University of Iowa

Public-Private Utility Partnership (P3)
UI has fallen in rankings – Not keeping up with peer institutions

U.S. News & World Report Rankings
(Public Institutions)
## UI Ranking and Reputation

<table>
<thead>
<tr>
<th>School</th>
<th>U.S. News Ranking – Public</th>
<th>U.S. News Ranking – Public/Private</th>
<th>Retention Rate</th>
<th>4 Year Grad Rate</th>
<th>AAU</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCLA</td>
<td>#1</td>
<td>#20</td>
<td>97%</td>
<td>74%</td>
<td>Yes</td>
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<tr>
<td>Michigan</td>
<td>#3</td>
<td>#25</td>
<td>97%</td>
<td>75%</td>
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<tr>
<td>UNC - Chapel Hill</td>
<td>#5</td>
<td>#29</td>
<td>97%</td>
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<tr>
<td>Wisconsin - Madison</td>
<td>#13</td>
<td>#46</td>
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<td>57%</td>
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<tr>
<td>Illinois - Champaign Urbana</td>
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<td>#48</td>
<td>93%</td>
<td>71%</td>
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<tr>
<td>Texas - Austin</td>
<td>#14</td>
<td>#48</td>
<td>95%</td>
<td>52%</td>
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<tr>
<td>Ohio State</td>
<td>#17</td>
<td>#54</td>
<td>94%</td>
<td>59%</td>
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<tr>
<td>Minnesota - Twin Cities</td>
<td>#27</td>
<td>#70</td>
<td>93%</td>
<td>59%</td>
<td>Yes</td>
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<tr>
<td>Indiana</td>
<td>#31</td>
<td>#79</td>
<td>91%</td>
<td>60%</td>
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<tr>
<td>Iowa</td>
<td>#34</td>
<td>#84</td>
<td>86%</td>
<td>51%</td>
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<tr>
<td>Arizona</td>
<td>#53</td>
<td>#117</td>
<td>81%</td>
<td>43%</td>
<td>Yes</td>
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<tr>
<td><strong>Average</strong></td>
<td><strong>18</strong></td>
<td><strong>54</strong></td>
<td><strong>93%</strong></td>
<td><strong>63%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>UI vs Average (2020)</strong></td>
<td><strong>16</strong></td>
<td><strong>30</strong></td>
<td><strong>-7%</strong></td>
<td><strong>-12%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>UI vs Average (2019)</strong></td>
<td><strong>20</strong></td>
<td><strong>34</strong></td>
<td><strong>-7%</strong></td>
<td><strong>-12%</strong></td>
<td></td>
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</tbody>
</table>
Generational Investment

University of Iowa Strategic Plan
Improving Outcomes for Students and Iowans

✓ Students
  ✓ Increase retention rate
  ✓ Increase graduation rate
  ✓ Increase experiential opportunities

✓ Faculty
  ✓ Increase peer-reviewed research
  ✓ Increase citations
  ✓ Increase awards and National Academy Membership

✓ Iowans
  ✓ Increase access to quality health care
  ✓ Stimulate Iowa’s economic growth by:
    ✓ Commercializing university technology
    ✓ Increasing the workforce through increased graduation rates
University of Iowa Strategic Plan - Funding

*Improving Outcomes for Students and Iowans*

- **Full implementation of the University of Iowa’s Strategic Plan will require additional resources**

- **Total resources needed each year = $33M/year**
  - Shared responsibility between the university, state, and students/families
  - UI will generate through realignment, savings, and other activities
    - $11M per year
  - UI projects a portion of the strategic plan will be funded by resident and nonresident undergraduate, graduate, and professional students or an increase in appropriations above FY20 support
    - ~ $7M (% increases vary)
  - UI will explore maximizing utilization of existing resources through a P3 relationship
    - ~ $15M per year through P3 Utility Endowment
UI plant produces steam for heating and cooling and 25% of the electricity needed for campus (UIHC/Residence Halls/Athletics/Main Campus) and UI water treatment plant produces potable water for campus needs.
University of Iowa – Current Utility System Structure

Each Campus Unit Pays for its Share of Utility Consumption

Each segment of the UI pays for its consumption of steam, cooling, water, and electricity

Total Budget ~ $98 million

~ $41 million Fuel/Electricity/Purchased Services

~ $23 million Operation & Maintenance

~ $34 million Debt/Capital Expenditures
University of Iowa – Utilities P3

Solid Line = Ownership
Dotted Line = Lease/Service agreement

New Relationship

Company 1
Operator/Investor

Company 2
Investor

Reliable utility system focused on a sustainable future
Value Proposition
University of Iowa
- Upfront resources to further investment in the quality of education and research for Iowans

New Relationship

Value Proposition
Operator/Investor
- Steady long-term payment to Operator/Investor for 50 years (duration of the lease)
- Federal tax benefits

Company 1
Operator/Investor

Company 2
Investor

Reliable utility system focused on a sustainable future
University of Iowa – Utilities P3

1. Company 1 Holdings, LLC
   - Operator/Investor

   - 50%

2. Company 2 Holdings, LLC
   - Investor

   - 50%

3. Collaborative Holdings, LLC

   - 50%

   - 50%

   - Collaborative (Concessionaire)
This partnership…. 

- is not a sale of university assets
- is not a strategy to eliminate jobs
- is not forgoing the UI’s environmental responsibility
- is not forgoing the UI’s research opportunities on alternative fuels
- is not a replacement for state appropriations
The Agreement

Lump sum payment

UI pays annual (50 years) fixed fee. Fixed fee set at $35 million in years 1-5 and increases by 1.5% each year thereafter.

UI pays for O&M (employees) and Capital

Pays for fuel

Operating agreement for 50 years

Operating Agreement will contain special provisions for: Key Performance Indicators and a commitment to becoming coal-free

Company 1
Operator/Investor

Capital

Company 2
Investor
Next Steps

Step 1
- Company 1 Operator/Investor
- Company 2 Investor

→ Lump sum payment

Step 2
- UI pays off existing utility bonds ~ $153M
- UI pays off consulting fees ~ $13M

→ Bond Holders
→ Consultants

Step 3
- Establish 501c3 and invest the net proceeds

Goal is to provide the UI $15M annually to support strategic plan implementation and to subsidize utility expenses to keep within historical trends.
Utility Fee Composed of Three Parts:

- **Fixed Fee**

- **Operations and Maintenance Costs**
  - Employee salary and benefit costs
  - Materials and other contracts

- **Capital Expenditures**
  - Principal repaid over 20 years
  - Interest assessed on unrecovered capital expenditures; rate repriced every 5 years
FY22 Concessionaire Payment

- Fixed Fee: $35.0 million
- O&M Fee: $21.4 million
- Capital Expenditure: $3.8 million

TOTAL $60.2 million
FY22 University Utility System Costs*

- Fuel/Electricity: $33.83 million
- Sewer/Fire/Refuse: $5.47 million
- Energy Control Center/Environ Compliance: $4.56 million
- Insurance/Audit Costs: $2.01 million

TOTAL: $45.9 million

*Current University of Iowa utility costs
FY22 University Summary*

Campus Billing (revenue) $99.5 million
(-) Concessionaire Costs $60.3 million
(-) University Utility Costs $45.9 million
(=) Subsidy need from Endowment $6.7 million

(-) Subsidy from Endowment $6.7 million
(-) Strategic Initiatives* $15.0 million
(=) FY 22 Funding from Endowment $21.7 million

*1st full-year expending funds for strategic initiatives
## University Perspective Including Utility Subsidy from P3 Endowment

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY26</th>
<th>FY69</th>
<th>Average</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Amount Billed to Campus</td>
<td>$97.5</td>
<td>$99.5</td>
<td>$107.6</td>
<td>$252.2</td>
<td>$163.3</td>
<td>$8,166.2</td>
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<tr>
<td>Less: Univ. Utility Costs</td>
<td>$45.2</td>
<td>$45.9</td>
<td>$48.5</td>
<td>$112.2</td>
<td>$73.1</td>
<td>$3,656.9</td>
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<tr>
<td>Subtotal</td>
<td>$52.3</td>
<td>$53.6</td>
<td>$59.1</td>
<td>$140.1</td>
<td>$90.2</td>
<td>$4,509.4</td>
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<tr>
<td>Less: Payments to Concessionaire for Operating and Capital Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance (O&amp;M)</td>
<td>$21.1</td>
<td>$21.4</td>
<td>$23.3</td>
<td>$54.5</td>
<td>$35.3</td>
<td>$1,764.0</td>
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<tr>
<td>Capital Expenditure Repayment</td>
<td>$0.3</td>
<td>$1.4</td>
<td>$5.7</td>
<td>$109.0</td>
<td>$31.4</td>
<td>$1,567.6</td>
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<tr>
<td>Capital Expenditure Interest</td>
<td>$0.5</td>
<td>$2.4</td>
<td>$8.6</td>
<td>$18.3</td>
<td>$21.0</td>
<td>$1,051.9</td>
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<tr>
<td>Contribution Toward Concession Fixed Fee</td>
<td>$30.4</td>
<td>$28.4</td>
<td>$22.5</td>
<td>$(41.7)</td>
<td>$2.5</td>
<td>$125.9</td>
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<tr>
<td>Less: Fixed Fee Payment</td>
<td>$35.0</td>
<td>$35.0</td>
<td>$35.5</td>
<td>$67.4</td>
<td>$48.4</td>
<td>$2,418.2</td>
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<tr>
<td>Utility Subsidy From P3 Endowment</td>
<td>$(4.6)</td>
<td>$(6.7)</td>
<td>$(13.9)</td>
<td>$(109.1)</td>
<td>$(45.9)</td>
<td>$(2,292.3)</td>
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<tr>
<td>Strategic Funding</td>
<td>$(7.5)</td>
<td>$(15.0)</td>
<td>$(15.0)</td>
<td>$(15.0)</td>
<td>$(14.7)</td>
<td>$(735.0)</td>
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<tr>
<td>Total Distribution from P3 Endowment</td>
<td>$(12.1)</td>
<td>$(21.7)</td>
<td>$(28.9)</td>
<td>$(124.1)</td>
<td>$(52.6)</td>
<td>$(3,027.3)</td>
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</tbody>
</table>
The Challenge: Maintaining Discipline

The beginning value in the P3 Endowment is ~$XXX million

Must grow P3 Endowment to fund all necessary cash flows over 50-year term of agreement

P3 Endowment must support $3.03 billion in cash flow over 50 years
P3 501c3 Board:

The P3 501c3 will be managed by a three-member board:
- Board of Regents appointee
- UI Faculty Senate faculty appointee
- UI’s Senior VP for Finance and Operations

Board will:
- Meet quarterly to review the operation of the fund
- Hire investment advisors and fund managers
- Determine yearly allocation to the UI
Public-Private Partnership (P3)

✓ P3 Resource Allocation:

✓ Members of campus will be able to submit a proposal for **one-time grants** that may last up to 1 to 5 years

✓ These grants will implement strategies in support of the UI’s Strategic Plan. For example, grants will:

- Increase retention and graduation rates
- Provide additional support for first-generation students
- Improve students’ time to degree (reduce student debt)
- Create additional undergraduate research opportunities
- Increase outreach and engagement across the state
- Invest in research facilities and grant applications
P3 Resource Allocation - Proposal

Transparent Grant Process

✅ Ideas from campus
- Anyone can submit a proposal
- Up to 5-year grant
- Must impact the strategic plan

✅ Path Forward Work Groups
- Group of experts
- Will triage first round of requests

✅ Path Forward Steering Committee
- Shared governance and administration
- Will determine what requests move on to budget review board for final review

✅ Budget Review Board
- Shared governance, academic leadership, and administration
- Will make final decision regarding requests
What does success look like?

Implementation of the UI’s strategic plan which will:

- Keep students in school
- Graduate in 4 years to decrease potential debt
- Increase peer-reviewed research
- Increase citations
- Increase awards and National Academy Membership
- Increase access to quality health care
- Stimulate Iowa’s economic growth by:
  - Commercializing university technology
  - Increasing the workforce through increased graduation rates

World class utility system

- Protecting choices for future UI leadership
- Coal-free by 2025, if not earlier
- Seamless transition of staff and operational responsibility
- New student learning experiences in energy management
- New sustainability research opportunities
QUESTIONS?