundation

Mr. Cepeda asked Dr. Ellinger to report on the recommendation to approve the Fiscal Year 2027 Services and Management Agreement for the University of Illinois Foundation. Dr. Ellinger described the Foundation’s role in fundraising, donor stewardship, endowment management, alumni engagement, and support of University priorities. He said the University’s direct financial support to the Foundation for Fiscal Year 2027 is projected to be up to \$7.261 million, unchanged from Fiscal Year 2026. Dr.

Ellinger said the Foundation would continue to provide regular financial, fundraising, audit, and governance reports to the University under the agreement.

Dr. Traubert inquired about the frequency of presentations from the Foundation to the Board. Mr. Ruiz referenced annual presentations by the Foundation, and Mr. Rice noted that there are eight University-Related Organizations (UROs), with the Board serving as the sole member of some UROs. Mr. Rice added that the alumni associations also make regular presentations to the Board.

Revise Delegated Authority to the Comptroller,
National Quantum Facility and Quantum Works, Urbana

Dr. Ellinger then discussed the recommendation to revise previously approved delegated authority related to pre-development activities for the National Quantum Facility and Quantum Works projects at the Illinois Quantum and Microelectronics Park in Chicago. He reported that conceptual design, pre-development agreements, and tenant negotiations had progressed significantly since the Board's initial approvals in 2025. Dr. Ellinger said that expanded facility scope and accelerated project timelines required increased pre-development expenditures, and he said this recommendation would increase delegated authority for National Quantum Facility pre-development costs to \$13.7 million and Quantum Works pre-development costs to \$14.2 million. He stated that these facilities are central to the State's quantum technology initiative and will strengthen the University's leadership in quantum research, workforce development, and industry engagement. Dr. Ellinger discussed sources of funding for these facilities and said

approximately \$137.0 million is allocated from Discovery Partners Institute and Illinois Innovation Network funding. He said additional funding for the National Quantum Facility will be financed through future debt issuance supported by project revenues and The Grainger College of Engineering. Dr. Ellinger said the Quantum Works facility will be financed through a Capital Development Board grant and potential additional municipal and institutional support.

Purchase Recommendations

Mr. Cepeda then asked Dr. Ellinger to present purchase recommendations. Dr. Ellinger reported on the recommended purchase of utilities for the University of Illinois Springfield from City Water, Light, and Power, the City of Springfield's public utility, for the period of July 1, 2026, through June 30, 2031. He said the estimated cost is \$18.0 million. Dr. Ellinger noted that this is an intergovernmental agreement with the sole municipal provider, and as such, the purchase is exempt from the Illinois procurement code and business enterprise goals do not apply.

Dr. Ellinger then discussed a recommended purchase of transfusion medicine services and blood components from Vitalant for a five-year period from October 1, 2026, through September 30, 2031, at an estimated cost of \$80.0 million for the University of Illinois Hospital and Clinics. He said the University of Illinois Hospital and Clinics require a safe, reliable, and regulatorily compliant supply of blood and blood products to support inpatient care, surgery, emergency services, transplant, oncology, and other specialized clinical programs, and he told the committee that Vitalant has provided

these services to the hospital and clinics since 2014. Dr. Ellinger discussed the services provided and said demand for these services has increased significantly, adding that the proposed \$80.0 million authorization is based on recent utilization and expenditures with anticipated inflation and continued volume growth. Ms. Blackwell asked if the pricing is benchmarked against other suppliers and if a continuity plan is in place in response to supply disruptions. Dr. Miranda indicated that it is benchmarked and that there is a continuity plan.

There were no additional questions, and there were no objections to these items being forwarded to the full Board for approval.

PRESENTATION

RSM Fiscal Year 2026 Audit Plan Presentation

Mr. Cepeda introduced Mr. Dan Sethness, partner, RSM; Ms. Shelby Burghardt, senior manager, RSM; and Mr. Erik Ginter, senior manager, RSM, and asked them to give a presentation on the Fiscal Year 2026 Audit Plan (materials on file with the secretary). Mr. Sethness provided information about the firm and the nature of this engagement, stating that the Illinois Auditor General selected RSM to conduct the University's external audit as special assistant auditors. He reviewed the scope of the engagement and audit standards, and he reported on minority firm participation. Mr. Sethness referred to the

responsibilities of management, reviewed audit logistics, and shared a timetable. He also presented members of the engagement team.

Mr. Sethness then gave an overview of the results for Fiscal Year 2025 and said unmodified opinions were issued for financial and compliance reports for University, health, and auxiliary systems. He reviewed two findings related to internal control over financial reporting and gave updates on each. Mr. Sethness reported that one prior year finding was cleared, and he presented key audit areas for the University.

Ms. Burghardt reported on key audit areas for the Health Services Facilities System and said areas of focus include patient service revenue, accounts receivable, and third-party settlement liabilities. She noted that RSM will utilize healthcare reimbursement specialists to assist in evaluating third-party settlement estimates and related accounting judgments.

Mr. Ginter reported on the federal single audit. He said the University received approximately \$1.7 billion in federal funding for research and development and student financial aid. He said an unmodified opinion was issued on compliance for major federal programs with no material weaknesses. Mr. Ginter said two compliance findings were repeated from the prior year, and he described these findings. He stated that the 2026 OMB Compliance Supplement has not yet been released and indicated that three programs will likely be tested this year.

Mr. Ginter then gave an overview of the Fiscal Year 2025 State compliance audit results and said a modified opinion was issued due to compliance. He said findings decreased from the prior year, and he presented the key examination areas.

Ms. Phalen inquired whether any audit work was performed outside the United States, and Mr. Sethness responded that no portion of the engagement was outsourced internationally. Mr. Ruiz referred to corrective actions for repeat audit findings. Mr. Sethness discussed the finding related to Epic user access controls. President Killeen stated that mitigation strategies are in place for repeat findings, and he said the findings related to Epic were expected to require a multiyear approach. Mr. Ruiz requested a future status report outlining progress, mitigation efforts, and anticipated completion timelines. Mr. Engle inquired about the audit scope regarding athletics, and Mr. Sethness stated that it is beyond the scope of RSM. Dr. Ellinger stated that responses to findings are included in a report that is regularly provided to members of the Board.

Two-Year Internal Audit Plan for Fiscal Years 2027-2028

Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present the two-year internal audit plan for Fiscal Years 2027-2028 (materials on file with the secretary). Ms. Zemaitis referred to the governance framework that guides the plan and gave an overview of the audit plan development methodology, which she said is based on System-wide risk assessment. She discussed resource allocation and the use of technology. Ms. Zemaitis presented an organization chart with areas of responsibility, and she showed the summary of available resources for Fiscal Years 2027 and 2028 and planned hours for Fiscal Years 2026, 2027, and 2028. Ms. Zemaitis presented charts depicting the alignment of the Fiscal Year 2026-2027 plan to risk and management requests, as well as the Strategic Framework. She gave examples of key performance

measures and said ongoing monitoring of risks and the plan takes place throughout the year.

Ms. Zemaitis concluded her presentation and asked if members of the committee had questions. Mr. Traubert inquired about the use of Microsoft Copilot 365 and other tools to examine large sets of data. Ms. Zemaitis discussed the use of Microsoft Copilot 365 for audit planning, risk assessment, evaluation of smaller data sets, development of audit procedures, meeting minutes, and other tasks. She described efforts to leverage currently available tools and the potential to expand to use of tools, including artificial intelligence, in the near future.

Capital Projects 2026

Mr. Cepeda asked Dr. Ellinger to introduce the presentation on capital projects for 2026 (materials on file with the secretary). Dr. Ellinger first commented on the discussion at the start of the meeting on Snyder Hall and said the insurance deductible is \$25,000, with repairs covered by insurance totaling \$1.0 million. Dr. Ellinger then provided background on the capital projects presentation and said this is an opportunity to share capital needs and priorities with the committee. He referred to efforts to strengthen ongoing engagement with the universities that have resulted in a systematic, comprehensive planning process with capital priorities integrated into budget plans. Dr. Ellinger said this has led to robust, realistic, and long-term strategies for addressing facilities and infrastructure needs. He discussed the efforts of Mr. Mike Wilson, senior assistant vice president, capital programs and utility services, University of Illinois System, and his

team, and he expressed appreciation for their work. Dr. Ellinger highlighted the importance of capital renewal funds and thanked those in the external relations and communications office for their advocacy efforts. He also thanked the State of Illinois and Governor J. B. Pritzker for their continued partnership and investment in the universities. Dr. Ellinger then asked Mr. Wilson to begin the presentation.

Mr. Wilson shared a flow chart depicting Board touchpoints and approval thresholds in the construction process. He expressed appreciation for State funding for capital projects and for the University's partnership and relationship with the Capital Development Board. Mr. Wilson gave an overview State funding for capital projects and presented a chart depicting appropriations and released funds. He highlighted some major initiatives and shared information about each. These included 250 South Wacker Drive, Chicago; the Illinois Quantum and Microelectronics Park, Chicago; the Computer Design Research and Learning Center at the University of Illinois Chicago; the UI Hospital Clinical Decision Unit and Cancer Center Expansion at the University of Illinois Chicago; the Drug Discovery and Cancer Research Pavillion at the University of Illinois Chicago; Library Commons at the University of Illinois Springfield; Illini Hall Replacement and Altgeld Hall Renovation at the University of Illinois Urbana-Champaign; and the Thomas M. Siebel Center for Computer Science Building Addition at the University of Illinois Urbana-Champaign. Mr. Wilson shared a capital portfolio snapshot and said \$1.85 billion is invested in more than 400 active projects. He reported on funding sources, project budget by type, and yearly capital spend from Fiscal Year 2022 through 2026. He emphasized the aging infrastructure of the campuses and said

nearly 50 percent of buildings across the universities were constructed between 1950 and 1979. Mr. Wilson presented the results of a facility condition assessment that showed the estimated construction costs by discipline, university, and timeline, and he told the committee that more than \$2.0 billion in deferred maintenance was identified. He reported on deferred maintenance and capital renewal planning that is underway across the universities.

Committee members discussed project timelines, construction cost escalation, deferred maintenance strategies, facility modernization, and evolving educational space needs. President Killeen expressed appreciation for continued State investment in higher education infrastructure and emphasized the impact of Governor Pritzker's support. Mr. Milhouse referred to the \$2.0 billion in deferred maintenance, and President Killeen asked Dr. Ellinger to respond, noting that there is a deferred maintenance program and approach for funding. Dr. Ellinger stated that a System-level team is working with the universities to identify priorities, and he told the committee it will likely be necessary to borrow funds in addition to State funding. Discussion followed regarding coordination with the Capital Development Board. Dr. Miranda thanked Mr. Wilson for being a great partner to the universities.

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, September 16, 2026, in Champaign.

MEETING ADJOURNED

On motion of Mr. Ruiz, seconded by Mr. Milhouse, the meeting adjourned at 3:26 p.m.

There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary