



UNIVERSITY
OF ILLINOIS
SYSTEM



CFO ANNUAL REPORT

2022 / 2023

UNIVERSITY OF ILLINOIS SYSTEM

The University of Illinois System is among the preeminent public university systems in the nation and strives constantly to sustain and enhance its quality in teaching, research, public service, healthcare, and economic development.



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ANNUAL REPORT

2022/2023



UNIVERSITY
OF ILLINOIS
SYSTEM

Altogether
Extraordinary™

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CFO REPORT ON MAJOR ACCOMPLISHMENTS

▶ S&P Rating Upgrade to AA

- The University of Illinois System had three upgrades over two years, which represents **increased confidence in the state's fiscal position and future as the system's sovereign**, as well as the system's continued growth and stability.
- This upgrade will continue to improve the system's position to borrow money at more competitive rates, resulting in increased savings in future bond sales.



▶ System-Sponsored Legislation

- System-sponsored legislation was passed during the most recent session, exempting investment activities from the procurement code. This exemption was critical to **avoiding the termination of investment contracts for our \$3.7 billion Operating Pool**, which could have resulted in **a loss of more than \$100 million in investment income**. An income loss of this magnitude would have impaired strategic initiatives across the universities and the state.
- The exemption further facilitated the establishment of a diverse allocation in the operating pool. As such, the University of Illinois System engaged Attucks Asset Management—an investment firm in Chicago—to partner in the development of a diverse manager allocation within the operating pool. The allocation totaled \$200 million across three underlying diverse firms.

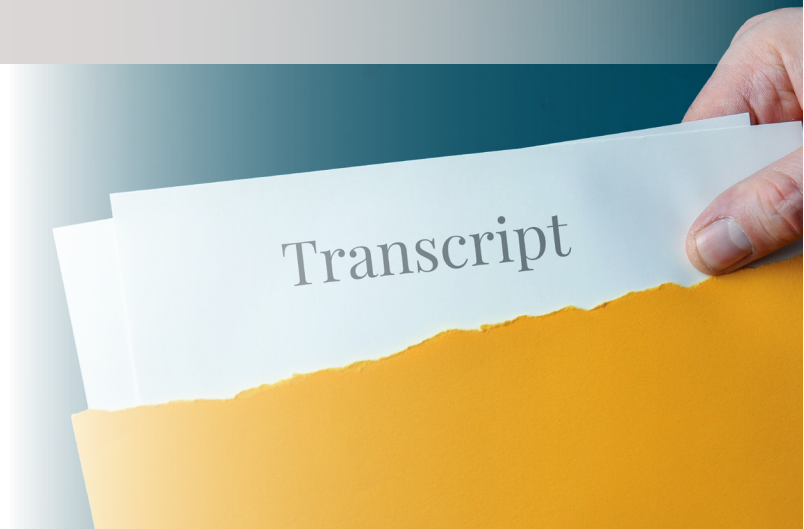
▶ Developed International Equity with ESG Investment Strategy

- A second Environmental, Social, and Governance (ESG) investment strategy was launched in partnership with BlackRock, resulting in the development of a **\$144 million allocation within international equity**.

BlackRock®

▶ Ended Transcript Holds

- The University Bursar ended the practice of withholding transcripts from students with outstanding balances. The revocation of this policy enables students to transfer credits, complete their degrees, and obtain jobs that could help pay down their unpaid balance.
- **This policy change will positively impact all students, especially students from low socio-economic status who were disproportionately affected by transcript holds.**



▶ New Approved System Guidelines

- In May 2023, the Legislative Audit Commission approved new system guidelines in an effort led by the University of Illinois. First enacted in 1982, the university guidelines were over 40 years old and contained numerous requirements, requiring substantial compliance efforts.
- **The new guidelines provide more flexibility and will save on audit costs for all public universities throughout the state** due to not having to comply with requirements which are no longer relevant.

▶ System Investment in IT Infrastructure

- Facilitated a **\$20 million System investment over five years** to establish a 'core facility' in research computing. This facility provides researchers with state-of-the-art CPUs for modeling and simulation applications, as well as cutting-edge graphics processing units (GPU) for AI, machine learning, and other research purposes.
- The management of this investment is entrusted to experts at the NCSA based at University of Illinois Urbana-Champaign (UIUC), who allocate resources to researchers across the system's universities, prioritizing strategic initiatives within the University of Illinois System.

▶ Disaster Recovery Planning Results

- A multi-year project for our enterprise systems disaster recovery efforts resulted in a highly successful failover of our production services from our Chicago data center to the Urbana data center. This involved over 950 applications, 340 servers, and 300 TB of storage. The systems ran seamlessly for approximately 18 hours.
- This unique capability ensures our critical business systems are highly available. For more information, please see "How the University of Illinois System Conducted a Massive Failover Test to Reduce Risk Exposure" on the EDUCAUSE Review website.



▶ Reduced Interest Rate Risk

- The University of Illinois System saved an estimated **\$40 million** within its investment program by reducing its interest rate risk prior to the Federal Reserve's interest rate hiking cycle. Financial assets were insulated through rebalancing exercises that reduced average duration within separate fixed-income accounts and by holding over **\$1 billion in money market funds**.
- Each active, strategic decision to protect the institution's capital provides financial flexibility to further the system's mission of transforming lives and serving society by educating, creating knowledge, and putting knowledge to work on a large scale and with excellence.

▶ First Chief Behavioral Health Officer

- At the request of the Illinois Governor's Office, the Office of Medicaid Innovation, a University of Illinois System unit, provides dedicated research and support to **Illinois' first-ever Chief Behavioral Health Officer**, David T. Jones, to remove siloed efforts in addressing a crisis in mental health issues, particularly among children and adolescents.
- Jones is charged with transforming Illinois' behavioral health system by reducing administrative duplication, increasing access to care, and coordinating efforts between Illinois health and human service agencies as they seek to improve behavioral health wellness for the state.

▶ Full-Scale Facility Assessment

- Capital Programs engaged with CannonDesign to provide **the first full-scale facility condition assessment for the University of Illinois System in nearly 20 years**. Work will commence in summer 2023, and the assessment will help identify and quantify deferred maintenance needs at all three universities. Reinvestment in the system's physical plant is critical to maintaining spaces that allow for the delivery of high-quality instruction and research, and we look forward to developing a coordinated approach to addressing our deferred maintenance backlog.

▶ Launched Diverse Supplier Development Program

- Successfully launched the Diverse Supplier Development Program that fosters the growth of Minority/Women-owned Business Enterprises firms by providing the University of Illinois System resources to a cohort of diverse firms in areas such as access to capital, legal negotiations, and marketing strategies. **The first cohort included 25 small, diverse, and women-owned firms**.
- The goal is to ensure participating businesses are more prepared to succeed in their engagements with the University of Illinois System and the greater business community.

▶ Real Estate Services Expanded P3 Delivery

- Real Estate Services has expanded its capacity to deliver P3 projects, completing the **new UI Health Specialty Care Building, a \$197-million, 195,000-square-foot facility** that provides a more efficient, comfortable, and patient-friendly home for outpatient surgery, procedures previously performed within the operating suite at the University of Illinois Hospital. With the increasing patient need for outpatient surgery, many of UI Health's top-ranked clinical programs strained the previous facilities.
- The Specialty Care Building **was delivered two months ahead of schedule and under budget**. Real Estate Services also broke ground spring 2023 for the new Steven S. Wymer Hall, a new instructional facility for the Gies College of Business. In addition, the group completed the developer selection for a new UIC parking facility and the UIUC Research Park greenhouse research facility.

▶ Diversity Increased Spending

- **Spending with certified diverse businesses has increased by over \$27 million annually.** A priority for all purchasing activity within the system, it is a celebrated accomplishment to see this growth, especially coming off a COVID-19 year where much of our traditional spending was shifted in response to the global pandemic.
- The University of Illinois System reached its highest total ever in diversity spend, with prospects and opportunities firmly established to continue our total growth year over year.

▶ Improved Digital Accessibility

- System Offices have significantly invested in and improved digital accessibility capabilities over the past year. Administrative Information Technology Services partnered with System Human Resource Services and System Offices Shared Services to facilitate the design and implementation of the System Offices' digital accessibility exception process. This included development of a governance structure to guide established digital accessibility policies and to review accessibility exception requests. These initiatives support the equitable availability of services to the University of Illinois community.

▶ Transforming Local Health Systems

- The Office of Medicaid Innovation and the UIC Institute for Healthcare Delivery Design (IHDD) played a significant role in launching Healthcare and Family Services' Healthcare Transformation Collaboratives program that invests **\$150 million annually to transform local health systems**, focusing on reducing healthcare disparities.
- The projects support the redesign of healthcare delivery by bringing specialty care to underserved communities, building trust and engagement through community health workers from the community, and directly addressing health-related social needs such as housing, employment, and food security. IHDD analyzed data and conducted community interviews to provide community-specific health outcomes and needs baselines.



▶ Protected System Fringe Exemptions for State-Provided Health Insurance

- The Office of the Controller clarified the State Employees Group Insurance Act, which protects the University of Illinois System's state-provided health insurance fringe benefit exemptions across the entire system. Advocacy efforts successfully explained the statute's critical, longstanding health insurance exemptions, including the UIC Hospital and medical service plans. Additionally, the statute updates corrected the previous language, which implied the system was responsible to fund all health insurance fringe when employees were paid from a mix of state- and grant-funds. These statute's updates protect the system's fringe benefit longstanding exemption, **valued well in excess of \$100 million.**

▶ Expanding Data Analytics

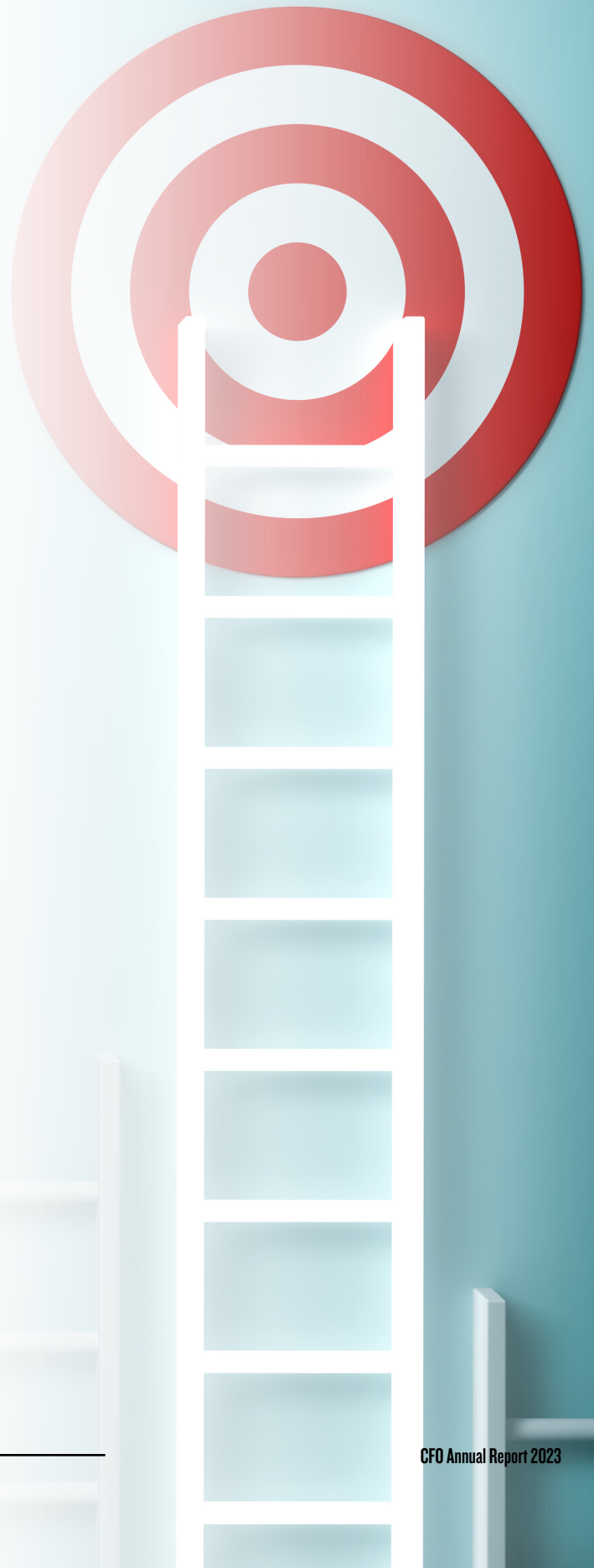
- AITS completed the roadmap for the next generation data analytics platform and started implementing data virtualization, data lakes, and data movement tools. These new tools will reduce the need for units to download data from the warehouse to combine it with local data. It will also reduce the time required to make data available to others through a data lake.

▶ Automating Business Processes

- AITS created 43 new automations for an additional savings of 47,000 hours per year. These automations have significantly streamlined processes, reduced manual efforts, and enabled employees to focus on more value-added tasks. As of July 2023, there are over 550 automations providing 250,000 hours saved annually. Since 2013, the system has saved 1.2 million hours through automations

FUTURE GOALS

- Develop multi-year projections of system-wide units and work with university leadership to develop a coordinated and comprehensive financial plan to address economic challenges. A multi-year approach aids decision-making, allowing leadership to evaluate and prioritize alternative scenarios.
- Work with leadership to develop a multi-year deferred maintenance financial and implementation plan that addresses the growing backlog.
- Continue progress on non-capital purchases with diverse vendors, focusing on a grassroots approach. Improved dashboards and onboarding of new vendors should aid in the progress.
- Assist UI Health in initiating the critical care unit project.
- Assist in onboarding university and board leadership. All three universities have new leadership in their budget offices. The CFO office will work with the leadership transitions at University of Illinois Springfield (UIS) and University of Illinois Chicago (UIC) to ensure continuity and transparency.
- Collaborate with Discovery Partners Institute leadership to develop a three-year fiscal plan.



ADMINISTRATIVE INFORMATION TECHNOLOGY SERVICES

Administrative Information Technology Services (AITS) provides enterprise-wide information technology services that enable the critical administrative business processes of the University of Illinois System. Our systems and services directly support the business operations that are necessary for teaching, learning, research, and outreach. Our work focuses on the system's core HR, payroll, finance, student, and research administration functions. In addition, AITS works in partnership with University of Illinois System IT units to provide security and identity and access management services.

SCOPE OF SERVICES

AITS delivers enterprise-wide IT solutions and services in support of the mission critical functions of the University of Illinois System. AITS supports student services, financial aid, human resources, payroll, and finance for over 130,000 students, staff, and faculty.



Students

- Apply for admissions
- Register for classes
- Request records and transcripts
- Apply for financial aid
- Check grades and class schedules
- View and manage accounts
- Pay tuition
- Apply for graduation
- Receive earnings from student employment



Faculty

- Manage grants from pre-award to post-award stages
- Procure research equipment
- Submit and process reimbursements
- Maintain course catalogs and class rosters
- Record grades
- Oversee student accounts and holds
- Coordinate class and room assignments



Staff

- Utilize financial systems, such as A/R, GL, and payables
- Recruit and oversee staff
- Utilize iBuy and PCard
- Process payroll
- Participate in system-wide training
- Administer IDs
- Manage benefits and earnings
- Receive operational reports and data visualizations

ACCOMPLISHMENTS

▶ Keeping our Systems Safe and Reliable

- Our primary mission is to support and enable the University of Illinois System's business processes with reliable, secure, and up-to-date enterprise IT Services.
- We implemented 855 security patches on our Windows, Linux, and Solaris servers (**417,791 total security updates applied**) and blocked up to 71 million daily cyberattacks.
- We executed a comprehensive live failover test, transitioning all production systems to our secondary data center. This test involved over **950 applications, 340 servers, and 300 TB of storage**. The systems ran seamlessly for approximately 18 hours.
- We kept our core business systems up-to-date with regular upgrades and patches for compliance and security, including successful back-end system upgrades.

71 Million
daily cyberattacks prevented

855
security patches

99.9%
Uptime

▶ Provide an Excellent User Experience

In FY23, we focused on improving our user experience by implementing new systems and improving our capabilities for accessibility testing and remediation.

- Implemented new and enhanced business systems:
 - Best-of-Breed HR Systems (Cornerstone and JDXpert)
 - Document compliance and modification solution within Contracts+
 - Student proxy functionality with Banner ERP
 - Graduate College Tuition Waiver and Fellowship Application
- Tested and updated over **93 enterprise applications** for accessibility.
- **Increased capacity by 50%** for digital accessibility work.
- Facilitated the creation of a digital accessibility exception process for system offices.

▶ Save Time for the System

In FY23, we improved operational efficiencies for the system through business process improvement, strategic automation, and integrations.

Automation: Our automations have significantly streamlined processes, reduced manual efforts, and enabled employees to focus on more value-added tasks.

As of July 2023, there were over 550 automations providing 250,000 hours saved annually. **Since 2013, AITS has helped the system save 1.2 million hours.**

In FY23:

- Created 43 new automations for an additional savings of 47,000 hours per year.
- Completed 29 process improvement engagements.
- Redesigned and launched a purpose-focused training program for BPI.
- Transferred six integrations to a more flexible, standardized, and scalable technology.
- Expanded integrations use the new Banner Ethos integration service.

▶ Expanded Data Analytics

In FY23, we enhanced our existing data resources, planned for the future, and started developing data governance and a data literacy program.

- Upgraded system-wide reporting and data visualization tool, EDDIE/Web Intelligence.
- Implemented reporting and ad hoc analysis capabilities for two enterprise systems (Chrome River and Cornerstone).
- Completed the roadmap and received approval for the next generation data analytics program.
- Established the System Office Data Governance working group.
- Began drafting a data literacy and consulting program.

KEY METRICS



AITs tracks and publishes an extensive set of operational and strategic metrics each year, which may be found in our annual metrics report and our strategic plan progress reports. The following are the key metrics that we track:

Metric	Description	Measure
Uptime	AITs' goal is to maintain uptime above 99%. This number does not include planned downtime for upgrades and maintenance.	99.99%
Net Promoter Score	An NPS rating above 50 is considered excellent, and a rating above 80 is considered world-class. AITs' goal is to maintain a world-class ranking. For FY23, 85.1% of our raters would recommend our services.	85.1%
Hours Saved by New Automations	AITs automations provide 250,000 hours saved annually and continue to grow. For FY23, we added 43 new automations for an additional savings of 47K hours per year.	47K
Web Service Transactions	AITs measures the value we provide to our clients by counting the number of times that our clients use a web service we have provided. It is an indication of time and resource savings provided by our services. Our FY23 goal was to have 253 million transactions.	422 million
Active Users for All Data Tools	AITs' active users measurement indicates the number of people taking advantage of the data tools we provide and maintain. The goal for FY23 was to increase the number of active users by 5% for a total of 4,100 active users.	4,200
Annual Business Transactions	AITs monitors the number of business transactions enabled by our services. We do not set a target for this measurement, but it is a good idea of the scale of our services.	HR Front End transactions: 164,413 Regular Payroll transactions: 930,373 Proposals submitted through Start myResearch: 6,927 Registration record transactions: 13,919,955 iBuy transactions: 174,455
Cyberattacks prevented per day	AITs monitors the number of cyberattacks prevented each day. We do not set a target for this measurement.	Up to 71 million per day

PROCUREMENT SERVICES

The System Office of Procurement Services provides a wide range of services to the University of Illinois System and each of the three universities. Centrally, we have developed, launched, and continue to administer the Amazon for Business platform and have worked to facilitate more productive working relationships between university purchasing units and University Payables.

SCOPE OF SERVICES

University Payables

(System-Wide)

- All non-payroll-based disbursements, including vendor invoices and payments (for both PO-based and non-PO-based transactions)
- Employee reimbursements
- Cash advances
- Administration of the Corporate Card Program, including Procurement Cards (PCards), Travel Cards (TCards), and all transaction compliance review activities

The Illinois Public Higher Education Cooperative (IPHEC)

(System-Wide, Medical Communities, Public Institutions in Illinois, and Other State Agencies)

- Providing procurement tools
- Maintaining a central repository to assist with state-required paperwork and registrations
- Conducting university audits on procurements managed by IPHEC
- Managing the Illinois Procurement Bulletin
- Serving as a liaison between the universities, the Chief Procurement Officer, and legislative interactions and requirements

System Purchasing and Support Services

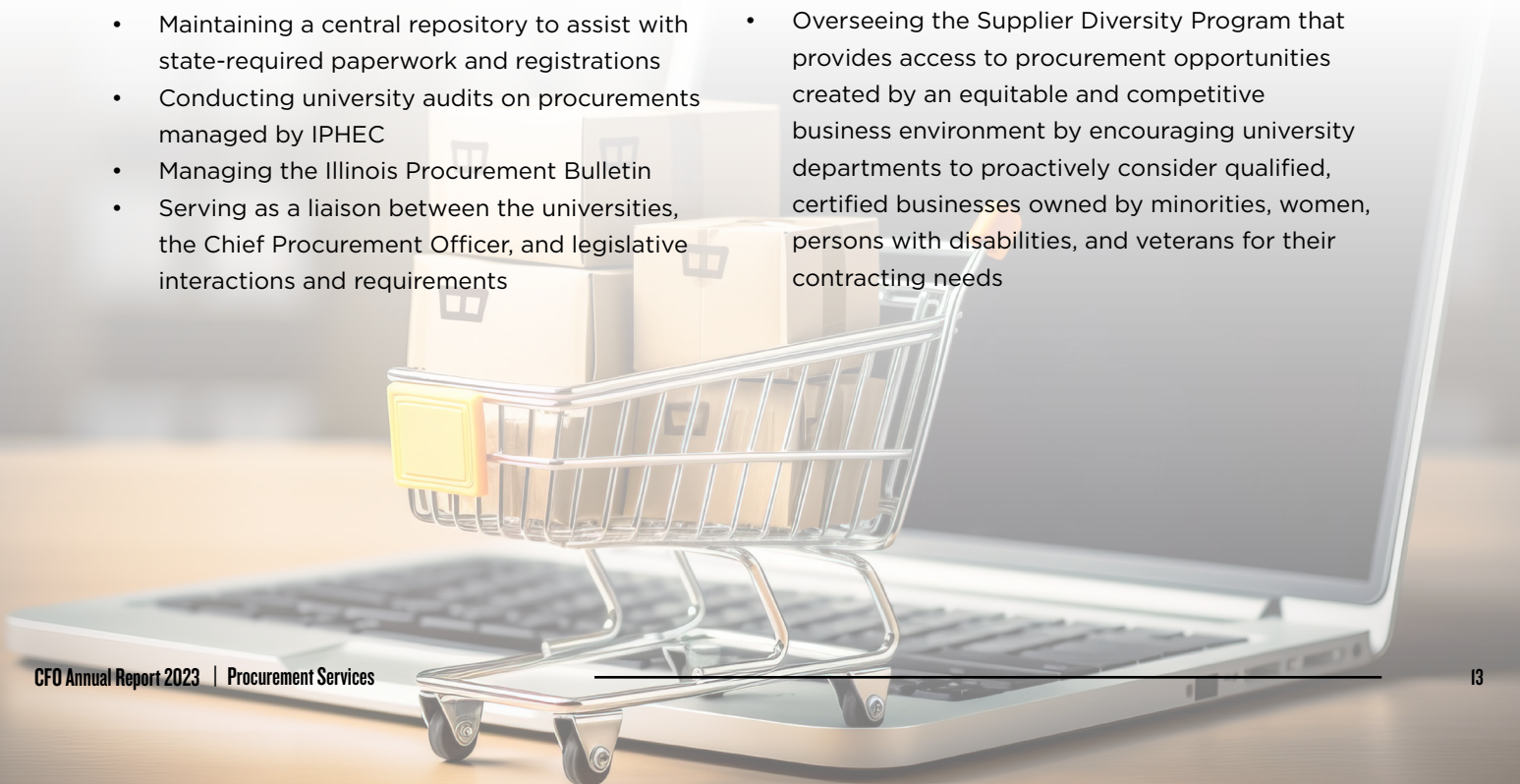
- Negotiating and executing all purchases, no fund, and revenue-generating contracts for system-level offices (including DPI and SHIELD)
- Providing purchasing data analytics for the State of Illinois and the Board of Trustees of the University of Illinois

System Leadership

- Leading successful system-wide initiatives by strategically connecting people and information
- Providing expertise in strategic planning, project management best practices, and information technology implementations, as well as offering oversight and support

The Office of Procurement Diversity (OPD) (System-Wide)

- Overseeing the Supplier Diversity Program that provides access to procurement opportunities created by an equitable and competitive business environment by encouraging university departments to proactively consider qualified, certified businesses owned by minorities, women, persons with disabilities, and veterans for their contracting needs



ACCOMPLISHMENTS

The University of Illinois System Office of Procurement Services achieved significant milestones in the past year aimed at enhancing processing efficiencies for our university customers, reducing costs, increasing diverse participation, and advancing opportunities for small and diverse businesses. We accomplished this by leveraging our business expertise and world-class teaching and research methods.

Some of these achievements include:

▶ New Substantive Procurement Legislation

The passage of the first substantive procurement legislation in several years brought about several noteworthy changes, including the introduction of efficiency-enhancing and cost-saving tools. Most notably, it included an exemption for our investment portfolio, **preventing an estimated loss of more than \$100 million.**

Additionally, these measures were designed to streamline administrative processes and address documentation challenges. Furthermore, several amendments were introduced to support small and diverse businesses.

▶ Upgraded Procurement Infrastructure

Increasing Business Enterprise Program (BEP) spending for cooperative purchasing in **FY22 to \$33,674,929, up from \$15,431,352 in FY21.** Cooperative purchasing engagements have long presented challenges with small and diverse participation. Through the work of our internal cooperative, engagements have been assembled and monitored to ensure adequate participation in an area where the state public institutions direct a large proportion of their spending.

▶ Re-established Amazon for Business

Re-establishing and administering the Amazon for Business program has provided the University of Illinois System with access to another valuable tool for acquiring necessary goods within our research and learning environment.

Although we expect the current engagement to be more carefully aligned with state statutes, the previous engagement resulted in an annual spending of nearly \$5 million.



Diverse Supplier Development Program

We successfully launched the Diverse Supplier Development Program (DSDP), aimed at fostering the growth of Minority/Women-owned Business Enterprises (M/WBE). This initiative provides the University of Illinois System with the resources to support a cohort of diverse firms in areas, such as access to capital, legal negotiations, and marketing strategies.

The inaugural cohort consisted of 25 small, diverse, and women-owned firms. The program was a resounding success, with all 25 participants graduating and achieving measurable success.

This achievement will yield immediate and long-term dividends for certified businesses. Our goal is to ensure that participating businesses are better prepared for success, both within the University of Illinois System and the broader business community.

▶ Payment and Reimbursement Requests

Processed over 1.5 million payment and reimbursement requests. While transaction processing is a standard function of University Payables, demand has returned to pre-pandemic levels. It is worth noting that we maintain a better-than-average processing time compared to institutions nationwide.

Handling this volume can pose some challenges, and while we were not without audit-induced findings, we have significantly reduced total findings when compared to previous cycles.

▶ Spending with Diverse Businesses

Increased spending with certified diverse businesses has **grown by over \$27 million year over year.** It is a significant accomplishment to witness this growth, especially considering the challenges of the COVID-19 pandemic.

The University of Illinois System has achieved its highest total ever, and we are poised to continue our year over year growth.

KEY METRICS



BEP spending for cooperative purchasing increased in FY22 to **\$33,674,929** up from **\$15,431,352** in FY21.



Closed almost **800 purchase orders** resulting in an unencumbrance of over 13 million.



Grew system diverse spending to **\$126 million** in FY22, up from COVID-19-impacted \$98 million in FY21.

▶ Payables Processing Data



1,099,713 Invoice Detail Lines, Totaling \$2,849,610,376



125,631 PCard Transactions, Totaling \$38,718,674



Internal State Cooperative Awards

5 Major statewide solicitations

11 National cooperative adoptions (14 total new vendors)

22 Statewide sole source agreements

BUSINESS SERVICES

SCOPE OF SERVICES

University Bursar

Directly supporting more than 94,000 students, assistance is always available to navigate the billing and financial service processes. Promoting strong fiscal health, timely service, and partnerships with other university units to ensure student success.

Contracts

Including the organization of electronic and physical contracts and filing in accordance with state statutes with the Illinois Secretary of State and the Illinois Office of the Comptroller.

Business and Finance Policy

Serving as a liaison between all system business and finance units to draft or update policies. We participate in a wide variety of policy committees and meetings to present important aspects of recent policy updates and ensure that system-wide policy considerations are represented and communicated to stakeholders.

Audit

Overall management of the external audit function on behalf of Business Services and represents the CFO organization. We also act as primary university liaisons for the state compliance portion of the audit.

Office of University Outreach

Focusing on education and outreach, assisting university and System Offices units with operationalizing their strategic initiatives, and serving as a business and compliance advisor to our university customers.

ACCOMPLISHMENTS

▶ Transcript Holds

The University Bursar ended the practice of withholding transcripts from students with outstanding balances. The revocation of this policy enables students to transfer credits, complete their degrees, and obtain jobs that could help pay down their unpaid balance.

This policy change will positively impact all students, especially students from low socio-economic status who were disproportionately impacted by transcript holds.

▶ 1098-T Proxy

The team enabled proxy access to IRS Tax Form 1098-T in Student Self-Service. Alternative designated emails (Parents) can now view their dependent's 1098-T in Banner Student Self-Service. This access has helped to decrease the communications received by the University Bursar from parents and guardians who require the documents for tax reporting.

▶ 529 E-Payments

The unit implemented a process to accept 529 payments electronically. This deployment decreases the number of paper checks the university receives and increases the timeliness of payment processing.

▶ Completion Grant

The University Bursar created a small dollar completion grant to assist students with financial holds with one semester to complete for graduation. As a student progresses through their academic career, the amount of available financial aid may decrease as they near their final semester, or personal circumstances may change, creating financial hardship.

In some instances, a student may be within a few hundred dollars of the financial hold threshold. In these cases, a small dollar grant can make all the difference, targeting students prevented from registering for future semesters due to a financial hold.



KEY METRICS



The Policy Office commenced a new, in-depth review of all 390 business and finance policies and procedures via meetings with subject matter experts and incorporating a review of comments and recommendations provided by members of the Policy Advisory Group (made up of departmental staff from all three universities and system units). Processed **78 individual policy updates** separate from the annual review.



University Contract Records Office (UCRO) filed approximately **3,800 contracts** with the State of Illinois Comptroller and **nearly 400** with the State of Illinois Secretary of State, as required by law.



Approximately **14,000 hours** were spent by external auditors on our engagement. However, the system's FY21 audit was an unusually long cycle, beginning in April 2021 and concluding with reports being issued 14 months later in June 2022.

CAPITAL PROGRAMS, REAL ESTATE, AND UTILITY SERVICES

Each university has unique needs to maintain and develop its physical plant. Historically referred to as the University Office of Capital Programs and Real Estate Services, our organization also includes Utility Services. Combined, the three units work closely with one another, all three universities, state agencies, utility companies, and private developers to deliver capital, leased space, and energy commodities for the University of Illinois System.

SCOPE OF SERVICES

Capital Programs

The Office of Capital Programs facilitates the delivery of capital using traditional methods (i.e., design-bid-build, design-build, etc.) and funding mechanisms (state, institutional, gift, bond, etc.). The unit serves as a conduit between our universities and the Board of Trustees to ensure university policy is upheld. In addition, the unit develops policies to ensure continued compliance with state procurement law. It also works closely with the Illinois Capital Development Board to oversee capital projects utilizing state funding. Capital Programs bears responsibility for master planning efforts on each campus and oversees the presentation of all capital approvals and significant design proposals brought to the Board of Trustees. Finally, the unit provides project management services for system-led projects, most notably the construction of the Discovery Partners Institute facility in Chicago.

Real Estate Services

When traditional capital delivery methods are expected to be more costly and time-consuming, Real Estate Services provides oversight and project management functions for P3 projects. The unit works with developers and university patrons to deliver high-quality spaces on time and on budget. Real Estate Services also handles all real estate functions for the system's real estate functions, including leasing, acquisitions, property sales, easements, licensing, and more.

Utility Services

Utility Services employs all staff required to operate Prairieland Energy, Inc. (PEI), a university-related organization. PEI procures energy and utility commodities for both University of Illinois Urbana-Champaign and University of Illinois Chicago and provides procurement and business functions pertaining to these operations.

ACCOMPLISHMENTS

▶ Capital Programs

- In January 2023, several years of legislative efforts culminated in the enactment of laws that will allow our universities to utilize more efficient capital delivery models such as single-prime and design-build. Historically, there have been limitations to design-bid-build and multi-prime capital delivery—methodologies that increase project budgets and lengthen project schedules. **The change will help mitigate rapidly rising construction costs and deliver capital in a more timely manner.**
- Capital Programs staff have continued to manage several large projects, including the design and construction of the Discovery Partners Institute facility. During 2023, the Board of Trustees approved the design for this innovative research hub in Chicago's newest neighborhood - the 78. **Construction is set to commence in 2024.** In addition, staff have worked closely with the Capital Development Board to coordinate project delivery on state-funded projects at each of our universities.
- Capital Programs engaged with CannonDesign to provide **the first full-scale facility condition assessment for the University of Illinois System in nearly 20 years.** Work commenced in summer 2023, and the assessment will help identify and quantify deferred maintenance needs at all three universities. Reinvestment in physical plants is critical to maintaining spaces that allow for high-quality instruction and research, and we look forward to developing a coordinated approach to addressing our deferred maintenance backlog.



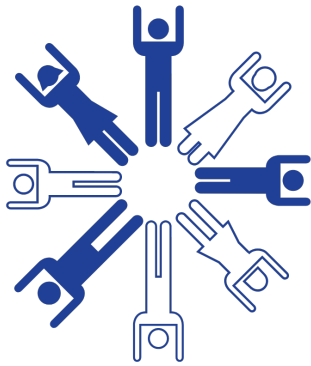
► Real Estate Services

- Real Estate Services facilitated several key real estate acquisitions during FY23 that further the academic and research missions of the university, including purchasing property for the planned University of Illinois Springfield Innovation Center and the University of Illinois Chicago Healthcare Transformation Collaborative (UI Health). In addition, **the unit completed more than 100 leases, licenses, and easement contracts.**
- Real Estate Services has expanded its capacity to deliver Public-Private Partnership (P3) projects, **completing the new \$200 million UI Health Specialty Care Building ahead of schedule and under budget.** In Spring 2023, the unit helped break ground for the new \$100 million+ Stephen S. Wymer Hall for the Gies College of Business while overseeing the construction of the new south campus E-15 parking garage. Wymer Hall will help Gies address growing in-person enrollments by providing additional classroom learning spaces and support growing online enrollments via its dedicated studio spaces designed for online instruction.

► Utility Services

- Utility Services has successfully adhered to its mission of providing cost-effective delivery of energy commodities to our Urbana and Chicago campuses through Prairieland Energy, Inc. (PEI). This includes continued oversight of energy delivered through **Urbana's Solar Farm 2.0, which has saved the university nearly \$2 million since it went live in early 2021.** Favorable hedging practices have helped universities **garner \$40 million in unrealized savings compared to the market through FY28.** In FY23, PEI also started to process over 150 utility bills on UIC's behalf each month.

KEY METRICS



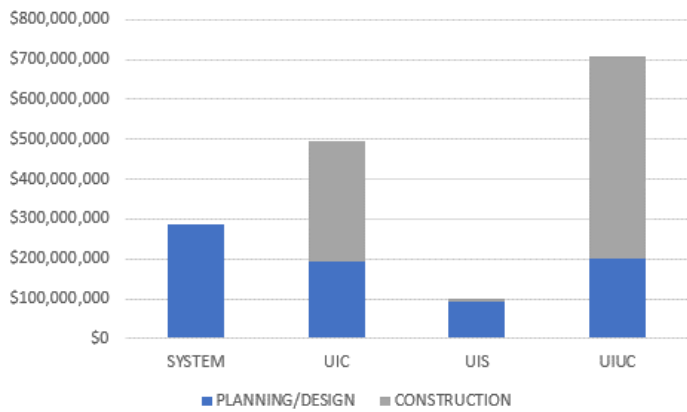
35% of FY24 Capital Spending went to Diverse Business Enterprises

552
Active Projects

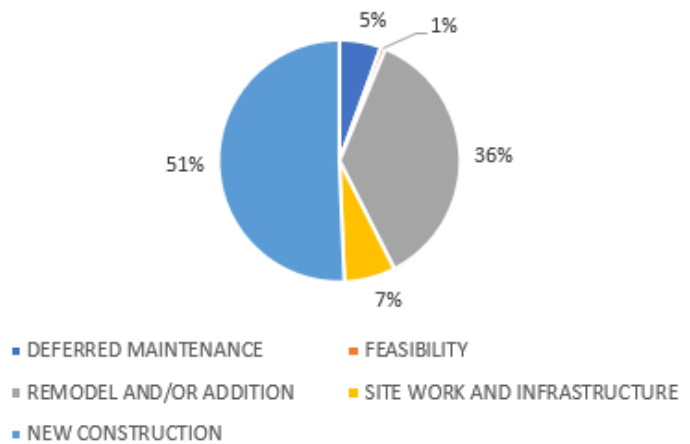
268 Projects in Planning and Design

284 Projects in Construction

Active Capital Projects by Status



Active Project Budgets by Project Type



CONTROLLER

SCOPE OF SERVICES

University Payroll & Benefits (UPB)

UPB is responsible for all payroll calculations, administers employee benefits enrollment, manages the payroll schedules, processes payroll adjustments and corrections, appropriately withholds statutory taxes and payroll deductions, and produces mandatory tax and health coverage forms W-2, 1042S, and 1095C. Payroll taxes are filed and deposited according to the frequency required by law. Customer support is provided to employees, departments, and visitors regarding payroll and benefits topics, foreign national payments, and taxation.

System Government Costing

System Government Costing supports the sponsored project portfolio by developing cost recovery rates that allow the universities to recover from sponsored projects. Specific recovery rates include facilities and administrative rates, tuition remission, fringe benefit rates, and departmental service activity rates. Extensive training for departmental service activity rates is also offered to university business officers.

University Accounting and Financial Reporting (UAFR)

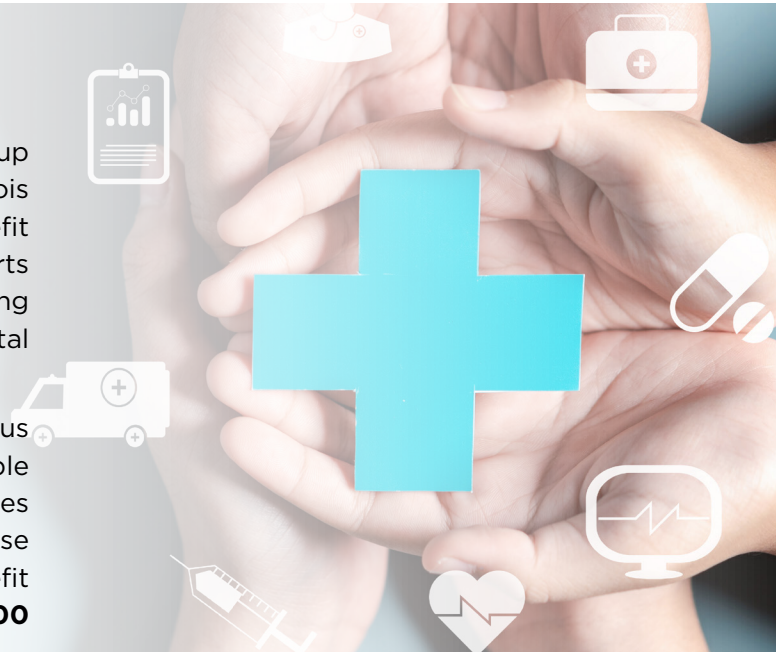
UAFR is a system-wide service center that supports the financial accounting and reporting needs of the University of Illinois System. UAFR maintains the overall integrity of the system's chart of accounts, monitors compliance with various externally imposed restrictions, and provides training and guidance to the business community at all three universities on various complex accounting matters. UAFR also produces external financial reports in accordance with bond indentures, generally accepted accounting principles, and governmental regulations. Additionally, UAFR is responsible for administering the state property requirements and the system-wide surplus equipment warehouse operations.

ACCOMPLISHMENTS

▶ Protected System Fringe Exemptions for State Provided Health Insurance

Successfully clarified the State Employees Group Insurance Act, which protected the University of Illinois System's state-provided health insurance fringe benefit exemptions across the entire system. Advocacy efforts successfully clarified the statute's critical longstanding health insurance exemptions, including the UIC Hospital and Medical Service Plans.

Additionally, the statute updates corrected the previous wording, which implied the system was responsible to fund all health insurance fringe when employees were paid from a mix of state and grant funds. These statute updates protected the system's fringe benefit longstanding exemption, **valued well in excess of \$100 million.**



▶ Successful Legislative Relief Efforts

In May 2023, the Legislative Audit Commission approved new university guidelines, following an initiative led by the University of Illinois. The original guidelines, first enacted in 1982, were over 40 years old and contained numerous requirements that necessitated significant compliance efforts. **The new guidelines offer greater flexibility and are expected to reduce audit costs for all public universities in the state,** as they no longer need to comply with irrelevant requirements.

▶ Expanded System-Wide Training Efforts

Expanded system-wide training efforts. From offering new Time Reporting Certification courses to training 114 departmental business staff in the rigorous Service Activity Advanced Certificate course, as well as completing a new training certification for those managing equipment inventory, all offices have expanded training offerings. This helps to ensure departmental business staff have the knowledge necessary to be successful.



KEY METRICS



\$10 billion cash transactions, comprising **1.7 million bank transactions**, reconciled annually



72,000 W-2s Issued



\$990 million total employee deductions remitted correctly, involving **242 different deductions**



73,000 payroll adjustments processed



5,100 new accounting strings created



142 individual service activity rate reviews completed



\$2.6 billion in wages processed accurately, efficiently, and in a timely manner



29,000 inbound equipment items delivered to surplus warehouses

OFFICE OF MEDICAID INNOVATION

The Office of Medicaid Innovation (OMI) is a specialty unit within the University of Illinois System Offices that provides administrative, clinical, and operational services to the Illinois Department of Healthcare and Family Services (HFS) to support its administration of Illinois' Medicaid Program. This strategic partnership between HFS and the University of Illinois System directly contributes towards the system's mission of transforming the lives of the citizens of Illinois through learning, discovery, engagement, and economic development. 3.5 million individuals, an estimated one-quarter of the state's total population, which includes 50% of its children - receive healthcare insurance from HFS. The system's efforts to provide HFS with thoughtful leadership, clinical excellence, and operational efficiency benefit everyone in the state.

SCOPE OF SERVICES

OMI's management and oversight of its growing portfolio of partnerships and projects provides:

- Expert input on public policy and treatment standards.
- Clinical excellence in pharmaceutical prescribing for Medicaid patients.
- Ongoing education and support to Illinois' primary care physicians and advanced practice nurses.
- Review and support for children's residential facility treatment.
- Support for returning individuals from institutional settings to community settings.
- Workforce training for community-based mental health providers.
- Analysis and evaluation of specialized Medicaid Demonstration Waivers
- Specialized care coordination for children with behavioral health conditions.
- Planning for and support of HFS' Healthcare Transformation Collaborations that seek to revise health and wellness in key Illinois communities.

Altogether Extraordinary: OMI embodies the spirit of the University of Illinois System by leveraging partners across all the universities to help improve Illinois Medicaid.

- UIC College of Nursing
- UIC College of Pharmacy
- UIC School of Public Health
- UIUC School of Social Work
- UIC College of Applied Health Sciences
- UIC Division of Specialized Care for Children
- UI Health Institute for Healthcare Delivery Design

In support of these efforts, OMI does not request or utilize any University of Illinois System funds. Instead, OMI is funded entirely from the HFS budget, **generating an estimated \$30 million annually**, which provides supplementary funding to its partnering colleges and schools. These funds from HFS are offset by OMI's quarterly processing of a Medicaid Certified Public Expenditure (CPE) seeking federal financial participation for University of Illinois System costs. In FY2023, **OMI estimated that 60% of costs were reimbursed to Illinois through federal funds, resulting in a final cost to Illinois taxpayers of 40 cents on the dollar.**

ACCOMPLISHMENTS

▶ Provided Dedicated Research to First Chief Behavioral Health Officer

At the request of the Illinois Governor's Office, OMI is providing dedicated research and support to Illinois' first-ever Chief Behavioral Health Officer (CBHO), David T. Jones, to eliminate siloed efforts in addressing a crisis in mental health issues, particularly among children and adolescents.

CBHO Jones is charged with transforming Illinois' behavioral health system by reducing administrative duplication, increasing access to care, and coordinating efforts between Illinois Health and Human Service agencies as they seek to improve behavioral health wellness for the state.



▶ Assisted with Launching Healthcare Transformation Collaboratives Program

OMI and the UIC Institute for Healthcare Delivery Design (IHDD) played a significant role in launching the HFS' Healthcare Transformation Collaboratives (HTC) program that invests **\$150 million annually** to transform local health systems, focusing on reducing healthcare disparities.

The project supports redesigning healthcare delivery by bringing specialty care to underserved communities, building trust and engagement by partnering with community health workers, and directly addressing health-related social needs such as housing, employment, and food security.

IHDD analyzed data and conducted community interviews to provide community-specific health outcomes and needs baselines. The physician group and the UIC College of Medicine led one project in Chicago.

▶ Standardized Unit Financial Operations

- Instituted a new partnership agreement and annual budget process with OMI-partnering units.
- Partnered with University Accounting and Financial Reporting (UAFR) to streamline duplicate reporting of accounts receivable across all OMI projects.
- Streamlined OMI's revenue cycle by removing the physical handling of checks.
- Automated distribution of monthly financial reports to OMI leadership, improving financial monitoring.
- Established a collaborative network of business managers amongst the OMI-partnering units to exchange information and best practices.
- Worked with UAFR to develop new processes for transferring overhead revenue from OMI to OMI-partnering units into new administrative allowance funds.
- Introduced a new Banner program code system to track payments against OMI project budgets to provide up-to-date financial monitoring of OMI's financial health.

▶ **First Associate Director of IT Security and Compliance**

OMI recruited and hired its first Associate Director of IT Security and Compliance, introducing a new focus on data security for the unit that has significantly improved overall efforts to ensure HIPAA compliance due to the massive amount of Protected Health Information OMI handles for HFS.

▶ **New Brand Identity Assets**

Established new brand identity assets for the Office of Medicaid Innovation and OMI's Medicaid Technical Assistance Center (MTAC).

▶ **Soft Launch of MTAC**

Initiated a soft launch of MTAC consistent with the Medicaid Technical Assistance Act (305 ILCS 75) by recruiting an Associate Director, key staff members, and aligning with existing OMI staffing resources with a similar purpose.

▶ **Implemented Adobe Learning Manager**

Successful implementation of Adobe Learning Manager (learning management system, or LMS), replacing the UIUC School of Social Work's usage of Learning Stream, and establishing a new training platform to support the Medicaid Technical Assistance Center.

▶ **Executed and Implemented New Project Orders**

- PO19 Independent Evaluation of the HFS Continuity of Care 1115 Demonstration Waiver by the UIUC School of Social Work
- PO20 Provision of Specialized Care Coordination for children with behavioral health conditions associated with the NB Class from the UIC Division of Specialized Care for Children (DSCC).



Reallocated Financial Resources

OMI reviewed its utilization of System Office resources in FY2022 and reallocated financial resources in FY2023 to support the following:

30% of the salaries of two purchasing officers utilized by OMI in System Purchasing.

50% of the salary of one talent management partner utilized by OMI in System HR.

31% of OMI's total overhead funds acquired from HFS, which are now based on unit-specific costs and transferred to System Office Administration.

TREASURY

SCOPE OF SERVICES

Agricultural Property Services (APS) acts in a farm management capacity for system-owned and -related farmland. APS serves as fiduciary for the endowed farms' beneficiaries. The system has 53 farm properties in its care, of which 36 are endowments.

Capital Financing (CF) manages the system's outstanding debt portfolio, long-term debt obligations, and internal loan program. They lead financial planning and execution of external financings, including those for system bonds and public private partnerships, and services those obligations through maturity. They also collaborate with other system offices and provide tools, ideas, data, and support to strategically plan and execute the best financial options for their capital needs.

Cash Management (CM) manages all of the system's banking services as well as daily cash flow and settlements every day banks are open. Capital Finance is responsible for the system's banking relationships.

i-card Programs (ICP) manages the UIUC and UIS ID Centers and provides products and services centered on electronic and physical identification and devices. ICP issues all University Identification Numbers, ID cards, and credentials, provides card data and applications, and oversees the "one card" program for the entire system, including UI Health.

Investments oversees and monitors the system's operating and endowment pools and recommends the asset allocation and distribution policies for each of the pools, striving to optimize the risk return profile. In collaboration with the system's investment consultant, they select investment firms to invest the assets and perform ongoing due diligence on the firms.

Merchant Card Services (MCS) facilitates electronic payment processing services for units that accept credit and debit cards and administers the online system for issuing Amazon eGift cards. MCS provides operational support and training and oversees the required self-assessment process.

Risk Management (RM) advises system leadership in determining whether to accept, transfer, or self-insure potential liabilities from risks such as bodily injury, property damage, employment practices, and adverse medical outcomes. They administer the self-insurance plan and coordinate the purchase of commercial insurance policies. Claims Management reports to RM and is responsible for administering the workers' compensation self-insurance program, coordinating and controlling claim activities, and negotiating and settling non-litigated claims.

Tax manages and advises senior leadership on tax issues within and outside the US. They ensure compliance with laws and regulations and lead and coordinate correspondence regarding tax and audit inquiries. They protect the systems' exemptions, minimize potential tax exposure and liabilities, monitor legislation, and provide consultation resulting in the system's best interest.

ACCOMPLISHMENTS

▶ S&P Rating Upgrade to AA

This is the system's third upgrade in two years and represents an increased confidence in the state's fiscal position and future as the system's sovereign, as well as the system's continued growth and stability. It will continue to improve the system's position to borrow money at more competitive rates, resulting in increased savings in future bond sales.

▶ Legislative Exemption From the Illinois Procurement Code

A legislative exemption from the Illinois Procurement Code was granted for investment activities. The exemption **avoided a potential \$100 million+ loss** and facilitated the addition of a **\$200 million diverse manager portfolio** in the operating pool.

▶ Environmental, Social, and Governance (ESG) Investment Strategy

A second Environmental, Social, and Governance (ESG) investment strategy was launched in partnership with BlackRock, resulting in the development of a **\$144 million allocation within international equity**.

▶ Contract Language Guide

A contract language guide was developed to assist the purchasing office in assigning required levels of coverage for vendors and negotiating appropriate insurance language in contracts.

▶ Improved Security

An iris scanner system providing improved security was implemented at a beta test site at the National Center for Supercomputing Applications (NCSA) offering a system-level biometric dual authentication solution for physical access.

▶ UIUC P3 Bond Transaction

Treasury successfully completed the UIUC P3 bond transaction for the development and construction of Wymer Hall and the E-15 Parking Garage on the Urbana campus; pricing of \$87,215,000 in bonds and closed in May 2023.

▶ **First Unrelated Business Income Tax Returns with SHIELD**

Completed the Unrelated Business Income Tax Returns with the complex three SHIELD initiatives.

▶ **Upgraded Server**

Upgraded the UIS server and software point of sale system, which includes the food service transaction and database servers that communicate directly with the register system.

▶ **New Tax Legislation**

Managed new tax legislation, including the Inflation Reduction Act and SECURE Act 2.0.

▶ **Strategic Fixed-Income Investment**

Saved \$40 million through strategic fixed-income investment positioning.

▶ **Automated Medicare Reporting**

Automated Medicare reporting through the claims management platform Origami.

▶ **New UIC Parking Processor**

Converted UIC Parking to a new processor to ensure compliance.

▶ **Increased Gross Income of Endowment Farms**

The gross income of endowment farms increased by 25%+ and retained 95% of operators despite increasing rents.

▶ **Tax Compliance**

Assessed tax compliance issues associated with conducting business outside Illinois within 50 states and 81 countries.



▶ Revised Financing Application

Reviewed and revised the financing application process for both internal and external borrowing.

▶ Quality Checks

Improved the University Identification Number (UIN) generation process by adding quality checks to name and date of birth algorithms to avoid duplicate UINs.

▶ Customized Data Reports

Finalized the user entry reports application, allowing card swipe application clients to run customized data reports on demand.



Security Measures






- Established and funded the cyber risk self-insurance reserve.
- Programmed and deployed 160 credit card terminals throughout the system to ensure equipment remains in compliance with payment card industry data security standards.
- Improved the electronic payment fraud detection process, with a goal to automate reports in FY24.



KEY METRICS









i-card Programs

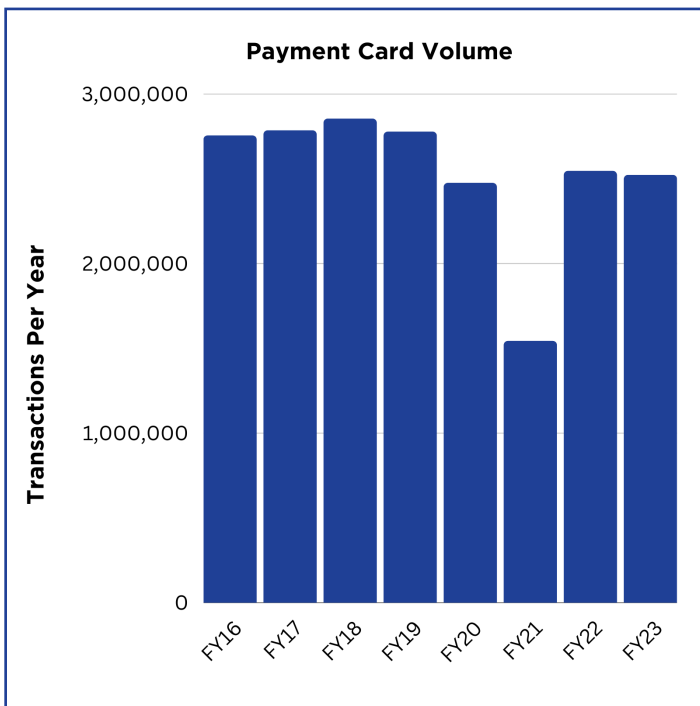
	UINs Generated	170,731
	ID Cards Issued	55,853
	Card Swipes Transacted at Locations Using ICP's Applications	6,125,746
	Card Swipe Reports Generated for Units	1,731
	Card Swipes Made for Dining and Debit Plans	4,448,047 <ul style="list-style-type: none"> • UIUC: 3,625,795 • UIC: 573,045 • UIS: 249,207

IRS Forms Prepared With Consultation From Tax

129,028	1098-T, Tuition Statements
71,672	W-2, Wage and Tax Statements
2,163	1042-S, Foreign Person's U.S. Source Income
6,918	1099, Information Returns
47,187	1095, Health Coverage





▶ Merchant Card Services

	Disputes Researched	246
	Active Merchants	250
	Active Merchants Using iPay	58
	Unique Accounts Used to Post Revenue in iPay	445
	New Studies Issuing Amazon E-Codes	225
	Amazon E-Codes Issued (\$493,614)	18,155



2.52 million payment card transactions processed amounting to **\$133.1 million**, which includes **\$20.6 million** iPay transactions.







▶ Investments

	Assets Under Management	\$4.5 Billion
	Investment Income Distributed	\$122.2 Million
	Due Diligence Meetings Held with 39 Investment Managers	98
	Investment Funds/Accounts Added to our Platform	13






▶ Agricultural Property Services

	Acres of Managed Farmland	13,400
	Income Distribution	\$3.78 Million
	Total Value of All Managed Endowment Properties	\$163.8 Million








Risk Management

	Policies Bought or Renewed	60+
	Certificates of Insurance Issued	4,700
	Average Number of Employees Off Work Monthly due to Work-Related Injury	15
	Insurance Value of the System's Buildings, Contents, and Collections	\$17.5 Billion
	Average Number of New Workers' Compensation Claims per Year	776
	Average Number of Workers' Compensation Claims Closed per Month	69

▶ Cash Management

	Bank Accounts Maintained	75
	Lockboxes	28
	Bank Relationships	10
	Receipts Received	\$6.2 Billion
	Disbursements Funded	\$6.4 Billion

▶ Capital Financing

	Debt Service Payments	115+ (\$130 Million Value)
	Debt Outstanding Including P3 Projects at end of Fiscal Year	\$1.5 Billion
	Aa2/AA- Auxiliary Facilities System	\$971.4 Million
	Aa2/AA- Certificates of Participation	\$89.2 Million
	A2/A- Health Services Facilities System	\$40.6 Million
	IFA P3 Project Lease Revenue Bonds (Rating Varies)	\$412.6 Million
	Energy Service Contracts (Not Rated)	\$17.2 Million

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