

Contact: John Nash

REGISTER OF UNIVERSITY OF NORTHERN IOWA
CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS

Actions Requested: Consider recommending to the Board approval of the:

1. Project Descriptions, Budgets and Utility Enterprise Pro Forma (financing plan) for the:
 - **Power Plant Cooling Tower Replacement** (\$2,850,000 project would be funded by Utilities Funds and Utilities Enterprise Bonds) and the
 - **Steam Distribution System Replacement Phase 2B – West Campus** (\$9,950,000 funded by Utilities Funds and Utilities Enterprise Bonds) projects with the understanding that approval is authorization to proceed with construction.

UNIVERSITY OF NORTHERN IOWA
Power Plant Cooling Tower Replacement
Project #1 of 2

Executive Summary: This \$2,850,000 utility project would replace UNI's cooling tower, built in 1980. The project would be funded by Utilities Funds and Utilities Enterprise Bonds as described in the Utility Enterprise Pro Forma (last page).

Background:

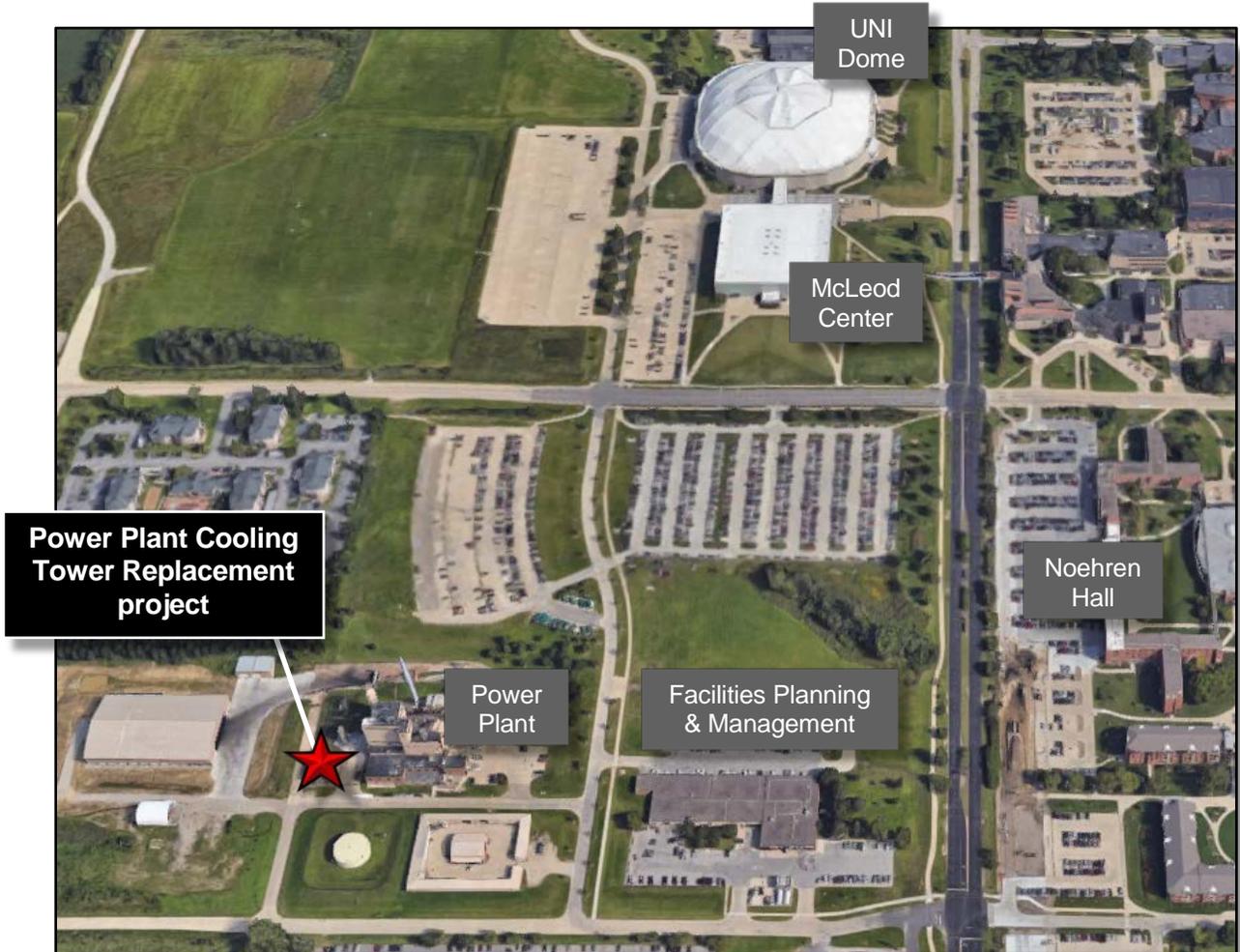
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Design Professional Selection			
➤ PRVN Consultants, North Liberty		Jul. 2019	Not Required*
Design Professional Agreement			
Design Development – Record Documents	\$205,000	Aug. 2019	Not Required*
Utility Enterprise Pro Forma		Sep. 2019	Requested
Project Description and Budget	\$2,850,000	Sep. 2019	Requested

Project Budget	
Construction	\$2,276,706
Planning, Design & Management	319,700
Contingency	253,594
Total	\$2,850,000

<u>Source of Funds</u>	<u>Construction Schedule</u>
Utilities Funds and Utilities Enterprise Bonds	Spring 2020 – Fall 2020

In 2013, a consultant was hired to review the condition of the cooling tower and to provide replacement options. That study indicated the cooling tower should be replaced in five to seven years (2018-2020). A more recent inspection confirmed that the cooling tower had outlived its useful life and is in need of replacement.

UNIVERSITY OF NORTHERN IOWA
Power Plant Cooling Tower Replacement
Project #1 of 2



University of Northern Iowa, west campus

North



UNIVERSITY OF NORTHERN IOWA
Steam Distribution System Replacement Phase 2B – West Campus
Project #2 of 2

Executive Summary: This \$9,950,000 utility project would replace 3,800 feet of direct buried steam and condensate piping along the west side of UNI’s Wellness Recreation Center, the UNI Dome and the McLeod Center. The project would be funded by Utilities Funds and Utilities Enterprise Bonds as described in the Utility Enterprise Pro Forma (last page).

Background: This is the second phase of construction under a single \$30,000,000 Permission to Proceed with Project Planning approved by the Board in February 2017 (“Steam Distribution System Replacement Phase 2”). The budget for the first phase, Phase 2A, was approved by the Board in February 2019 and will finish Fall 2019, replacing 4,700 feet direct-buried piping and 300 feet of tunnels. Phase 2B would replace an additional 3,800 feet of direct buried steam and condensate piping.

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed with Project Planning, Steam Distribution System Replacement Phase 2		Feb. 2017	Approved
Design Professional Selection			
➤ Shive Hattery Architecture & Eng., Iowa City		May 2017	Not Required*
Design Professional Agreement Schematic Design – Record Documents, Phases 2A & 2B	\$695,000	Aug. 2017	Not Required*
Design Professional Amendment #1	\$175,000	Nov. 2018	Not Required*
Project Description and Budget, Phase 2A	\$2,500,000	Feb. 2019	Approved
Utility Enterprise Pro Forma		Sep. 2019	Requested
Project Description and Budget, Phase 2B	\$9,950,000	Sep. 2019	Requested

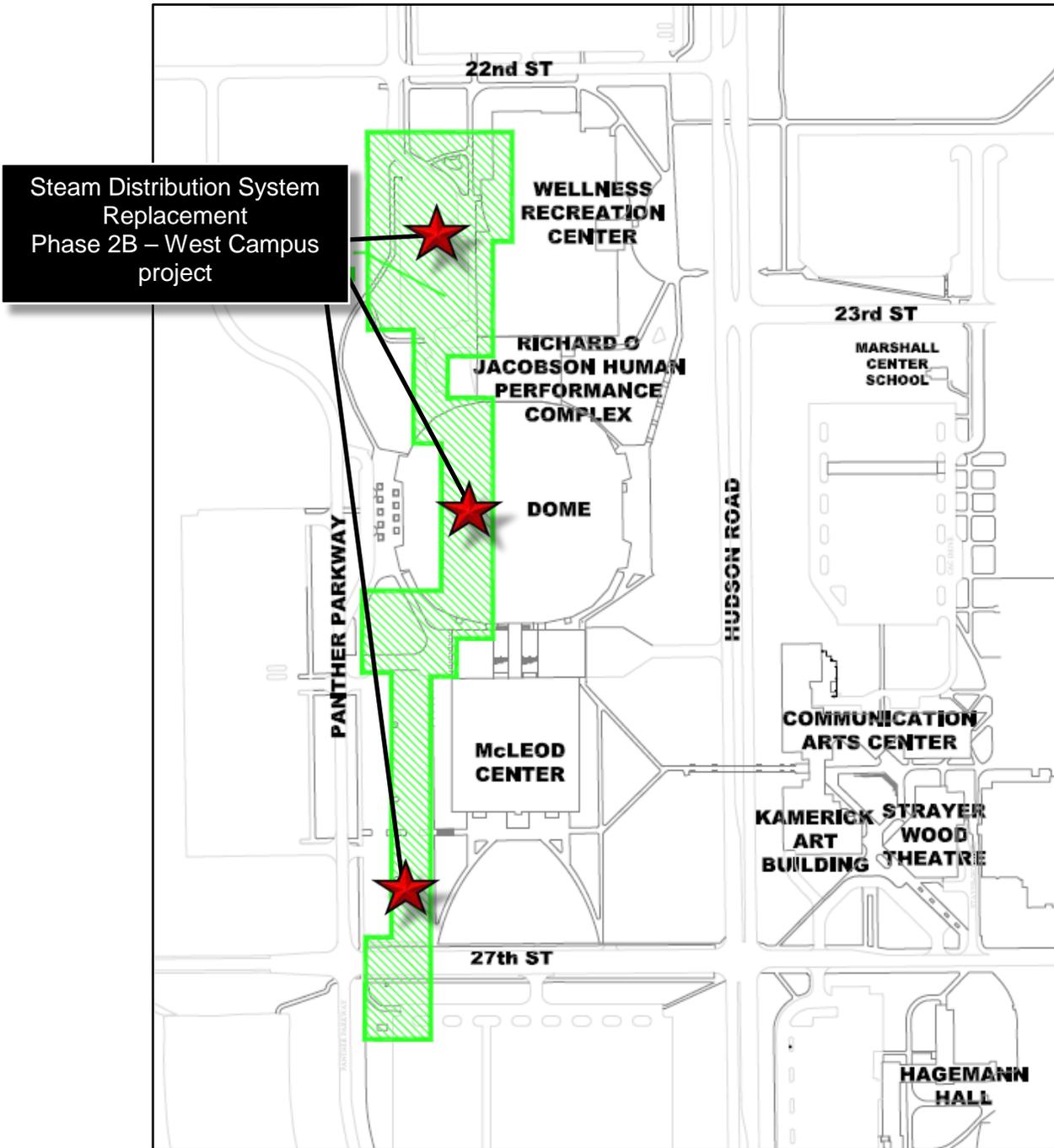
Project Budget	
Construction	\$8,084,400
Planning, Design & Management	1,065,600
Contingency	800,000
Total	\$9,950,000

<u>Source of Funds</u>	<u>Construction Schedule</u>
Utilities Funds and Utilities Enterprise Bonds	Spring 2020 – Fall 2021

UNI’s steam distribution system runs throughout campus and provides heating, cooling and domestic hot water to all facilities.

In 2016, the University hired a consultant to review the condition of the existing steam distribution system, assess repairs and develop a utility master plan for modifications. Through the previously approved Phase 2A project, this project (Phase 2B) and future phases, the University plans to replace the maximum amount of existing buried piping system as identified in the utility master plan. Existing piping was installed in 1969, 1975, 1980 and 1984 and has out lived its useful life.

UNIVERSITY OF NORTHERN IOWA
Steam Distribution System Replacement Phase 2B – West Campus
Project #2 of 2



University of Northern Iowa, west campus



**UNIVERSITY OF NORTHERN IOWA
Utility Enterprise Pro Forma
Projects #1 & #2**

In April 2017, the Board established the Utilities System at UNI, similar to the systems at SUI and ISU. These projects would be financed by proceeds from the sale of Utilities System Revenue Bonds. This would be the first bond issue for the System. The University currently plans to issue the bonds in early 2020. The University made the following assumptions in developing this financing plan (through FY 2030), which are reflected in the pro forma below, which is based upon Projects #1 and #2 described above, being financed by the sale of revenue bonds.

- Utility rate increases are assumed at 1.75% each year.
- Salaries/wages are projected to increase 2% each year with a 3% increase in fringe benefits.
- Other operating costs are expected to increase 1% annually.
- The University has based its pro forma on the sale of Utilities System Revenue Bonds for the projects, netting \$12.80 million in project proceeds. The projected bond issuance size of slightly more than \$13.98 million is based upon the amounts needed for debt service reserve funds and issuance costs. The projected debt service schedule was prepared by Baker Tilly, the Board's municipal advisor, at an interest rate of 2.61%. Using these assumptions, annual debt service payment of slightly less \$0.9 million are projected beginning in FY 2021.

While this would be the first bond issue for UNI's Utilities System, the University does have an outstanding master lease obligation with Wells Fargo that matures in FY 2024 used to finance power plant project back in 2014. The current debt service for this master lease and a small loan from the State Energy Revolving Loan Fund are included in the pro forma.

Utility Enterprise Pro Forma

Revenue	FY19 actuals	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Electric	\$4,218,270	\$4,574,862	\$4,654,922	\$4,736,383	\$4,819,270	\$4,903,607	\$4,989,420	\$5,076,735	\$5,165,578	\$5,255,976	\$5,347,955	\$5,441,544
Steam	\$7,021,662	\$7,118,013	\$7,242,578	\$7,369,323	\$7,535,133	\$7,704,673	\$7,878,028	\$8,055,284	\$8,236,528	\$8,421,850	\$8,611,341	\$8,805,096
Total Revenue	\$11,239,932	\$11,692,874	\$11,897,500	\$12,105,706	\$12,354,402	\$12,608,280	\$12,867,448	\$13,132,019	\$13,402,106	\$13,677,825	\$13,959,296	\$14,246,641
Expenses												
Personnel	\$3,110,210	\$3,260,515	\$3,336,849	\$3,415,044	\$3,495,146	\$3,577,205	\$3,661,269	\$3,747,390	\$3,835,620	\$3,926,014	\$4,018,625	\$4,113,512
Utility Expense	\$4,783,197	\$5,290,000	\$5,342,300	\$5,395,123	\$5,448,474	\$5,502,359	\$5,556,783	\$5,611,750	\$5,667,268	\$5,723,341	\$5,779,974	\$5,837,174
Other Operating Expenses	\$579,118	\$543,008	\$549,543	\$556,173	\$562,900	\$569,726	\$576,652	\$583,681	\$590,815	\$598,055	\$601,584	\$605,152
Total Expenses	\$8,472,525	\$9,093,523	\$9,228,692	\$9,366,340	\$9,506,520	\$9,649,289	\$9,794,703	\$9,942,821	\$10,093,703	\$10,247,409	\$10,400,183	\$10,555,837
Net Revenue Over Expenses	\$2,767,407	\$2,599,352	\$2,668,808	\$2,739,366	\$2,847,882	\$2,958,991	\$3,072,745	\$3,189,198	\$3,308,403	\$3,430,416	\$3,559,113	\$3,690,803
Improvement Fund Expenditures	\$699,348	\$800,000	\$808,000	\$816,080	\$824,241	\$832,483	\$840,808	\$849,216	\$857,708	\$866,285	\$874,948	\$883,698
Existing Debt Service	\$694,199	\$694,199	\$694,199	\$694,199	\$598,484	\$584,670						
Debt Service Projected Bond Issue		\$105,703	\$897,110	\$898,120	\$893,680	\$893,863	\$893,578	\$897,815	\$896,475	\$894,315	\$896,640	\$898,008
V/Tfr - Renewals\Replacemnts	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
Reserve Balance	\$3,515,054	\$4,374,504	\$4,504,002	\$4,694,970	\$5,086,447	\$5,594,423	\$6,792,782	\$8,094,949	\$9,509,168	\$11,038,984	\$12,686,509	\$14,455,607
Net Revenues/Debt Service	4.0	3.2	1.7	1.7	1.9	2.0	3.4	3.6	3.7	3.8	4.0	4.1